

CO-OPERATION

REPUBLIC OF MOZAMBIQUE

AND

THE EUROPEAN COMMISSION

JOINT ANNUAL REPORT

2002

TABLE OF CONTENTS

Agreed Conclusions

- 1. Development Agenda of the Mozambican Government (Current Status)**
- 2. Political, Economic and Social Situation**
 - 2.1 Political Context
 - 2.2 Context Economic and Social
 - 2.2.1 Macroeconomic Context
 - 2.2.2 Good Governance, Legality and Justice, Decentralisation and Deconcentration
 - 2.2.3 Education
 - 2.2.4 Health and HIV/AIDS
 - 2.2.5 Infrastructure
 - 2.2.6 Agriculture and Rural Development
 - 2.2.7 Assessment of Expenditure in Critical Areas of Action – 1999-2002
 - 2.2.8 Regional Policy and Integration
 - 2.2.9 Integration into the World Economy
- 3. Appraisal of Co-operation between Mozambique and the EC**
 - 3.1 Core Sectors within the 9th EDF Framework
 - 3.1.1 Macroeconomic Support
 - 3.1.2 Transport Infrastructure
 - 3.1.3 Food Security and Agriculture
 - 3.2 Other Sectors
 - 3.2.1 Health and HIV/AIDS
 - 3.2.2 Good Governance
 - 3.2.3 Rural Development
 - 3.2.4 Private Sector Development
 - 3.2.5 Fisheries
 - 3.2.6 Water and Sanitation
 - 3.2.7 Telecommunications
 - 3.3 Utilisation of Other EC Budget resources
 - 3.4 Regional Projects
 - 3.4.1 Transport Infrastructure
 - 3.4.2 Health-CRDS
 - 3.4.3 PALOP- Support to Judicial System Development
 - 3.5 Financial Execution of NIP and SAF
 - 3.5.1 Overall Appraisal
- 4. Programming in 2001-2002 and prospects for 2003-2005**
 - 4.1 Financing decisions in sectors foreseen within the 9th EDF NIP
 - 4.1.1 Macroeconomic support
 - 4.1.2 Transport Infrastructure
 - 4.1.3 Food Security and Agriculture
 - 4.1.4 Health and HIV/AIDS
 - 4.1.5 Good Governance
 - 4.1.6 Support to Non-State Actors
 - 4.2 Financing decisions for sectors anticipated in previous PINs
 - 4.2.1 Beira Sanitation Project
 - 4.2.2 Fisheries Project
 - 4.2.3 Institutional Support to GON
 - 4.2.4 Telecommunications
 - 4.3 Contracts and Payments from EDF Funds

5. Specific Themes for the 2003 Annual Joint Report

- 5.1 Speeding up the Implementation of EDF Resources
- 5.2 Review of the 9th EDF CSP/ NIP Indicators
- 5.3 Progress in the dialogue between the National Authorising Officer, the European Commission Delegation and the Non-State Actors
 - 5.3.1 With the National Authorising Officer
 - 5.3.2 With Non-State Actors (NSAs)

Annexes



EC-Mozambique Joint Annual Report 2002

Conclusions

1. Context

The political context in the Republic of Mozambique during the evaluation period was generally stable, and there are no circumstances of such a nature to mention as affecting the normal development of co-operation between this country and the European Union. The latest elections (presidential and legislative) took place in 1999, out of which an executive power emerged – President of the Republic and Government – supported by a parliament majority. Mozambique has consolidated peace and democracy, and in this context the EC welcomed the Government's commitment to hold elections at the municipal level on 19 November and at the national level in 2004. Although much has been achieved in the field of good governance, the Government acknowledged that much also remains to be done in particular in justice delivery and fight against corruption. In that respect, a policy dialogue has been articulated, based on the support provided by the European Commission to the electoral process, as well as support to the justice sector, one of the pillars for good governance. In June 2003, Mozambique will take up the Presidency of the African Union. Mozambique is also expected to host the Summit of ACP Heads of State and Government in 2004.

2. Progress Achieved in Poverty Reduction

In April 2001 the Government of Mozambique approved the final strategy document for absolute poverty reduction, the PARPA 2001-2005. The central objective of PARPA is to substantially reduce poverty levels from 70% in 1997 to less than 60% in 2005 and less than 50% by the end of 2010. The strategy includes policies directed to establishing an enabling environment for investment and productivity, and to achieving an average annual economic growth of 8% of GDP, together with a low inflation rate. The strategy includes policies and programmes in six priority areas for poverty reduction: i) education; ii) health; iii) agriculture and rural development; iv) base infrastructure; v) good governance; vi) macroeconomic and financial management.

The Government committed itself to increase public expenditure in these priority areas, and in particular in the social sectors, agriculture and rural development, and infrastructure. At the same time, the strategy covers other basic dimensions of poverty, namely HIV/AIDS, gender, vulnerability and environment.

The economic situation in 2001 was characterised by a real, noticeable growth of 13.9% of GDP, while inflation continues to grow at a two-digit rate, reaching 21.9% by the end of the year, together with a strong depreciation of 36.0% in the exchange rate of the Metical against the Dollar. In 2002, and according to the available data, economic growth reached 8%, while the inflation rate decreased to 9.1% and the Metical was stable against the Dollar. These numbers concur with the macroeconomic framework foreseen in PARPA and PRGF.

The gender equity situation in the Health and Education sectors remains an area of concern. Net enrolment of girls in Primary Education is still much lower than that for boys. A further exacerbating aspect is that out of the population living under the threshold of absolute poverty 23% are people in single parent households headed by women. The illiteracy rate, already high in Mozambique, is much worse amongst women. Life expectancy remains higher for men than for women.

During the last few years there have been substantial advances in liberalising and opening the economy, which has evolved from a model of planned economy to another one supported by market mechanisms and private property. The Mozambican private sector is strongly polarised, with a dynamic sub-sector of high profits and intensive in capital and a traditional sub-sector, such as agriculture, fisheries, small-scale manufacturing and local transport, whose performance has been deteriorating. Economic growth is the result of high levels of foreign investment in the former sub-sector, typically including large-scale mega-projects.

Economic growth induced by foreign investment disguises, in a way, the relative lack of complexity of the national private sector, characterised by extremely high unit and transaction costs determined by poor competition, among others, privileging the internal market with low volume of sales, under-capitalisation and lack of financial access, insufficient infrastructure, lack of expert labour and management capacity, and little effective public administration¹. Furthermore, the setting for technical training in Mozambique is extremely underdeveloped. As a result, internal market prices are higher than in the other regional markets and national businessmen ask for protection arguing that foreign companies are in a better position to compete.

3. Trade and Finance

Implementation of the SADC Trade Protocol has been delayed as negotiations are still ongoing regarding tariffs, product offers and rules of origin.

Notwithstanding delays in the Protocol implementation, the Mozambican economy is evermore integrated into the regional context, and South Africa is its main commercial partner. Commercial relations with South Africa are, however, characterised by serious imbalances, where Mozambique imports from South Africa² accounted for 46% of all Mozambican imports in 2002 and Mozambican exports to South Africa are almost none. This trend could somehow be opposed when the Pande (Inhambane) gas pipeline starts to operate within the next few months and progress is achieved in exporting power to this neighbouring country from Cahora Bassa dam, as well as from others that may be developed.

As for virtually all African ACP countries, the EU is the main trade partner of Mozambique: in 2002, trade with the EU accounted for 64% of all Mozambican exports and 12% of all imports:

- Exports from Mozambique to the EU continued to increase in 2002, from 111.8 million Euros in 1999 to a record-breaking 583 million Euros last year. The Mozambican exports to the European Union are barely diversified: 5 products are enough to account for 96% of all exports. Since 2001, the aluminium production is changing the structure of Mozambican exports: traditionally, exports have been dominated by seafood and non-staple agricultural products. These sectors had poor performance during the last few years due to low productivity and the bad international market. Aluminium is now the country's major single-category export (79.3 % of exports to the EU in 2002). This trend will prevail in coming years as the second phase of the aluminium smelter Mozal starts to operate in 2003.
- Imports from the EU of more sophisticated and much more diversified manufactured items, increased in 2002, reaching a record-breaking 312 million Euros. Consequently, the commercial surplus of Mozambique with the EU decreased to 271 million Euros, from a maximum of 324 million Euros in 2001.

As regards the regional framework within which the Economic Partnership Agreements should be negotiated, Mozambique has the intention to negotiate through SADC. Regarding the assessment

¹ A complete self-diagnosis of problems in the Mozambican private sector may be found in the proceedings of the 2001 and 2003 Private Sector Conferences, and in the 1998 and 2003 studies on Appraisal of Industrial Performance and Environment. These documents were compiled and published by the main private sector local (CTA)

² All trade data come from regular Eurostat and DG Trade statistics.

of the potential impact of the EPA on the Mozambican economy, a request has sent by the Government to launch an impact study of the EPA at national level that the Commission welcomes.

For the period under analysis it should be highlighted the adoption of a set of standardisation and disciplinary measures, among which the entry into force of the Code of Fiscal Benefits, creation of the new Special Tax Offices, strengthening of inspections and tax audits, consolidation of VAT, and implementation of Law 9/2002 – Law on State Financial Administration – approved by the Parliament, which establishes additional requirements of transparency in budgetary acts and strengthens the principle of budget allocation by programmes in priority sectors.

Concerning financial indicators, expenditure in the priority sectors as a percentage of the total expenditure, excluding debt interest, showed a growth trend, in accordance with PARPA criteria. The reviewed state budget for 2002 expected that the above ratio would be higher than the goal foreseen in PARPA (66.1%). Taking into account the limitations in revenue, the availability of more resources to the priority sectors would negatively affect performance in other sectors that, albeit not being priority sectors, are important to the country development. In this context, increasing efficiency becomes the utmost priority in public expenditure management.

There is the ever-persisting need to make efforts for improving territorial distribution of expenditure, since provincial participation is still small when the government goals of progressing in administrative decentralisation and deconcentration are to be considered. This effort is particularly important when considering the aim to overcome substantial imbalances in the poverty indexes, namely between rural and urban areas.

In general, physical and financial indicators display a trend of positive performance. The same trend is observed for social indicators and specifically in education and health sectors, based on MDG and PARPA, but coverage is still not comprehensive enough for all segments of population and regions in the country.

Furthermore, the human resources situation in the health sector is directly affected by HIV-AIDS as well and there is considerable lead time in the recruitment and training of staff.

An updated list of indicators including MDG and PARPA as well as the Performance Assessment Framework (short list) are to be found in annex.

4. Good Governance

The government is willing to strengthen performance in the area of Legality and Justice, which led to the inclusion of this area among the priorities for support by the European Union, under the scope of NIP of the 9th EDF. It may be observed that as far as implementation is concerned, the sectors are at a stage where they assign priority to access to public services to the detriment of quality, hence the conclusion that it is imperative to strengthen the aspects of efficiency and effectiveness of public services delivery.

It has been concluded that in the 2003 JAR and in particular in the 2004 Mid Term Review, the following points should be more developed:

- distinction between resources allocated and budget execution in the main social areas, specifying the source of financing, i.e. the part that comes from the Government's own resources and the part coming from donors (in and off budget),
- evolution of fiscal deficits and the weigh of tariff revenues and other taxes in the total income of the Government,
- GDP growth,
- employment situation,
- financial sector situation,

- productive sectors and the main sources of growth with a brief indication of what are the sector that grow the most (agriculture, industry, services) to provide additional guidance on economic policy,
- identification of areas/sectors where Mozambique has a competitive advantage and where financial institutions could help promoting investment.
- trade relations between Mozambique and the EU,
- macroeconomic impact of HIV-AIDS.

5. Main Co-operation Results and Activities

i) Financial Execution

There are currently 4 **National Indicative Programmes of the 6th, 7th, 8th and 9th EDFs** underway. **NIP of the 6th EDF** was signed in 1986 and has a financial portfolio of €160 million. Currently there is only one major project ongoing: “Rural Telecommunications”. **NIP of the 7th EDF** was signed in 1991 and has a financial portfolio of €174.6 million. There are still a number of important projects ongoing in the areas of health, infrastructure, water and sanitation. **NIP of the 8th EDF** was signed in 1997 and has a financial portfolio of €214.5 million. Its execution has not yet reached a maturity phase and there are substantial amounts of funds still to allocate and pay. As a result, there is an important diversity of projects ongoing in the areas of health, education, infrastructure, rural development, private sector, water and sanitation. **NIP of the 9th EDF** was signed in February 2002 and has a financial portfolio (A) of €274 million. The focal areas of the EC support under the 9th EDF are: Macroeconomic support, Transport Infrastructure, Food security and Agriculture. Other important areas of intervention include Health and HIV/Aids, Good Governance and Non-State Actors.

The financial execution by late December 2002 of the National Indicative Programmes (PINs) and the Structural Adjustment Facility (SAF) is shown in the table below:

EDF	NIP €M	SAF €M	Total €M	Decisions		Contracts		Payments	
				€M	% Total	€M	% Total	€M	% Total
6	160.0		160.0	158.9	99.3	147.9	92.5	146.5	91.6
7	170.6	30.0	200.6	199.3	99.3	186.3	92.8	177.5	88.5
8	214.5	132.0	346.5	325.3	93.9	205.6	59.3	172.5	49.8
9*	274.0		274.0	150.0	54.7	150.0	54.7	30.0	10.9
Total	819.1	162.0	981.1	833.5	84.9	689.8	70.3	526.5	53.7

* Envelope A. SAF funds are integrated in Envelope A of the 9th EDF.

In what concerns the global aid amount from the European Union within the scope of PINs and SAF, the 4 EDFs added to an amount of €981.1 million. Of this amount, €833.5 million, i.e. 84.9% of the total portfolio, was subject to **financing decisions**. The global amount of **contracts** is €689.8 million, i.e. 70.3% of the global portfolio and 82.7% of the financing decisions. The global amount of **payments** adds to €526.5 million, i.e. 53.7% of the global financial portfolio.

ii) Performance

Macroeconomic support. In relation to the **implementation of PARPA**, Government actions have been guided towards making PARPA the reference document for co-ordination and implementation of policies for poverty reduction, including the allocation of public financial resources to priority areas. Upon favourable opinion of EDF Committee, in October 2002 the Financing Agreement of Programme for **Poverty Reduction Budget Support (PRBS II)**, worth €168 million within the scope of 9th EDF, was signed in early December 2002 and the first disbursement of €30 million was made in late December 2002.

Transport Infrastructure. The Government road policy is materialised in the **Integrated Strategy for the Road Sector**, which is a 10-year programme of investments completed in January 2001, that is at the basis of the road rehabilitation and maintenance programme Roads III.

The creation of separate Boards for ANE and the Road Fund were objectives accepted recently by the Government and members have been nominated. The creation of the National Road Agency proved to be a decision towards the right direction because of the separation of policy making from implementation procedures and thereby streamlining operations. Nevertheless, the management problems within the Road Fund need to be addressed as well as the lack of capacity to generate funds in order to cater for the required maintenance works hence increasing the serious situation of backlog. Furthermore, the road maintenance projects improved road quality and conditions, as well as transport services in the sense of reducing vehicle operation costs and travel time, improving safety and providing easier access to markets.

Interventions funded by the EC in the road sector continued in 2001 by launching the following maintenance works: road Save River-Muxungué (rehabilitation works completed in November 2002 and the road was officially inaugurated by the President of the Republic; however, heavy rainfall in March 2003 in Inhambane and Sofala provinces damaged this stretch of road, and consequently an amount of €1 million was requested to the EC for repair works); Nampula-Nacala; beginning of the feasibility study for the Namacurra-Ligonha River road and for the component of Rural Roads in the 9th EDF; closing of accounts for the Emergency Opening of Roads in Sofala and Zambézia projects and for the rehabilitation of the Beira-Inchope road. In the railway subsector, activities related to studies and preparation of projects concerning the **Nacala Transport Corridor** and the Limpopo Railway were finally launched.

The government following the recent developments in the concession of the Nacala Railway Corridor indicated that other means of financing have been guaranteed for the rehabilitation of the missing 77 kms to the Malawian border. On basis of this new scenario with the completion of the Nacala Railway Corridor forthcoming within short, the government's priority is to shift the funds already earmarked for the Nacala Railway rehabilitation for the construction of a bridge over the Zambezi river at Caia. Both Sweden and Italy are already willing to committ funds for the Zambezi Bridge with a total of about 45 M€ out of 75 M€ estimated total cost. Sweden, within its indicated envelope is funding at present the pre-design study to start by end of 2003. A forthcoming commitment by the EC to complete the financial envelope with approx. 25 M€ would make the construction of this bridge possible through a common European funding.

Food Security and Agriculture. **PROAGRI** achieved significant progress with the signature, in May 2001, of the Memorandum of Understanding (MoU) on the common funding mechanism. In 2001, the **agriculture sector had an overall growth of 12%**, despite significant variations at the regional level. All components in the previous **Food Security** financial proposal are under implementation. Most of the Food Security Multiannual Programme, worth €44 million and approved in October 2000, is under implementation. All its components are integrated into the State Budget and are fully managed by the Government. It should be noted that the two Memoranda of Understanding covering all four components of the programme were prepared, negotiated and signed in 2001, in what constituted a major effort. In 2002, disbursements within the Food Security Programme exceeded €18 million.

In July 2003, the Commission approved a new programme covering 2003-2005, with a financing decision of 18M€ for the first year. This programme builds and slightly expands the previous one, which is coming to an end. First disbursements are expected early 2004.

The preparation of the STABEX Framework of Mutual Obligations (FMO) is advancing well and is expected to be signed early 2004. MADER and NAO have prepared a draft proposal which has been sent to HQ for further comments and final layout An agreement has been reached with MADER over the utilisation of 4.3 M€ (see annex) to finance an agricultural research programme focused on cotton, cashew and cassava.. This intervention is complementary to other activities in the area of cotton, cashew and cassava financed by the EC food security programme.

In February 2002 the Financing Convention for the new **Health Sector Support** programme (8 ACP MOZ 33), worth €30 million, was signed. The programme marks an important transition from the project approach of previous health programmes to a SWAP, and includes financing the following common funds (CF): pharmaceutical CF, General / PESS CF, CNCS / HIV/AIDS CF, and provincial support CF. The project with the Ministry of Health supporting HIV/AIDS programme relating to institutional management capacity at national level, training, drugs supply, supervision and epidemic surveillance has been completed in March 2002.

As regards to **Good Governance**, the Government approved in February 2002 the Integrated Strategic Plan for the Justice sector for the period between 2002-2006. A feasibility study has been carried out by the end of 2002 to assess the EC support in this area. Furthermore within the budget chapter “European Initiative for Democracy and Human Rights (EIDHR)”, Mozambique is a focus country. Following a programming identification mission, the following areas of intervention have been chosen: support to strengthening the capacity of civil society in human rights and democracy actions; human rights and voter education and freedom of expression and independent media.

Concerning the **Education** sector Mozambique participates in the Education for All Fast Track Initiative and its FTI proposal has been endorsed (in March in the Paris Donors’ meeting). Following that, a sizeable portion of funds of the Rural Development Programme financed under the 8th EDF has been earmarked for the Education sector, including the FTI (€17,35 million).

The **European Investment Bank** (EIB) has a strong commitment towards Mozambique. Over the last 6 years financial commitments in Mozambique represented almost 10% of EIB global expenditure in ACP countries, ranking by far ahead of all other. Finance contracts signed both with private and public entities amounted to some EUR 73 m on risk capital resources (8th EDF) and to EUR 124 m from the Banks own resources, and were directed to a variety of productive sectors, helping the country to sustain economic development in the medium and long-term. Sectors targeted by EIB investments range from agro-industry – sugar cane, which generates large employment – to large capital-intensive industrial and energy ventures such as the Mozal aluminium smelter or the natural gas development in Pande and Temane, which generate foreign currency. Infrastructure, such as the development of the mobile phone network or the electricity supply to Maputo (and Mozal), was part of EIB’s main business stream. With the aim of supporting local SME’s, the EIB provided lines of credit to the local banking sector (on concessionary terms to Mozambique, for on-lending on market related terms), as well as participated in a venture capital fund (FICREM) to help capitalisation of local entrepreneurship. The debt servicing of the loans provided by the Bank has been regular, although with some difficulties in the traditional agro-industrial sectors, such as cashew, cotton and citrus.

Under the 9th EDF, the EIB will manage the Investment Facility (IF), a large financial instrument of EUR 2.2 billions aiming primarily at supporting investments of the private and the commercially-run productive public sectors in the ACP countries. This Facility will be complemented with up to a further EUR 1.7 bn from the Bank’s own resources. Should Mozambique continue to attract the flow of investments registered over the last few years, the EIB will provide the required funding to encourage the implementation of good projects in the country, provided that sound sector policies are implemented and maintained.

6. Measures to speed up implementation of EDF and Indicators

The ON/EC joint work programme for 2003-2005 presented in section 5 was prepared as to recover from the delays in programming the 9th EDF, to speed up implementation of the 8th EDF and to re-programme the RAL of projects about to be closed. Such programming should create the conditions for a successful mid-term review of the Strategy Document and the 9th EDF NIP. The programme agreed upon is quite ambitious and should require close co-ordination between GON (NAO), line Ministries involved and, on the EC side, between the Delegation and the relevant central services and among these. Considering the elements stressed in sections 4 and 5 of this report, the work programme should be laid upon the following priorities:

- To undertake the 2003-2004 financing decisions programming of the 9th EDF and the remainder of the 8th EDF. The objective is to **programme €148.7 million in 2003 and €14.0 million in 2004.**
- To speed up administrative procedures for hiring and for reviewing project formulation, if necessary, aiming at decreasing RAC. The objective is **take up contractual commitments of €82 million in 2003, €145.7 million in 2004, and €34.5 millions in 2005.**
- To establish a constructive dialogue with the sectors benefiting from the EC assistance with the purpose of **speeding up payments and decreasing the corresponding RAP. The objective is to make payments of €111.4 million in 2003, €142.2 million in 2004, and €152 million in 2005 (see table 10).**

The review of indicators is ongoing under the context of the PARPA Monitoring and Assessment Mechanism. On the other hand, within the framework of PRBS II, the EC agreed with the Government and the Group of Donors for Macroeconomic Support to jointly define a provisional system of performance indicators, including the sectors of health, education, and public finance management. In May 2003, within the annual review of the Joint Programme for Macroeconomic Support, it was decided between donors and the Government to define a joint PARPA monitoring and evaluation mechanism based on few selected result indicators. The process will be co-ordinated by the Government and should count on the active participation of the Group of Donors for Macroeconomic Support (G14) and the World Bank, the latter within the scope of PRSC. The definition of indicator matrices is an evolving process where the EC has played a major role. This matrix should constitute an appropriate basis for the MTR 2004. However, as it is an evolving exercise, the most recent version of this matrix will be applicable at that time.

7. Prospects for the Future

The work programme is based on the following elements:

- To speed up financing decisions concerning the 9th EDF and the resources available from previous EDFs
- To speed up implementation of ongoing programmes
- To close completed programmes and reprogram unallocated resources.

The table below shows programming up to 2005.

Programming of EDF funds	2002	2003	2004	2005	Total
Financing Decisions	168.0	129,8	14.0	0	311.80
Contracts		82.0	145.7	34.5	
Payments	47.5	111.4	142.2	152.5	453.6

- PM. The food security line should programme €48 million in 2003

Following the discussions and the outcome of the present joint annual review, the 9th EDF programming has been up-dated showing three scenarios: the first concerns a project pipeline on the basis of a 2004 Mid-term decision to transfer envelope B (93%) to envelope A, the second and the third are based on the hypothesis that additional funds are allocated to Mozambique over and above the A and B envelopes, following respectively a low and a high case scenario. A table summarizing these approaches is annexed to the present document.

In 2001, the objectives in terms of programming were achieved, with the approval of the 8th EDF health programme, worth €30 million. **In 2002 results fell much short of the objectives.** According to the Strategy Document and the 9th EDF NIP, the plan was to programme €274 million distributed by the 8th EDF (€34 million), the 9th EDF (€195 million), and the food security budget line (€45 million). The final result was €168 million, i.e. 61.3% of foreseen programming, related to the approval of PRSB II programme of €168 million, whose funds are distributed by the 8th EDF (€18 million) and the 9th EDF (€150 million). The discrepancy in relation to initial provisions was due to the 9th EDF focal sectors, infrastructure and food security, and to two actions

foreseen within the scope of the 8th EDF in the sectors of water and fisheries, whose programming did not take place as expected. **The delay should be fully regained in 2003-2004**, and the expected programming for 2003 is €148.7 million from EDF funds and €48 million from the food security budget line, and for 2004 €14.0 million from EDF funds. By the end of 2004, EDF funds available should be fully programmed.

The dialogue between the EC and the GON has seen substantial progress as from the last 2002 semester, thus reverting the situation preceding the events marking the final phase of the institutional support project that were at the base of a suspension of such support to carry out an audit, a fact that greatly restrained functioning of this institution critically important to co-operation management between the Republic of Mozambique and the European Union. As a consequence of this dialogue, and also meeting EC objectives – to normalise operation conditions in GON – the Commission services decided to resume support to GON and during the last quarter of the year the necessary measures were taken to re-establish funding as from January 2003. Meanwhile, it was agreed to audit the GON support project by the end of 2002, which produced a final Report that was submitted in May 2003, now under appraisal by GON. Overall, the consultancy considered the funds used under the project were in accordance with the project's Financing Convention, with the exception of a number of points still under discussion between the parties. Likewise, a consultant was contracted to make an evaluation of the GON institutional support project, aiming at establishing the bases for a new support package to begin in January 2004 and proposing the bases for a dialogue over a new collaboration strategy that considers the new set of policies and procedures within the scope of Cotonou Agreement. Within the global dialogue framework some essential objectives were achieved, namely the adoption of the Strategy Document and the signature of the 9th EDF NIP in February of the year this Report concerns.

The involvement of Non-State Actors within the implementation framework of the Country Support Strategy and NIP has not seen progress, as dialogue is still on between ACP States and the Commission over the eligibility of Non-State Actor and the importance of considering specificity of each ACP State. This issue has been the object of discussions between the Delegation and GON aiming at the definition of a strategy to follow for the implementation of this support to NSAs. The objective is to reach a consensus on the strategy as soon as possible in order to be able to design and launch a programme in support to NSA in early 2004.

Abbreviations

ACP: Africa, Caribbean and Pacific Countries
ANE: National Roads Agency
AU: African Union
CF-G: Health Sector Common General Fund
CFM: Caminhos de Ferro de Moçambique (Mozambique railway company)
CNCS: National AIDS Council
Cotonou Agreement: ACP-EU Partnership Agreement signed in Cotonou on 23rd June 2000
DNA: National Directorate of Water
DPG: Development Partnership Group
EC: European Commission
EDF: European Development Fund
EGFE: General Statutes for Civil Servants
EIB: European Investment Bank
EP1: Primary school level 1
EP2: Primary school level 2
EU: European Union
GATV: Counselling and Voluntary Testing Agencies
GDP: Gross Domestic Product
GON: National Authorising Officer / Office
GSA: General State Account
HDI: Human Development Index
INAM: National Meteorology Institute
MADER: Ministry of Agriculture and Rural Development
MIC: Ministry of Industry and Commerce
MINED: Ministry of Education
MISAU: Ministry of Health
MOPH: Ministry of Public Works and Housing
MPF: Ministry of Planning and Finance
NIP: National Indicative Programme
NSA: Non-State Actors
PAAO: Annual Action and Budgeting Plan
PARPA: Action Plan for Absolute Poverty Reduction
PES: Social and Economic Plan
PESS: Health Sector Strategic Plan
PO: Poverty Observatory
PRBS: Poverty Reduction Budget Support
PRGF: Poverty Reduction Growth Facility
PRSP: Poverty Reduction Strategy Paper
RAC: remainder to contract
RAL: remainder to liquidate
RAP: remainder to pay
SAF: Structural Adjustment Facility
SB: State Budget
SETSAN: Food and Nutritional Security Technical Secretariat
SWAP: Sector Wide Approach
TA: Technical Assistance
VAT: Value Added Tax
WTO: World Trade Organisation

1. DEVELOPMENT AGENDA OF THE MOZAMBICAN GOVERNMENT (Current Status³)

In April 2001 the Government of Mozambique approved the final strategy document for poverty reduction, PARPA 2001-2005. The core objective of PARPA is to substantially reduce absolute poverty levels from 70% of the total population, in 1997, to less than 60% in 2005 and less than 50% by the end of 2010. The strategy includes policies targeted to the establishment of an enabling environment to investment and productivity, and to the achievement of a comprehensive average annual growth rate of GDP of 8%, combined with low inflation. The strategy includes policies and programmes in six priority areas for poverty reduction: i) education; ii) health; iii) agriculture and rural development; iv) basic infrastructure; v) good governance; vi) macroeconomy and financial management. The Government is committed to increasing public expenditure, particularly on social sectors, agriculture and rural development, and basic infrastructure. At the same time, the strategy covers other basic dimensions of poverty, namely gender, vulnerability and environment.

PARPA was designed as an instrument integrated into the public planning system, subordinated to the Government's 5-year programme. In this context, its implementation is undertaken through the medium-term planning of the Medium-Term Fiscal Framework, and the annual instruments, which are the Social and Economic Plan (PES – *Plano Social e Económico*) and the State Budget (SB).

Subsequently to the adoption of PARPA 2001-2005, the deepening, clarification and decision-making on the final monitoring and evaluation scheme became a government priority. Thus, the fundamental principles consubstantiating the aforementioned document were debated and deepened, leading to the final adoption, in December 2001, of the specific monitoring and evaluation document. The issue of PARPA monitoring and evaluation was solved in a manner consistent with the integration of PARPA into the public planning system in use. Thus, monitoring is carried out essentially based on the information system provided by PES status reports and SB Execution Reports. On the other hand, the impact monitoring system is defined and includes reports on quantitative and qualitative assessments, the preparation of which is open to academic institutions and the concurrence of stakeholders other than the public sector.

Involvement of national and international partners in the action is an aspect that has been included in the planning system in use. For this purpose, the Government intends to establish a Poverty Observatory (PO). By definition, the PO is a consultative forum whose key function is to follow up on the objectives, goals and actions under the scope of PARPA. Though co-ordinated by the Government, PO was given the task of establishing solid bases for a co-ordinated action of all stakeholders in the fight against poverty and to the benefit of sustainable development in Mozambique through the monitoring and evaluation system, the instruments for short- and medium-term planning, among others, recommending measures for a consistent enhancement of public policies.

PARPA monitoring strategy was definitely introduced as a routine since its implementation, in year 2002. In regard to the Result and Process Monitoring, the filling in of PARPA monitoring matrices concerning the performance of sectors during 2001 and the first semester of 2002 was undertaken for the first time, and they followed the PES balances (this information is at the basis of this report). Within the scope of Impact Monitoring, an analysis of the QUIBB 2000-2001 survey (the last one made) results is underway, consisting on data modelling and confirmation of preliminary results. As for Budget Monitoring, Public Expenditure Assessments in the Sectors of Education, Health, and Agriculture and Rural Development are ongoing.

Work within the scope of the Result and Process Monitoring faced some constraints, mostly related to the quantity and quality of information supplied by the sectors on the degree of achievement of priority actions, which, in many instances, was below the levels required and, in others, there was a full lack of information. In other cases, the information received denotes lack of or insufficient understanding over the real dimension of existing problems and the most adequate

³ This section was prepared based on the report from the Ministry of Planning and Finance “*Implementação do PARPA – Relatório de Avaliação 2001*”, February 2003.

therapies. This applies to instances of programmed actions that were not executed, when it is only pointed out that the execution of this or that action was hampered or not undertaken due to insufficiency of means or lack of human resources, without clearly and objectively sizing and qualifying the real needs in terms of inputs. The same is applicable to the “success cases”, since reports are not followed by a qualitative evaluation of results and effects produced by implemented actions.

To solve this problem, work has been undertaken in trying to sensitise stakeholders to the need of systematising the process of collecting and delivering information on the PARPA priority actions. Specifically, a proposal was made to the sectors for the inclusion of indicators into the sectoral monitoring systems, and a demand was made for the regular presentation of complete matrices annexed to the sectoral PESs.

The analysis of the implementation degree of PARPA shows the need make a substantial effort in the areas mentioned below:

- **Enhancing the Planning and Budgeting System**

To strengthen the critical function of annual planning, namely through PES and SB, which should generate the feasible matrix of goals and actions referred to selected objectives, programmes and strategies included in the medium-term planning instruments, in particular PARPA and the Medium-Term Fiscal Framework (Translation Note: fragment in the original).

Changes in planning should be targeted to improving the selection of activities through an effort of prioritisation and establishment of closer linkages between actions and expected results. In this sense, it is imperative to improve planning instruments by prioritising indicators that can more accurately reflect sectors’ performance, as well as indicators that allow an articulation between sector efforts and changes in the well-being of populations.

Sectoral planning should contribute to greater clarification of programmes and projects, in harmony with the overall objectives and goals. More effort should also be put into the detailed costing while budgeting projects and programmes. Another crucial aspect is the deconcentration and decentralisation of Government actions, in particular those of the public planning system. Within the scope of the State’s administrative and financial decentralisation process, a process is now underway to strengthen and expand local participatory planning.

- **Improving Monitoring and Evaluation**

In regard to monitoring there are weaknesses to overcome, since information made available by the sectors on the degree of achievement of goals and activities in the crucial areas of PARPA does not always reflect the real situation. It is also necessary to make the Observatory of Poverty operational and to clearly define the Monitoring and Evaluation Cycle of PARPA in agreement with the annual implementation instruments (PES and SB).

This recommendation is also applicable to cases where sectors objectively inform on the degree of execution of actions and goals but don’t mention factors of execution or non-execution and don’t make a qualitative assessment of results and effects of implemented actions.

To ensure the implementation of PARPA monitoring it would be useful to promote a more effective ownership of the process among the sectors, starting by an intra-sectoral performance assessment as an imperative factor for data and information collection, processing and analysis within the sector, prior to sending it to MPF. This issue is of particular relevance when the formal channels for supplying data and information by the sectors and other agents do not show satisfactory results, making necessary to complement information received with visits to the sectors or with other forms of interactive work.

It should be added that the monitoring system, focusing on an excessively high number of activities, has been little productive, since it does not contribute for a detailed analysis of the

sectors' efficiency and effectiveness of performance. This experience suggests that monitoring a limited number of quantitative and qualitative indicators, concrete and representing each area's performance, tends to be more flexible and productive, an aspect to consider in the following planning cycles.

- **Achieving physical and financial goals and additional programmed actions**

In what concerns the integration of PARPA into the normal operation of the sectors, it is noticeable a limited knowledge of the Plan by the technicians and even by senior officials with policy implementation responsibilities. It is therefore necessary to increase ownership of PARPA by the sectors at all levels: planning, implementation and monitoring.

In general, physical and financial indicators display a trend of positive performance. As far as social indicators are concerned, the same trend is observed, but coverage is still not comprehensive enough for all segments of population and regions in the country. Specifically, the Education, Health, and Good Governance sectors show positive performance. The government is willing to strengthen performance in the area of Legality and Justice, which led to the inclusion of this area among priorities for support by the European Union, under the scope of the 9th EDF NIP. It may be observed that as far as implementation is concerned, the sectors are at a stage where they assign priority to access to public services to the detriment of quality, hence the conclusion that it is imperative to strengthen the aspects of efficiency and effectiveness of public services delivery.

In what concerns financial indicators, expenditure in the priority sectors as percentage of total expenditure, excluding debt interest, showed a growth trend, which is in accordance with PARPA criteria. The reviewed state budget for 2002 expected the above ratio to be higher than the goal foreseen in PARPA (66.1%). Taking into account the limitations in revenue, availability of more resources to the priority sectors would negatively affect performance in other sectors that, albeit not being priority sectors, are important to the country's development. In this context, efficiency increase becomes the utmost priority in public expenditure management.

There is the ever-persisting need to make efforts in improving territorial distribution of expenditure, since provincial participation is still small when government goals in administrative decentralisation and deconcentration are to be considered. This effort is particularly important when consideration is given to the aim of overcoming the substantial imbalances in the poverty indexes, namely between rural and urban areas.

Considering the magnitude of HIV/AIDS pandemic in Mozambique, attention should be given to results of the study *HIV/SIDA, Capital Humano e Perspectiva de Crescimento Económico em Moçambique* (HIV/AIDS, Human Capital and Economic Growth Prospects in Mozambique), now being completed under the scope of co-operation between MPF and IFPRI. Those results will provide important elements of sectoral and macroeconomic interest to be taken into account when computing economic growth and public expenditure resources estimates, within the scope of PARPA.

2. POLITICAL, ECONOMICAL AND SOCIAL SITUATION

2.1 Political Context

The political context in the Republic of Mozambique during the period under evaluation was generally stable, and there were no circumstances affecting the normal development of co-operation between this Country and the European Union.

The last elections (both presidential and legislative) took place in 1999, resulting in an executive power – President of the Republic and Government – supported by a majority in Parliament. Thus, the Executive is legitimate for the period provided in the Constitution and there were no substitutions in the Members of Government impacting in the implementation of programmes

funded by the EU under their tutelage. Municipal elections are scheduled for 23rd October 2003. General elections (both presidential and legislative) should take place in 2004.

A political dialogue focused on the election process, as well as on the justice sector, one of the pillars of good governance, has been articulated with support from the European Commission.

Mozambique should take up the Presidency of the African Union in July 2003. Mozambique is also expected to host the Summit of ACP Heads of State, in 2004.

The bodies of sovereignty developed their activity normally. Within good governance, the Justice sector approved the Integrated Strategic Plan in February 2002, and the Council for the Co-ordination of Legality and Justice, comprising the Supreme Court, the Administrative Tribunal, the Attorney-General's Office and the Ministry of Justice, was created.

The favourable political context and the good level of co-operation with the EU made possible the signature of the Strategy Document, within the framework of the 9th EDF, in February 2002. Mozambique was one of the first ACP countries to sign the strategy document.

2.2 Social and Economic Context⁴

The analysis of the economic and social context is based on the following monitoring matrix extracted from PARPA:

Table 1: Monitoring Matrix extracted from PARPA

Type	Indicator	2000 (Real)	2001 (real)	2002 (Est.)	2003 (PES)	2004 (PARPA)	2005 (PARPA)
Impact	1. % Pop. below absolute poverty level	69.4					
	2. Infant and Juvenile Mortality rate						
	3. Rate of low weight at birth						
Macroeconomic	4. GDP real growth rate	1.6	13.9	10.0	7.0		
	5. Inflation rate (comparing to previous year)	11.4	21.9	9.1	7.0		
Good Governance							
Education	6. Gross Rate of Enrolment EP1	113.0	122.3	118.0	126.7		
	7. Gross Rate of Enrolment EP2	21.0	25.6	28.0	30.5		
	8. Gross Rate of Schooling EP1	91.0	99.5	104.0	114.0		
	9. Gross Rate of Schooling EP2	23.0	27.9	31.2	36.3		
	10. % of Girls in EP1	43.0	43.9	44.6	46.0		
	11. % of Girls in EP2	39.5	39.3	39.4	42.5		
Health	12. Pre-birth appointments	105.0	105.8				
	13. Institutional births	40.3	41.0				
	14. Coverage rate of 1 st appointment (0-4 years)	60.0	48.0				
	15. Immunisation against TB children <1 year old	100.0	97.0				
	16. Immunisation against Polio e a DPT (0-23 months old)	88.0	82.0				
	17. Immunisation against Measles (9-23 months old)	97.1	94.0				
HIV/AIDS							
Infrastructure							
Agric./Rural Dev.							
Public Finance							

2.2.1 Macroeconomic Context

The economic situation in 2001 was characterised by a noticeable real growth of 13.9% in GDP, while inflation was still a two-digit number, at 21.9% by the end of the year, combined with a strong depreciation of 31.3% in the Metical exchange rate to the Dollar. In 2002, and according to the available data, economic growth reached 10%, while the inflation rate decreased to 9.1% and the Metical was stable against the Dollar. These numbers concur with the macroeconomic framework foreseen in PARPA and PRGF.

⁴ This section was prepared based on the Ministry of Planning and Finance report "*Implementação do PARPA – Relatório de Avaliação 2001*" (Implementation of PARPA – Assessment Report 2001), February 2003.

Replicating conditions from the previous year, 2001-2002 saw a strong inflow of resources from the external debt relief programme and as a response from international partners to the emergency appeal made by the government for post-floods reconstruction. The efforts to replace infrastructures destroyed by the floods and the recovery of agricultural production, together with the start-up in aluminium production by Mozal, made feasible, and have been making feasible, relaunching the economy in 2001-2002. In 2003, a real growth of about 7% and an inflation rate of 7,0% are expected.

For the period under analysis it should be highlighted the adoption of a set of standardisation and disciplinary measures, among which entry into force of the Code of Fiscal Benefits, creation of the new Special Tax Offices, strengthening of inspections and tax audits, consolidation of VAT, and implementation of Law 9/2002 – Law on State Financial Administration – approved by the Parliament, which establishes additional requirements of transparency in budgetary acts and strengthens the principle of budget allocation by programmes in priority sectors.

2.2.2 Good Governance, Legality and Justice, Decentralisation and Deconcentration

Within the scope of good governance, the launching of the public sector reform programme should be highlighted, as well as commencement of application of Decree 15/2000, of 20th June, on Community Authorities, aiming at legitimising the community authorities by the communities and at acknowledging them by the State.

The MAE, within the scope of its institutional mandate, undertook a review of decree 36/89 on norms for State services operation, culminating at the approval of decree 30/2001 on norms for Public Administration operation, which introduces guiding principles to the actions of civil servants and the time to process administrative work, aiming at provision of better service to citizens. Other activities in this institution are focused on reviewing EGFE (General Statutes for Civil Servants), intending to be an instrument for regulating relations between the State, civil servants, agents and citizens, the implementation of SIFAP (System for Training in Public Administration) to enhance professional performance and service quality, and the rehabilitation and construction of buildings for district administrations and administrative posts.

In the perspective of promotion of ethics and professional deontology, progress was made in the preparation of norms of ethics and professional deontology for State staff in headship positions, and legal modernisation measures were also taken, such as the review of decree 51/95, which establishes the State Administrative Inspection.

The Integrated Strategic Plan for Justice was completed in 2001, and revising work is presently being made to the budget proposal and the detailing of operational instruments for its implementation. The model-project to establish labour Courts in five provinces is still being prepared.

With the objective of improving detention conditions, Maputo Central Prison, Beira Central Prison, Mabalane Prison, Chimoio Agricultural Prison, and Nampula Industrial Prison are presently under rehabilitation. Simultaneously, there are further construction works being executed to support the Justice sector.

In regard to the decentralisation and deconcentration process, the institutionalisation and expansion of participatory district planning, started by a pilot phase in Nampula and Cabo Delgado, is now ongoing.

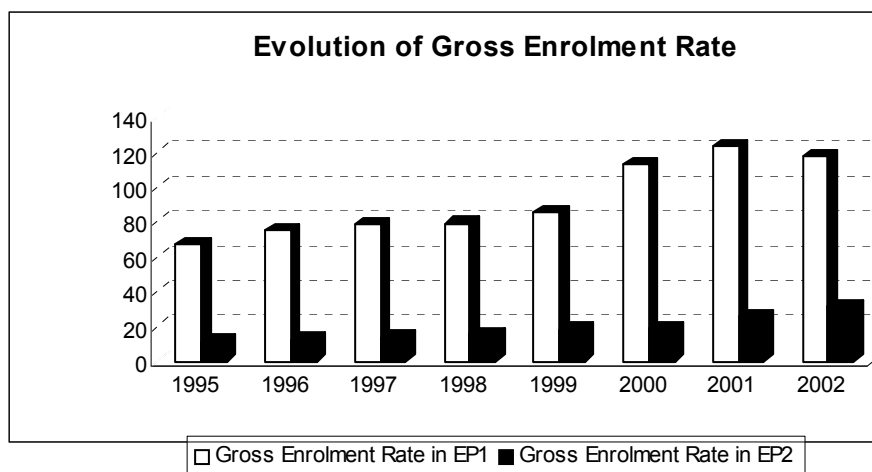
It should be noted that despite the visible efforts by the authorities to materialise PARPA objectives in the field of Good Governance, there are still serious gaps, insufficiencies and deficiencies, whose solution claims for increased aggressiveness from the public bodies.

2.2.3 Education

The basic objectives of PARPA in this crucial area of action are: a) universal schooling and expansion of access to all levels of education, with special attention to the promotion of gender equity; b) to increase quality and relevance of education in order to reduce inefficiency, which translates into high number of students failing and dropping out.

To assess the sector's performance an analysis of trends in indicators related to primary education (EP1 and EP2) was undertaken, considering a time series covering the period from 1995-2002. Data for 2001 and 2002 are comparable to the goals foreseen in PARPA.

Graph 1



Note: 2002 data are estimates.

Source: MINED – National Directorate of Planning, 2002.

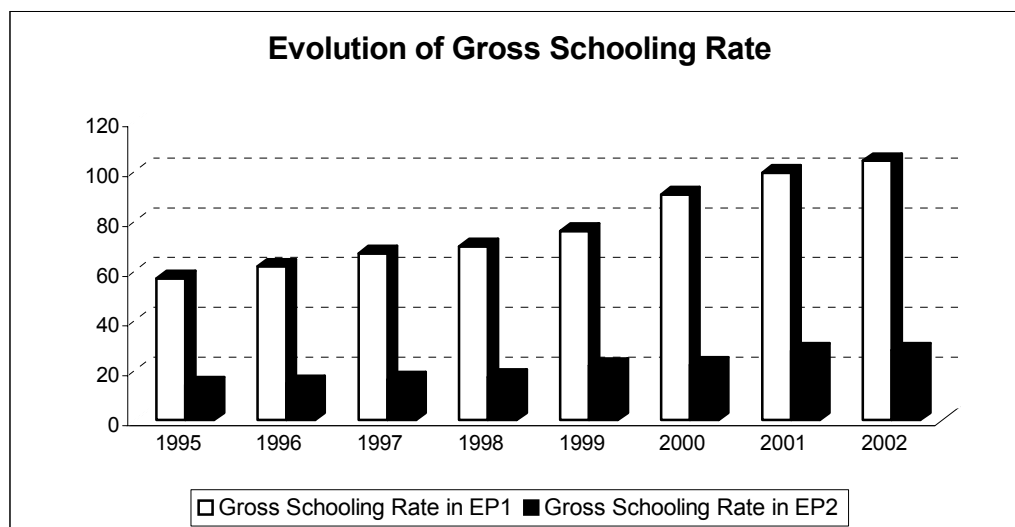
In relation to **gross enrolment rates** (graph 1), an improvement is visible in the gross enrolment rate for EP1: from 66.8% in 1995 to 122.3% in 2001, slightly decreasing in 2002 to 118.0%, according to preliminary data. PARPA established the goal for the area of education at 120% in 2001 and 122% in 2002, for EP1. The achievement rate was greater than planned in 2001 and smaller than planned in 2002. In regard to EP2, gross enrolment rate increased from 11.5% in 1995 to 25.6% in 2001, surpassing PARPA forecasts for 2001. The preliminary estimates for 2002 set this rate at 31.3%, six points above PARPA plans.

In relation to **gross schooling rates**, they show a trend of growth in EP1. This rate expresses the proportion between the total number of pupils in EP1 and the population of the official age group to attend that education level (population of 7-11 years old from 1987 to 1992, and 6-10 years old from 1993 onwards).

From 56.9% in 1995, the gross schooling rate in EP1 increased to 99.5% in 2001, in line with PARPA goals (100%). This rate is expected to reach 104.1% in 2002, which is two percentage points above plans in the operational matrix of PARPA. The gross schooling rate in EP2 was 27.9% in 2001, which agrees with the forecasts of the Poverty Reduction Plan (28%). PARPA sets the gross schooling rate in EP2 at 30% in 2002, and the estimate for that year is 31.2%, which

means an achievement of 101.2% and a growth of 3.3% in relation to 2001. If this performance pattern is to be kept, the goal set forth by PARPA for EP1 and EP2 in 2005 will possibly be achieved.

Graph 2



Note: 2002 data are estimates.

Source: MINED – National Directorate of Planning, 2002.

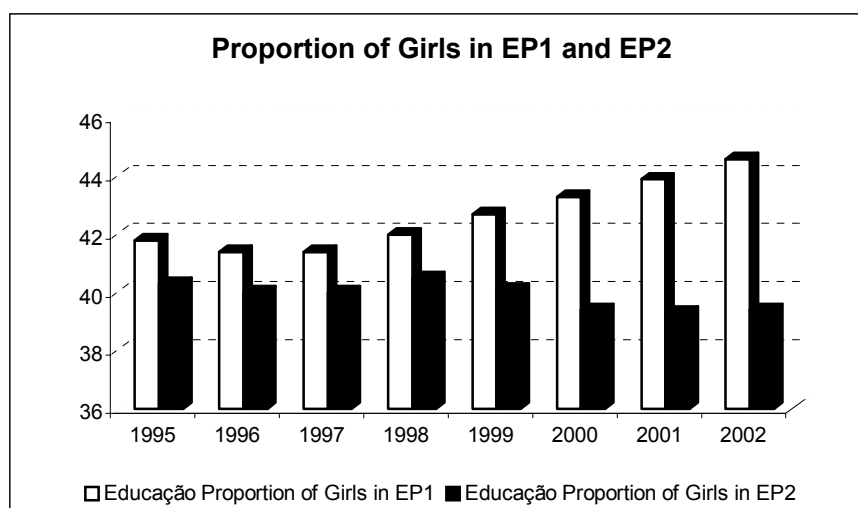
The analysis of enrolment and schooling indicators suggests a trend of improvement in access to education in the primary education sub-system. This is mostly the result of efforts undertaken in the sector, such as the construction of schools and the initial training of teachers. Within the results achieved in 2001 and first semester of 2002, the following should be highlighted:

- Opening of 424 schools in 2001 (+6% of the total number of schools in relation to 2000), particularly in Zambézia, Niassa and Inhambane, and 275 in the first semester of 2002 (+3,5% of the total number of schools in relation to 2001), particularly in Zambézia, Gaza and Inhambane.
- Training of teachers in 2001: 956 teachers graduated at the CFPPs (8% more than in 2000). Additionally, 1,546 teachers graduated at IMAPs (+147,7%). The total number, 2502 graduates, largely exceeds PARPA goals (1,680 primary education teachers trained per year).

Actions leading to the **elimination of gender inequity** in access to education are one of the crucial aspects in the fight against poverty. The proportion of girls in EP1 has increased in the last few years. From about 41.8% in 1995, the proportion of girls in the total number of pupils enrolling EP1 reached 43.9% in 2001, thus meeting PARPA goals (44%). Preliminary data allow an estimate for this ratio of 44.6% in 2002, thus concurring to the goal of PARPA for 2002. In relation to EP2, the situation is of concern. The proportion of girls in the total number of pupils enrolled decreased from 40.3% in 1995 to 39.3% in 2001, and no improvement is expected for 2002 (39.4%), which places this ratio below the expectations raised by PARPA. The relatively stable pattern in the proportion of girls and the consequent slow progress of this indicator is also linked to aspects of tradition, which are more restrictive for girls in terms of self-promotion opportunities.

Increasing the access of girls to the education system under the context of poverty reduction will still depend on government efforts, through actions to mobilise and raise awareness among parents and guardians to the relevance and importance of education for children in general and girls in particular.

Graph 3



Note: 2002 data are estimates.

Source: MINED – National Directorate of Planning, 2002.

In what concerns **quality of education**, data available show a slow progression in the recent evolution of school success at the primary level. There are many factors to explain this phenomenon, of a pedagogic, administrative, social and cultural, and economic nature. This situation points to the fact that the education sector, without overlooking quality, has been prioritising the aspects of access expansion, responding to the growing demand in all levels of education. Activities recently carried out to strengthen the component of improvement of education quality have not, as yet, had a noticeable impact.

In this sense, the need for increased aggressiveness in pursuing sectoral policies aiming at improving education quality and relevance is obvious. Specifically, it is necessary to speed up the curricula transformation process in EP1 and EP2, and extend it to the secondary and technical/vocational levels, which have only witnessed occasional adjustments. In what concerns capacity building for teachers on the job, courses should be introduced and extended to teachers recruited without pedagogic training. Within the scope of activities aiming at the expansion of access to education for girls, it is important to consider the aspects of inter-regional balance.

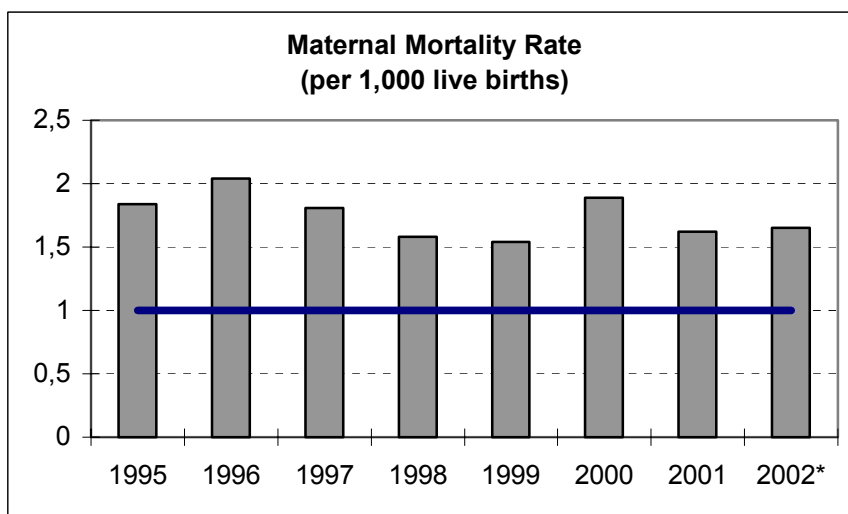
2.2.4 Health and HIV/AIDS

The Government programme for 2000-2004 emphasises the need to extend basic health care to the whole population and, in parallel to the universalisation of primary education, to contribute to increasing the supply of better-qualified human resources. In line with the Health Sector Strategic Plan (PESS – *Plano Estratégico do Sector da Saúde*), PARPA states its main objectives in the strategic area of health: to improve access to, and quality of, primary health care (mother and child health, juvenile health) and the fight against major epidemics (malaria, TB and leprosy) and HIV/AIDS.

Graph 4 shows the **evolution of intra-hospital maternal mortality rate** for the period between 1995-2002, an indicator associated to the sector's performance in the component of **Women's Health**. In 1995, maternal mortality rate was 1.84 per 1,000 live births. PARPA 2001–2005 established the goal to achieve in 2005 in terms of maternal mortality at 1 per 1,000 live births (solid line in the graph). In 2001, mortality decreased substantially and stabilised in 2002 at 1.6 per 1,000 live births. Taking into account the pattern observed during the last few years, a decrease to

1 per 1,000 live births in 2005, as foreseen in PARPA, will require considerable efforts from the health sector.

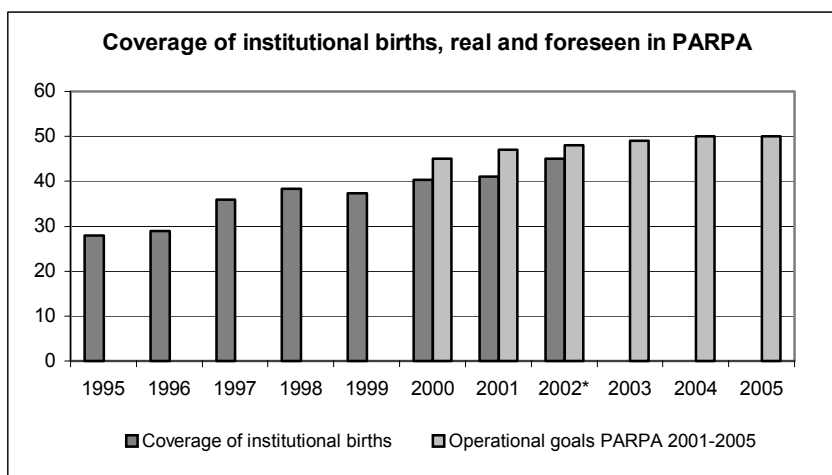
Graph 4



Source: MISAU – Directorate of Planning and Co-operation. 2002. (*) Estimate for the first semester 2002

One of the critical fields of intervention in the **mother and child health component** is the expansion of access to primary care, measured by the indexes of antenatal counselling coverage, institutional births, post-birth counselling and counselling to new users of the family planning services. Data available show a pattern of increase in the proportion of women seeking prenatal counselling and delivery in health units, but the goals affirmed in PARPA 2001-2005 have not been achieved.

Graph 5



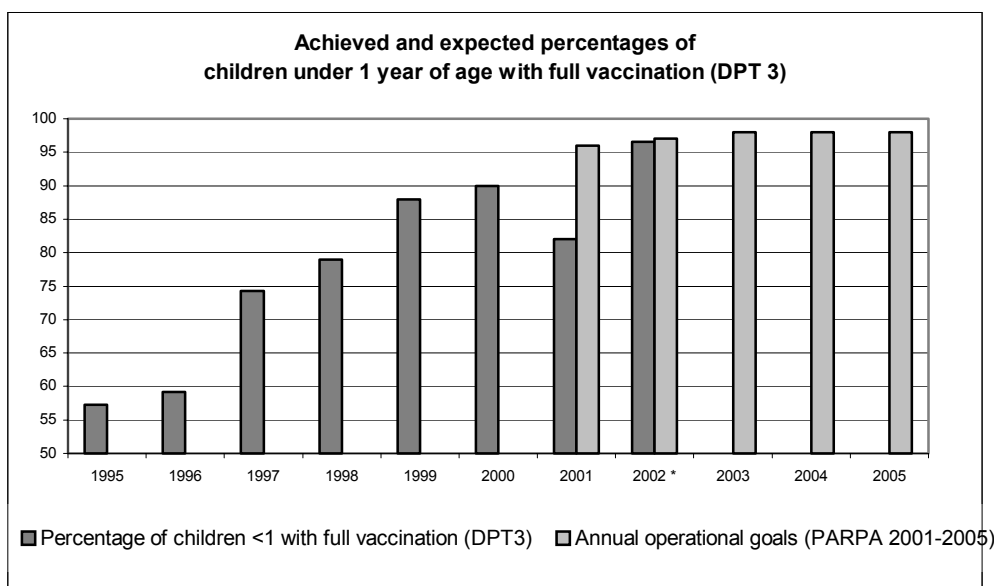
Source: MISAU – Directorate of Planning and Co-operation. 2002.
 (*) Estimate of MPF for year 2002 based on data from the 1st semester 2002.

From 28% in 1995, the **coverage rate of institutional births** increased to 41% in 2001. For 2002, the available data point to an improvement to 43%. Notwithstanding progress achieved, a great proportion of women, particularly in rural areas, still deliver resorting to traditional midwives. This scenario is translated into a high number of deaths whenever complications arise during delivery. The efforts to overcome this problem are inscribed within the priority of promoting expansion of the health network to the most remote areas in the country.

In the **Child Health** component, the main objective is to reduce child and juvenile mortality, and the goal for this indicator was established at 200 per 1,000 live births in year 2005. To achieve this objective, the efforts made by the Health Sector are focused on improving primary health services and on preventing major endemic diseases through implementation of the Extended Immunisation Programme (PAV – *Programa Alargado de Vacinação*). It should be stressed the introduction in 2001 of the tetra- and hepatitis B vaccines, and the utilisation of disposable syringes. PARPA monitoring matrix shows the coverage indexes representing progress achieved in these fields.

Graph 6 shows the evolution of the **coverage rate for full vaccination (DPT 3)** for children. From 57.3% in 1995, vaccination coverage rates increased to 79% in 1998, achieving 88% in 2000. In 2001, the index decreased to 82%. However, a substantial increase to 92% is expected in 2002, which is in line with forecasts in PARPA. This pattern of improvement in 2002 is strengthened by the simultaneous decrease of vaccination discontinuity between the first and third doses of DTP, showing the efforts made by health units in adequate planning of vaccination schedule and circuit, as well as the work made to mobilise and raise awareness within the community.

Graph 6

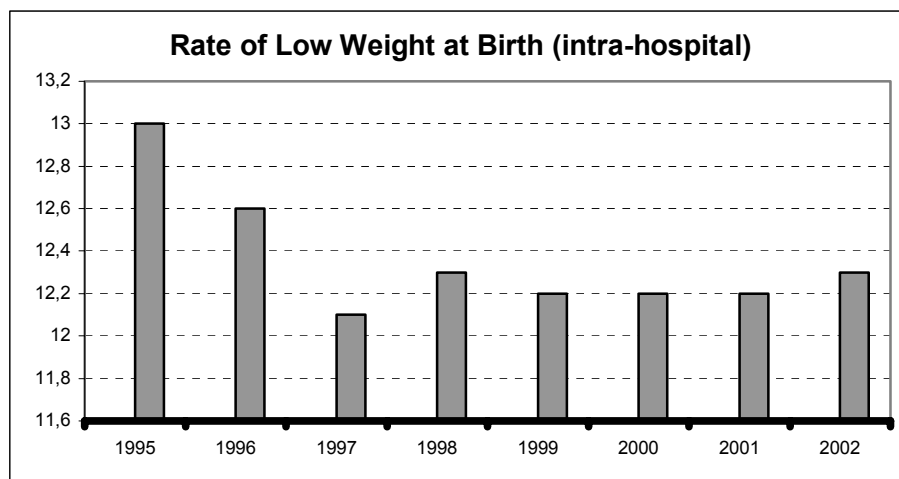


Note: (*) Estimate of MPF for year 2002 based on data from the 1st semester 2002

Source: MISAU – Directorate of Planning and Co-operation. 2002.

Graph 7 shows the evolution of one of the critical indicators within the scope of Nutrition and Food Security, especially for children and women of childbearing age, which is the **intra-hospital rate of low weight at birth**. As the graph illustrates, in 1995 about 13% of children born in the country's health units weighed less than 2,500 grams, which is associated to a poor nutritional pattern in mothers during pregnancy. This rate had decreased to 12.2% in 2001, but this trend was reverted in 2002. PARPA foresees achieving a rate of 11% in year 2005. To achieve this goal additional effort has to be put in improving **mother nutritional pattern**, in particular during pregnancy.

Graph 7



Note: 2002 data cover the 1st semester

Source: MISAU – Directorate of Planning and Co-operation. 2002.

The activities undertaken by the sector were targeted to the promotion of nutritional education in health units and communities, within the scope of the Food Security Programme co-ordinated by SETSAN, and the introduction of nutritional supplements with vitamin A capsules, ferrous salt and folate, during the second round of the campaign on attention to women and children, besides continuing the implementation of LOA Programme.

Within the scope of the fight against major endemic diseases, a number of activities were undertaken according to the **National Programme for Malaria Control**, notably the anti-vectoral fight and timely diagnosis and treatment. In prevention, the emphasis was put on spraying indoors (protecting about 3,500,000 people in 2001) and outdoors in all provinces, and the distribution of mosquito nets (60,000 in 2001 and 50,000 in 2002) in the provinces of Sofala, Zambézia, Tete and Maputo City.

Regarding the fight against **tuberculosis and leprosy**, and based on proposals from the National Programme for the Control of Tuberculosis and Leprosy, the first semester of 2002 saw the logistics survey and the preparation phase to launch COMBI project, which intends to speed up the Leprosy Elimination Programme and is expected to start in September, in Nampula, as a pilot experience (Nampula is the province with highest prevalence, with 8.9 cases per 10,000 inhabitants). It should be highlighted that activities undertaken in 2001 and the first semester of 2002 within the context of fight against tuberculosis and leprosy were mostly training health and supervision staff in administering treatment to patients in health units. The priority objectives are to increase the cure rate for TB to 75%, in particular in the central region (72.6% in 2000), and to decrease the prevalence of leprosy to <1 case per 10,000 inhabitants (3.4 in the first semester of 2002, 3.8 in year 2001, 4.5 in year 2000).

In what concerns **sexually transmitted diseases (STD) and HIV/AIDS**, the main objectives are to prevent infection and to improve patient treatment, according to the National Strategic Plan for the Fight against AIDS 2000-2002. The actions foreseen in prevention and reduction of HIV/AIDS are the promotion of condom use, the undertaking of information campaigns and the creation and operation of the Counselling and Voluntary Testing Offices (GATV – *Gabinetes de Aconselhamento e Testes Voluntários*). Six GATVs were established in 2001 and 18 during the first semester of 2002. From January to September 2002, voluntary tests were made to 21.766 people, pointing out to a number of tests in 2002 of more than 24.000, the annual goal established in PARPA. The encouragement and prevention measures have also been intensified, in particular

in what concerns mother-to-child transmission. Besides prevention, the Health Sector is increasing efforts undertaken in treatment, due to the increase in cases registered.

The components of Primary Health Care, Fight against Major Endemic Diseases and HIV/AIDS, benefited from the efforts made under the scope of the **health network expansion**. In this regard, 43 primary network health units (health posts and centres) were built in 2001, especially in Cabo Delgado, Zambézia and Sofala provinces, and 27 units were rehabilitated. In the secondary network, activities were focused on the rehabilitation and expansion of 9 rural hospitals and the promotion into rural hospitals of 6 health centres. In the tertiary network, rehabilitation works were carried out in the provincial hospitals of Xai-Xai, Tete and Quelimane, and in the quaternary network, in the Maputo Central Hospital.

As far as the **quality of health services** is concerned, priority activities were related to the training of health staff and equipping health units. In the field of initial training (medium, basic and elementary levels), 826 students graduated in 2001, and 990 graduations are expected in 2002. Twelve specialist physicians were also trained in priority areas. In what concerns procurement of drugs and other materials for health units, the actions to improve knowledge of needs, prioritisation of supply mechanisms, and instruments to supervise procedures, were given continuity.

The sector's performance analysis shows that the objective of increasing supply of health services has been given priority in the execution of activities. The evolution of coverage rates complies with PARPA goals and is a clear indication of progress achieved in the Sector. In the instance of fight against HIV/AIDS, preventive actions have had preference over treatment actions, although this last field is being strengthened due to increasing numbers of patients. **The objective of improving the quality of health services is still a challenge for the sector and is the object of a more in-depth planning and execution at the sectoral level.**

2.2.5 Infrastructure

Gains from the economic growth achieved in the last five years are partly the result of efforts undertaken by the Government in infrastructure rehabilitation. The degree of coverage of passable access roads is still poor and does not contribute to incentive private investment in the rural markets for inputs and agricultural produce.

Sub-Sector of Roads

The main objective in roads is to increase coverage of access roads, assigning priority to those that: (i) allow poorer, isolated regions with agricultural potential to access national markets; (ii) help market expansion; (iii) have an impact on the reduction of transportation costs; and (iv) promote development of the main development corridors. The goal is the reduction to below 5% of impassable roads and below 25% of bad quality roads, resorting to the use of labour intensive methods up to 2005.

In year 2001, within the scope of **regular and periodic maintenance activities** in roads, 12,700 km of roads were covered by routine maintenance and 617.4 km were covered by periodic maintenance. In what concerns **rehabilitation of roads**, 332.5 km of tertiary roads, 259.9 km of secondary roads and 197.9 km of primary roads were rehabilitated. In year 2001, continuing the road rehabilitation activities, the goal of rehabilitating 348 km of primary roads was established, covering the following stretches: Muxúngue-Save River (48 km); Gorongosa-Caia (79 km); Nampula-Nacala (8 km); Vandúzi-Changara (14 km); rehabilitation of 243 km of secondary roads

Macomia-Oasse (86 km), Memba-Cava (93 km), and Cava-Lúrio (60 km), the rehabilitation of 658 km of tertiary roads, coverage of 227 km by periodic maintenance, coverage of 15,000 by routine maintenance and reconstruction, and setting of 6 steel bridges.

Comparing against PARPA goals, the sector's performance shows an achievement of 62% in what concerns the rehabilitation of secondary roads, and an achievement of 112.7% in what concerns the rehabilitation of tertiary roads. In regard to periodic maintenance, the degree of achievement of the 2001 sectoral plan was 83.7%, while that for routine maintenance was 82.1%.

The goals for 2001 were substantially influenced by the impact caused by floods in the first few months in that year, in the Northern and Central regions of the country. Although there are not definite data as yet on the **degree of achievement of the 2002 plan**, the levels of achievement of activities programmed up to the end of the first semester 2002 were the following: 30.7% in the rehabilitation of primary roads, 64% in the rehabilitation of secondary roads, 9.8% in the rehabilitation of tertiary roads, 10.7% in periodic maintenance and 40% in routine maintenance. This data point to an average achievement level above 60%.

Additional efforts are being undertaken in the road sector aimed at expanding access roads. The limitation imposed by resource shortage, together with the overwhelming effects of the last floods, dictate the need to impose a high quality standard of construction, aiming at increasing durability of access roads.

Sub-Sector of Water and Sanitation

Due to the vital importance of promoting social and economic development in the country, PARPA prescribes as central objectives in the water component: (i) to promote the sustainable use of water, and (ii) to increase potable water supply and to provide low-cost sanitation in urban areas.

In order to make the first objective operational, the following actions were programmed in 2001: (i) **rehabilitation of the hydro-meteorological network and establishment of the flood warning management office**. In this field, 26 hydrometric stations were rehabilitated, out of the 87 foreseen, as well as 12 pluviometric stations, out of the 132 programmed, which corresponds to a degree of achievement of only 30% and 9%, respectively; (ii) **to supervise the observance of international agreements on international river management**. In pursuance of this activity, meetings were held and tenders were launched for the preparation of the Integrated Management Strategic Plan for Zambeze River water resources. Likewise, joint studies on social and economic development opportunities in Inkomáti River basin were also completed in 2001.

In what concerns the increase of **potable water supply and provision of sanitation in rural and urban areas** at low cost, PARPA 2001-2005 establishes the goal for 2005 of increasing coverage to 50% in water supply to urban and peri-urban population by rehabilitating water supply systems and reducing losses, as well as increasing water supply coverage to 40% of the population in rural areas, with priority given to the provinces of Zambézia, Nampula and Niassa.

With the objective of achieving the above goals, 1,117 water sources were built/rehabilitated, of which 118 in Niassa, 163 in Cabo Delgado, 62 in Nampula, 103 in Zambézia, 74 in Tete, 59 in Manica, 144 in Sofala, 150 in Inhambane, 145 in Gaza, 153 in Maputo, corresponding to an average national rate of coverage of 35%.

PARPA 2001-2005 operational matrix does not put in evidence the specific goals to achieve each year towards the 2005 goal. A more complete and consistent analysis of progress in this field

requires identification by the sector of the specific goals in each year per area (rural and urban) and the population to cover. Evidence show a good course of the average coverage rate in water supply to urban, peri-urban and rural populations, towards achieving the goal of about 45% of the population by 2005.

Table 2: Comparative Analysis of Water and Sanitation Sub-sector Evolution

Province	2000		2001	
	Sources	Coverage %	Sources	Coverage %
Niassa	45	34	118	40.7
Cabo Delgado	6	39	163	48.0
Nampula	40	15	62	15.1
Zambézia	64	18	103	20.4
Tete	65	57	74	47.3
Manica	40	47	59	48.3
Sofala	1	31	144	53.2
Inhambane	44	33	150	24.1
Gaza	12	70	145	65.3
Maputo	7	26	153	65.8
Total	334	36.5	1,171	35.0

Source: MOPH, PES Balance Report 2001.

Within the scope of activities to reinforce the **improved latrine** system in urban, peri-urban and rural areas, of the 20,000 planned for construction 13,078 were built, of which 855 for vulnerable populations. This number corresponds to an achievement of about 65%. The factors concurring to the non-achievement of this goal include, among others, delay in approving the investment budget and the irregularity of disbursements. The total number of beneficiaries is about 65,390 people.

Sub-Sector of Energy

In the field of energy PARPA prescribes as main objectives: (i) to expand the access of population to energy sources, thus reducing environmental impact resulting from the use of non-renewable sources. It should be stressed that despite the efforts made by the Government to ensure achievement of the goals set forth in PARPA, the infrastructure basis of the Mozambican economy in this field remains quite poor. Prioritisation in resource allocation in the area of infrastructure will require increased clearness in the definition of specific objectives, goals, indicators and actions for each year, in order to improve monitoring and evaluation.

2.2.6 Agriculture and Rural Development

PARPA (integrating the basic principles of PROAGRI) identifies the following objectives within the scope of the contribution of Agriculture and Rural Development to the reduction of poverty: *i*) an increase in production and productivity, specially in the household sector (this requires greater and better use of inputs, seeds, land, and credit); *ii*) an increase in profitability of the agricultural activity (purchase of inputs and marketing of surpluses in more accessible and competitive markets) and *iii*) reduction of food insecurity.

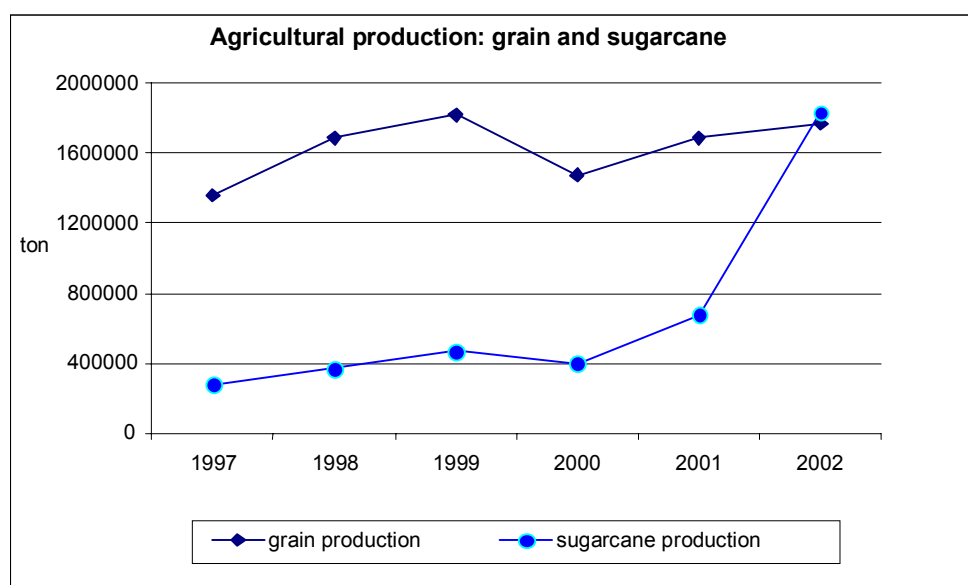
The latest agricultural and livestock census (made in 1999-2000 and results published in July 2002) showed that 79% of farmed land are small-scale operations of 0.2 to 2 hectares, and that 98% of farms in the country have an size smaller than 3 hectares. As an example, 97,6% of the total area allocated to maize are small-scale farms. On the other hand, taking into account that 70%

of the Mozambican population is rural, improvements in agricultural production in small-scale farms would have a decisive impact in poverty reduction.

In the 1997/98 campaign, **grain production** (Graph 8) increased from 1,359,000 tonnes to 1,686,000 tonnes. Production in the following campaigns stabilised around that number. However, there was a decrease in the 1999/2000 campaign, which coincided with the first floods destroying a set of agricultural infrastructures and disarticulating input markets. Production recovered in 2001 and there was an increase of about 4.9% in the last campaign (2001/2002).

Sugar cane production has been growing due to the efforts made by the Government to revitalise the national sugar industry. In 2001, the Marromeu mill resumed operation, increasing the sugar production installed capacity. Sugar cane production increased 172% in 2002, and all sugar mills are now fully operational. According to the Agricultural and Livestock census 1999-2000, about 60% of the sugar cane crop area are big-scale operations, and 40% are small-scale ones. The recent evolution of production mostly benefits big producers, but has also had an indirect impact on poverty reduction. With the rehabilitation process of sugar mills there was an expansion in the employment market in rural areas and, thus, an improvement in income for peasants residing in those areas.

Graph 8



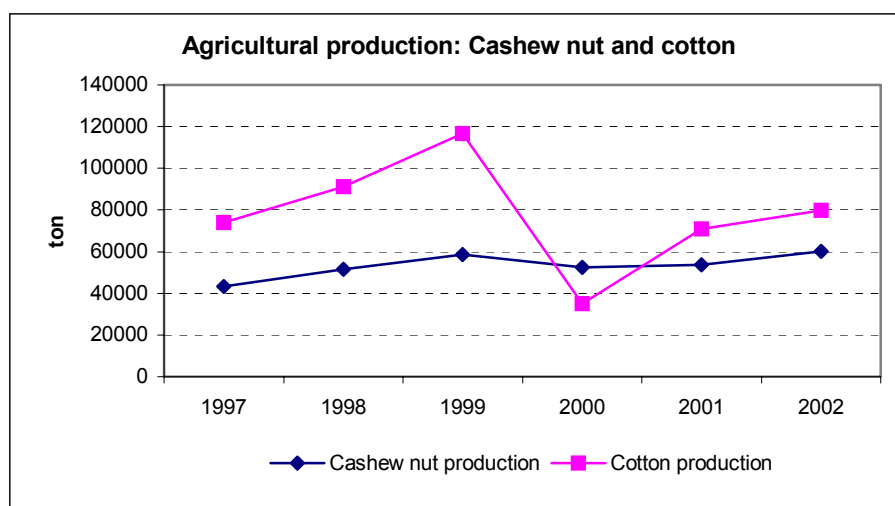
Notes: 2002 data are estimates

Source: MADER – National Directorate of Economy, Department of Statistics. 2002.

Graph 9 shows the trend in **cashew nut and cotton production** between the 1996/97 – 2001/02 campaigns. According to the Agricultural and Livestock census 1999-2000, 88% of the cotton crop area and 98.75% of cashew trees are on small-scale farms. Moreover, cotton and cashew are representative of the export base of agricultural products in Mozambique. Cashew nut shows a marketing index of about 49%, while virtually all cotton production is targeted to the market.

In the 1999/2000 campaign, cotton production indexes were drastically reduced to about 35,000 tonnes due to the floods. As for the latest campaigns, the prevalence of climatic disturbances associated to the bad price of cotton in the international market has been affecting the revitalisation of the sector substantially. The series representative of the evolution in cashew nut production displays a trend of increase, with a slight decrease in the 1999/2000 and 2000/01 campaigns. In the 2001/02 campaign, cashew nut production indexes were at about 60,050 tonnes.

Graph 9

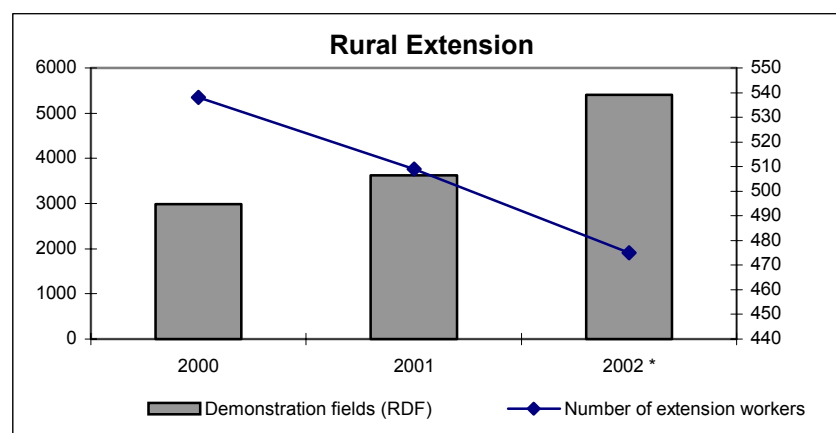


Source: MADER – National Directorate for Agriculture, Department of Rural Extension. 2002.

Information made available by MADER on the activities undertaken in 2000, 2001 and 2002, is of good quality in what concerns the objective of **increasing production capacity among families and promoting productivity**, and especially so in regard to the promotion of improved techniques for pest and disease control to be adopted by households. These activities are carried out by the area of agricultural services (Rural Extension, Livestock, and Support to Production and Research) although, as prescribed by PARPA, there is an increasing tendency to out-source the provision of services (e.g. sanitary assistance in the Livestock component).

The evolution of rural extension services is monitored through result demonstration fields, which are an indicator of expansion and dissemination of standards and techniques for rural communities in the household sector. Graph 10 shows the growing trend in the number and extension of RDFs resulting from the efforts made by MADER to disseminate improved techniques of agricultural production. However, despite the effort the sector has been doing in training, there is competition with NGOs in regard to hiring extension workers. Nevertheless, in 2001 there were 23,808 RDFs registered, and 33,920 RDFs in 2002. The Sector showed interest in improving performance in this activity.

Graph 10



Note: 2002 data are estimates

Source: MADER – National Directorate for Agriculture, Department of Rural Extension. 2002.

With the objective of ensuring **rights of access to land**, the main activities developed by MADER in 2001 and the first semester of 2002 were mostly targeted to simplifying procedural mechanisms of access to land. Within the scope of **promoting marketing** of agricultural produce and access to input markets, the creation and consolidation of rural microcredit institutions through three big projects stands out, as does the improvement in collecting and disseminating information on provincial agricultural markets (SIMAP). In what respects the objective of **reduction of food vulnerability**, the efforts of MADER to co-ordinate with other institutions the activities of SETSAN did not yield the expected results, and for that reason activities to improving nutritional status were mostly limited to the increase in agricultural production.

In general, the agricultural and livestock Sector experienced an increase in production during the two campaigns evaluated, but PARPA goals were not achieved. From the analysis described in PARPA monitoring matrices for 2001 and the first semester of 2002, it is possible to conclude that the sector has been making efforts mostly to promote agricultural production and productivity, in particular by disseminating improved techniques and protection against pests and diseases, according to what is prescribed by PARPA. Notwithstanding the efforts made by the sector, it is not easy to specify coverage degree of objectives due to the lack of details about execution of activities in the information provided by the sector. Work ongoing in the field of the Sector Expenditure Review in Agriculture confirmed that the area of agricultural services got the major share of the budget from PAAOs 1999-2002 (about 42%). The components of improvement of access to land, promotion of marketing and reduction of food vulnerability need further attention in terms of planned activities and availability of financial resources, if they are to be in accordance with the more comprehensive approach of PARPA.

2.2.7 Assessment of Expenditure in Critical Areas of Action – 1999-2002

This section looks at the evolution of budget indicators (planned and executed) in the period 1999-2002, taking into account commitments taken on within the scope of PARPA.

The **ratio between total expenditure in PARPA priority sectors and GDP** showed a trend of expansion in the period 1999-2002, increasing from 13.3% in 1999 to about 19.1% in 2001. This ratio is expected to reach 18.4% in 2002.

Table 3

TOTAL EXPENDITURE IN PARPA PRIORITY AREAS (1999-2002)

	1999	2000	2001	2002
TOTAL EXPENDITURE IN PRIORITY SECTORS				
As percentage of GDP	13.3	19.0	19.1	18.4
As percentage of total expenditure	60.1	67.6	64.3	65.0
As percentage of total expenditure excluding public debt interest	62.0	68.1	65.8	67.8
TOTAL EXPENDITURE IN PRIORITY SECTORS AS % OF GDP				
EDUCATION	3.5	5.5	6.8	4.8
HEALTH	2.9	3.6	2.9	3.8
HIV/AIDS	0.0	0.0	0.2	0.2
INFRASTRUCTURE	2.9	4.4	5.0	4.8
AGRICULTURE AND RURAL DEVELOPMENT 3	1.1	1.7	1.0	1.5
GOVERNANCE, SECURITY AND JUDICIAL SYSTEM	1.9	2.2	2.2	2.1
OTHER PRIORITY SECTORS	1.1	1.5	1.0	1.2
TOTAL EXPENDITURE IN PRIORITY SECTORS (As % of total expenditure excluding debt interest)				
EDUCATION	16.1	19.8	23.3	17.8
HEALTH	13.4	12.9	9.9	14.0
HIV/AIDS	0.0	0.0	0.5	0.8
INFRASTRUCTURE	13.3	15.7	17.4	17.5
AGRICULTURE AND RURAL DEVELOPMENT	5.2	6.3	3.4	5.5
GOVERNANCE, SECURITY AND JUDICIAL SYSTEM	8.9	7.8	7.7	7.7
OTHER PRIORITY SECTORS	5.0	5.6	3.6	4.5

SOURCE: CGE 1999, CGE 2000, CGE 2001 and SB 2002

During the 1999-2001 period, **expenditure in priority sectors was always above 62% of total expenditure**, excluding debt interest, in accordance with PARPA criteria for resource allocation. However, Table 4 shows that the weight of priority sectors in total expenditure in 2001, excluding debt interest, was 2.4% below the goal of 68.2% set by PARPA (according to the General State Account 2001). For 2002 this indicator is expected to surpass the goal set by PARPA, excluding debt interest, at about 67.8%.

Table 4

TOTAL EXPENDITURE IN PARPA PRIORITY AREAS (2001-2002)

	2001			2002			Rate of Execution (in Relation to SB Reviewed III Quarter)
	PARPA	SB Reviewed (with Complementary Period)	SB Executed (GSA)	PARPA	Initial SB	Reviewed SB	
TOTAL EXPENDITURE IN PRIORITY SECTORS							45.2
As percentage of GDP		19.4	19.1		17.9	18.4	
As percentage of total expenditure	67.4	63.9	64.3	65.0	63.2	65.0	
As percentage of total expenditure excluding public debt interest	68.2	65.4	65.8	66.1	66.1	67.8	
TOTAL EXPENDITURE IN PRIORITY SECTORS (As % of total expenditure excluding debt interest)							
EDUCATION	24.8	22.8	23.3	19.8	18.8	17.8	54.8
HEALTH	11.5	10.4	9.9	13.1	14.2	14.0	32.3
INFRASTRUCTURE	18.2	16.9	17.4	19.1	18.0	17.5	37.2
AGRICULTURE AND RURAL DEVELOPMENT	3.6	3.4	3.4	3.9	3.4	5.5	52.4
GOVERNANCE, SECURITY AND JUDICIAL SYSTEM	8.2	8.0	7.7	7.7	7.5	7.7	65.0
OTHER PRIORITY SECTORS	1.8	3.2	3.6	2.4	3.3	4.5	43.3

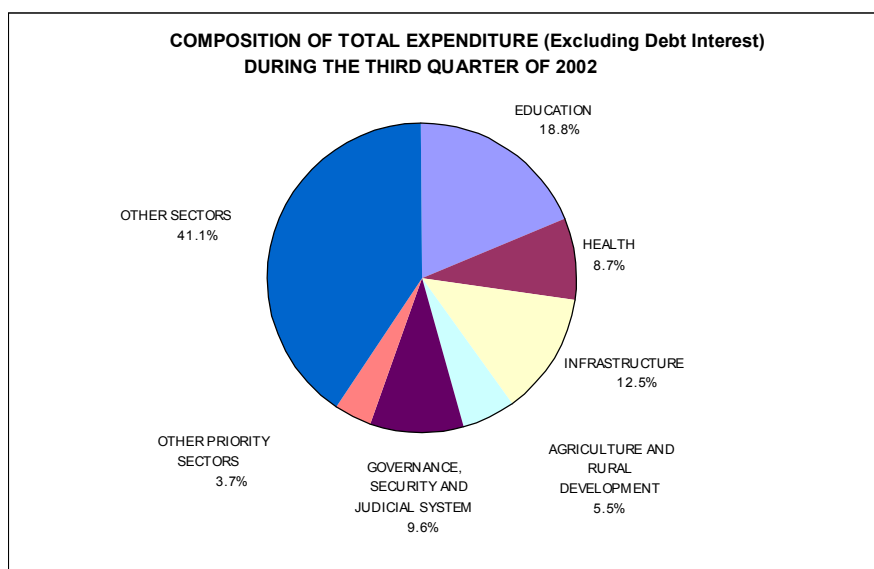
Source: PARPA, 2001 Reviewed SB, GSA 2001, Initial 2002 SB, 2002 Reviewed SB, RE III Quarter 2002

Analysing the budget execution information for the period between January-September 2002, the sectors in crucial areas of action show a low level of budget execution (45.2%). However, the achievement rate of expenditure in priority sectors in the first three quarters is in line with the overall budget execution for the same period (52% of budget allocation, excluding debt interest, according to the 2002 Reviewed SB and the Budget Execution Report for the III Quarter). The overall execution rate may increase during the fourth quarter, for which more effort is necessary in budget execution.

In regard to the **sectoral composition of public expenditure** programmed and realised (still according to Table 3), the sectors of Education, Health and Infrastructure have had the major share of public expenditure, increasing from 42.8% in 1999 to about 51% in 2001. During this period, Education and Infrastructure recorded a positive behaviour in increasing the proportion of expense in total public expenditure, while health decreased from 13.4% in 1999 to 9.9% in 2001. According to available data for 2002, the proportion of major sectors in total public expenditure should remain stable, a shift being expected, however, towards the health sector to the detriment of education.

According to Graph 11, priority sectors accounted for about 60% of total expenditure in the period January-September 2002. The sectors of Education, Infrastructure, Governance, Security and Judicial System, and Health have greater weight in total expenditure.

Graph 11



Source: Execution Report 3rd Quarter 2002.

Notes: "Other Sectors" corresponds to the expenditure made in the Remaining Sectors and to the General State Duties (expenditure not imputable to the sectors: Transfers, Subsidies, etc., excluding interest).

Current Expenditure

In terms of GDP, **current expenditure in priority sectors** is, on average, about 7%. On the other hand, the **ratio between current expenditure in priority sectors and the current expenditure of SB**, excluding public debt interest, surpass 50% every year between 1999 and 2001, showing an evolution from 50.8% in 1999 to 53% in 2001, according to Table 5. For 2002, and according to the information available, such ration should increase to 54.4%.

Table 5

ADMINISTRATIVE EXPENDITURE IN PARPA PRIORITY AREAS

	1999	2000	2001	2002
ADMINISTRATIVE EXPENDITURE IN PRIORITY SECTORS				
(as percentage of GDP)	5.9	7.2	7.3	7.2
(as percentage of total current expenditure)	48.1	52.7	50.6	50.0
(as percentage of total current expenditure excluding debt interest)	50.8	53.5	53.0	54.4
ADMINISTRATIVE EXPENDITURE IN PRIORITY SECTORS				
(As % of total administrative expenditure in priority sectors)				
EDUCATION	43.0	44.8	46.7	46.2
HEALTH	18.7	19.3	20.0	22.9
HIV/AIDS	0.0	0.1	0.0	0.0
INFRASTRUCTURE	1.4	3.2	1.1	1.1
AGRICULTURE AND RURAL DEVELOPMENT	4.7	3.7	3.3	3.0
GOVERNANCE, SECURITY AND JUDICIAL SYSTEM	28.8	25.3	24.9	23.5
OTHER PRIORITY SECTORS	3.4	3.7	4.0	3.4

Source: GSA 1999, GSA 2000, GSA 2001 and 2002 Reviewed SB

The areas of Education, Health, Governance and Justice are responsible, on average, for about 90% of total current expenditure in the priority sectors. Education and Health account for two thirds of total current expenditure within the crucial areas of action.

Investment Expenditure

According to Table 6, **priority sectors contribute with an average weight of 77.6% to the total of public investment expenditure**. The sectors of Infrastructure, Education and Health are the

weightiest, at about 75% of the total public investment within the set of sectors comprising the crucial areas of action.

Table 6

INVESTMENT EXPENDITURE IN PARPA PRIORITY AREAS

	1999	2000	2001	2002
TOTAL INVESTMENT EXPENDITURE IN PRIORITY SECTORS				
(as percentage of GDP)	7.4	11.7	11.8	11.1
(as percentage of total expenditure)	74.8	81.9	77.3	76.3
TOTAL INVESTMENT EXPENDITURE IN PRIORITY SECTORS				
(As % of total investment expenditure in priority sectors)				
EDUCATION	12.7	19.5	28.4	13.7
HEALTH	23.9	18.6	12.1	19.4
HIV/AIDS	0.0	0.0	1.3	1.8
INFRASTRUCTURE	37.2	35.3	42.1	41.1
AGRICULTURE AND RURAL DEVELOPMENT	11.4	12.6	6.2	11.6
GOVERNANCE, SECURITY AND JUDICIAL SYSTEM	3.0	3.0	3.6	3.6
OTHER PRIORITY SECTORS	11.8	11.0	6.3	8.8

Source: GSA 1999, GSA 2000, GSA 2001 and 2002 Reviewed SB

Territorial Distribution of Expenditure

With the purpose of better portraying the territorial distribution of expenditure, Table 7 shows data on the poverty profile in Mozambique, in 1997.

Table 7

Profile of Poverty in Mozambique, in 1997

Region	Share of Population (%)	Average Value of real Consumption per month (MT)*	Incidence of Poverty (%) of Population	HDI Human Development Index	Life Expectancy Index	Education Index
(1)	(2)	(3)	(4)	(5)	(6)	(7)
National	100.0	160.780	69.4	0.272	0.288	0.360
Rural	79.7	150.740	71.3			
Urban	20.3	202.685	62.0			
North	32.5	167.834	66.3	0.210	0.259	0.264
Niassa	4.85	147.841	70.64	0.217	0.287	0.292
Cabo Delgado	8.16	194.448	57.40	0.185	0.241	0.242
Nampula	19.47	161.668	68.92	0.214	0.248	0.263
Centre	42.6	141.990	73.8	0.242	0.280	0.334
Zambézia	20.34	154.832	68.10	0.184	0.200	0.287
Tete	7.30	117.049	82.27	0.233	0.313	0.309
Manica	6.19	191.608	62.60	0.265	0.317	0.366
Sofala	8.77	97.906	87.92	0.286	0.287	0.369
South	24.9	183.718	65.8	0.415	0.433	0.544
Inhambane	7.06	128.219	82.60	0.304	0.372	0.430

Gaza	6.57	183.233	64.66	0.304	0.363	0.450
Maputo Prov.	5.14	177.774	65.60	0.387	0.441	0.578
Maputo City	6.14	253.102	47.84	0.571	0.555	0.720

Source: PARPA 2001-2005, Human Development Report 2001. (*) 1 USD = 11,604 MT in 1997

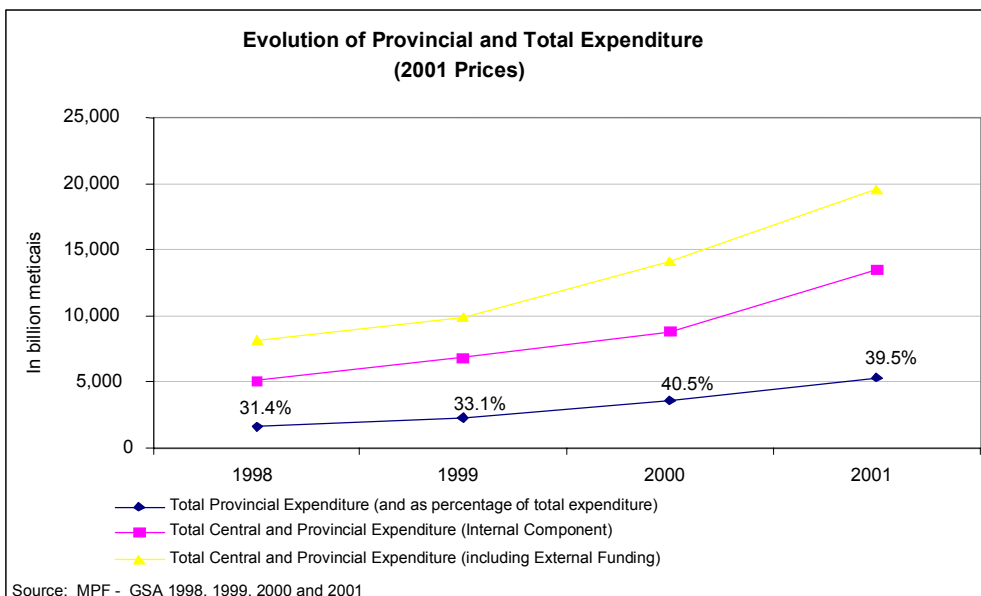
In general terms, poverty indexes (column 4) are higher in rural areas than in urban areas, and in the central provinces, in particular in Sofala and Tete. Southern provinces show the best indexes, with the exception of Inhambane, where the incidence of poverty is among the highest in the country. In relation to the Human Development Index (column 5), the northern region shows the lowest indexes and the south shows the best indexes.

Graph 12 shows the evolution of **provincial expenditure in the 1998 to 2001 period compared to total SB expenditure**. Provincial expenditure is the public expenditure that is programmed and executed at the provincial level. This excludes expenditure that despite benefiting the provinces is executed at the central level. A number of projects, however, may be registered at both the central and the provincial levels, as is the case of the rural electrification project.

Public municipal expenditure is registered at the central level as transferences to public administrations. Depending on the amounts in question, such expenditure may be transferred and registered at the central level. These expenses envisage essentially support to municipalities and the undertaking of projects in sanitation, water, erosion control and promotion of a healthy environment, education and health. In principle, municipalities should finance most of those projects, but due to their poor capacity to manage financial resources locally and to their technical incapacity, central level administration is called upon to participate in, or fully take up, such projects.

Provincial expenditure has been showing a growing trend, increasing from 31% to about 40% of total SB between 1998 and 2001, remaining, however, at very low levels. In relation to GDP, provincial expenditure increased from 4% in 1998 to 7.4% in 2001.

Graph 12

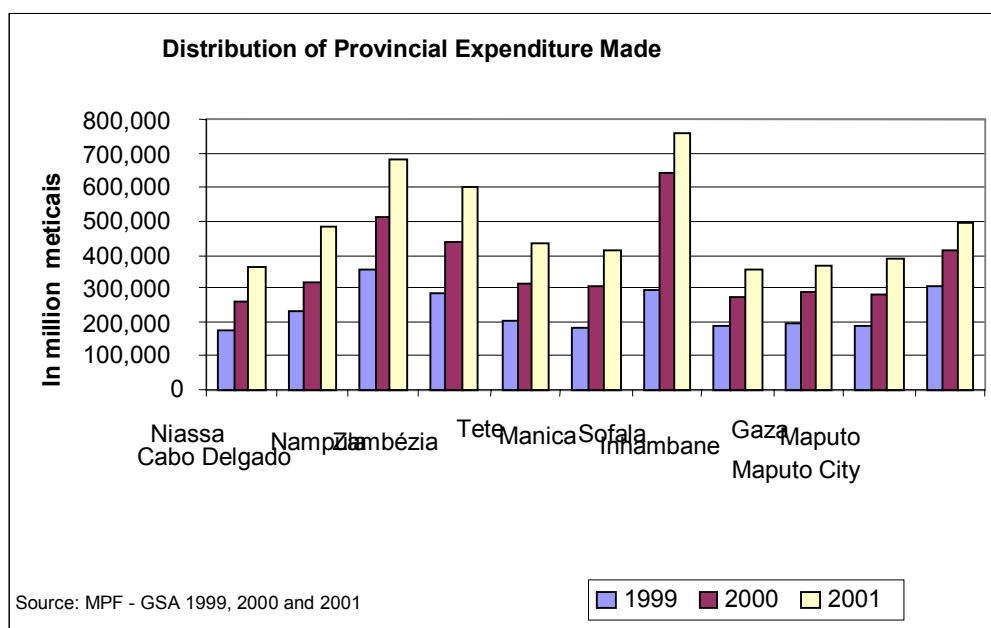


Graph 13, below, shows that in absolute terms all provinces increased expenditure between 1999 and 2001. In the period between January and September 2002, all northern and southern provinces showed an increase in the proportion of provincial expenditure made, with Maputo (City) and the

central provinces, except Sofala, decreasing their relative weight. However, the weight increase of northern provinces in the total public expenditure may not necessarily reflect an improvement in terms of provincial expenditure *per capita*.

It is particularly at the level of administrative expenditure that the weight of provincial expenditure is greater, for which contributes the significant weight of provincial current expenditure in the sectors of Education and Health.

Graph 13

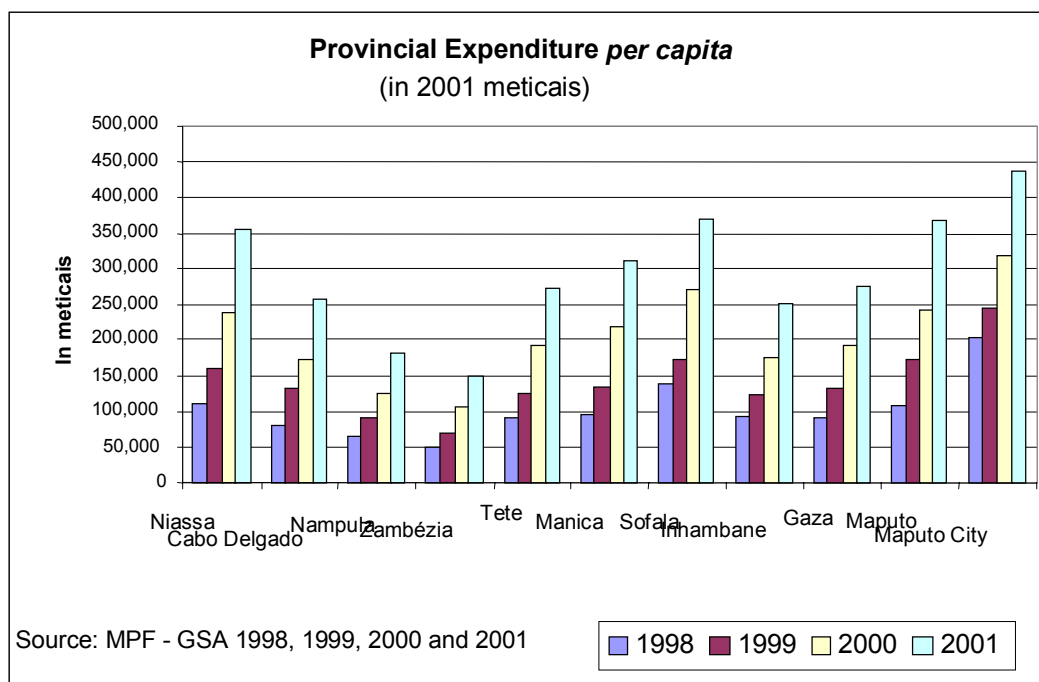


In what concerns major public investment expenditure, namely construction of public infrastructure, this is made by central level bodies, due to reasons linked not only to scale economies but also to management capacity, independently from the location of such investment. Hence the reason why provincial expenditure is not very meaningful.

Graph 14 shows the trend in **current expenditure *per capita* in each province**. Between 1998-2001, the provincial average of current expenditure *per capita* increased, in real terms, about 88%. However, the provinces of Cabo Delgado, Nampula, Zambézia and Inhambane are still below the provincial average, for which further government attention is needed to revert this situation. Within this group, only Inhambane is among the three poorest provinces (the other two being Sofala and Tete – see table 7), while Cabo Delgado, Nampula and Zambézia are below (better situation) the national average in what concerns the poverty index. The situation is quite the opposite in relation to HDI: the former three provinces show human development indexes below the national average, while Inhambane shows a HDI above the national average.

This distribution of provincial current expenditure *per capita* is determined by the need of undertaking high expenses in Sofala and Maputo Province and City. It is in these provinces that most of the governmental administration structure is located, including institutions of service delivery at the central and provincial levels. For Niassa province, the population factor strongly contributes to the existence of a current expenditure level *per capita* much above the provincial average.

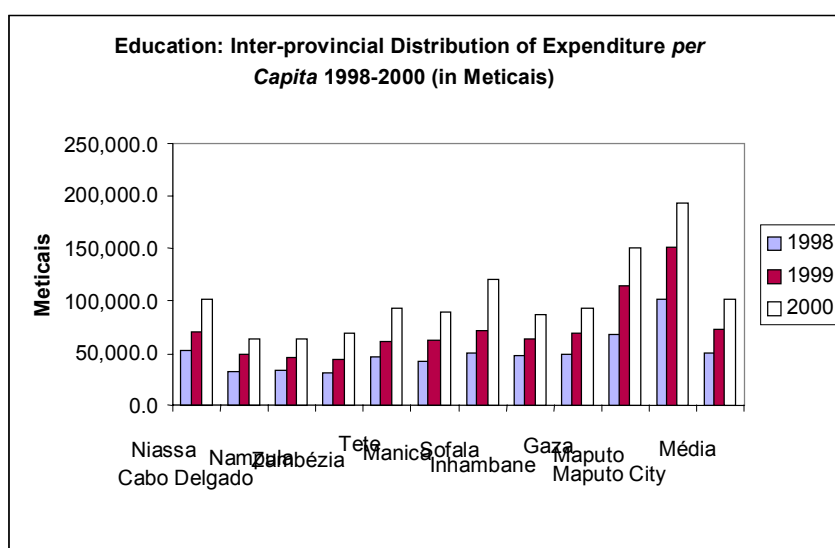
Graph 14



The two following graphs show provincial expenditure *per capita* in the two main social sectors: education and health.

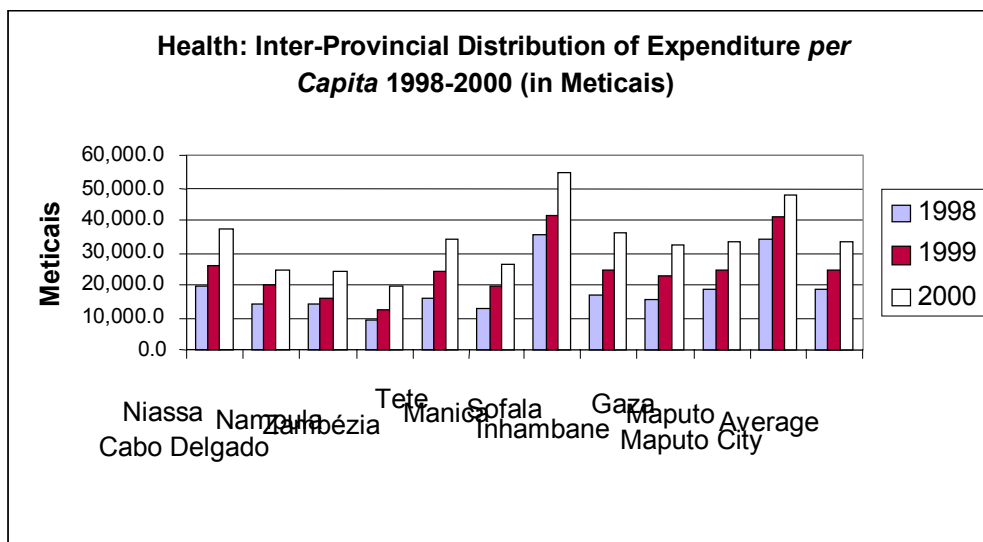
About 52% of total expenditure in Education are made by provincial bodies. In the period 1998-2000, **expenditure per capita in Education** increased in all provinces, as it may be seen in Graph 15. However, the provinces of Cabo Delgado, Nampula and Zambézia evolved always below the provincial average. This pattern contradicts the education index ranking of these provinces (see table 7, column 7), since they show the lowest indexes.

Graph 15



In relation to Health, only 23% are made at the provincial level. A regional pattern similar to that of Education was found for the Health sector. As for Education, **provincial expenditure per capita in the Health sector** shows a growing trend in the period between 1998-2000. However, the three provinces mentioned above were below provincial average, as it may be seen in Graph 16, while their respective life expectancy indexes are clearly below the national average.

Graph 16



In general, the government has been endeavouring to allocate resources according to the priorities established in PARPA. However, the shortage of both financial and human resources (qualified technicians in all regions of the country) has negatively influenced achievement of such objectives.

The analysis of data shows quite low levels of budget execution, mostly in the provinces, which indicates the need for the Government to continue making decentralisation efforts in both finance and competence as a way to reflect at the provincial and local levels the actions aiming at the development of the country, and more specifically to the reduction of regional imbalances. According to the data, there is a need to deepen knowledge on the correlation between public expenditure *per capita*, by province, and the poverty and human development levels, with the purpose of guiding the allocation of resources per province.

As far as municipalities are concerned, there is a need for the government to continue channelling resources to the education and health sectors, as well as to infrastructure projects, specially those aiming at improving basic sanitation conditions, potable water supply, preservation of the environment, and roads.

This need to maintain the Central Government's financial participation in the municipal budget derives from the fact that municipalities did not achieve increasing levels of financial autonomy through own resources as it was expected when they were established. As a result of the incapacity to locally generate sufficient resources to finance the aforementioned activities, there is an increasing wearing away of social equipment and basic infrastructure, which has negative effects on citizens' activities and living conditions.

It should be stressed that it is foreseen for 2003 the implementation of measures by the Government to guide and strengthen financial and administrative capacity at the local level. As an example, the State Budget for 2003 has a greater proportion of resources targeted to the provinces.

Particularly in what concerns investment expenditure, there is an increase in funds channelled to the provinces, with emphasis for the provinces of Sofala, Tete, Niassa, Nampula and Zambézia, with the purpose of funding development programmes on various infrastructures.

2.2.8 Regional Policy and Integration

At the regional level, Mozambique is a co-founder of SADC and signed the Trade Protocol, which intends to create a free exchange zone. Mozambique held the SADC Presidency between July 2001 and July 2002, having had a very active political role, namely in what concerns conflict resolution. The political crisis in Zimbabwe has negatively affected the economic situation in Mozambique, which is particularly noticeable along Beira corridor.

Implementation of the SADC Trade Protocol has been delayed due to reasons still to be clarified, particularly related with the rules of origin. Notwithstanding delays in the Protocol implementation, the Mozambican economy is evermore integrated into the regional context, and South Africa is its main commercial partner.

2.2.9 Integration into the World Economy

Mozambique is a member to ILO since 1995. The average Mozambican tariff on imports within the scope of the “Least Favoured Nation” is one of the lowest in Southern Africa. With the European Union’s initiative “Anything But Arms” to the least developed countries, Mozambique has benefited substantially in accessing European markets, namely in sugar exports, which is an important sector for economic growth and poverty reduction in rural areas. The importance of the European market has also increased for the last two years with the export of aluminium from MOZAL complex. Mozambique also benefits from the American Programme “AGOA”. In September 2002, Mozambique and other ACP countries attended the commencement of negotiations with the European Union for the establishing an Economic Partnership, as foreseen in the Cotonou Agreement.

3. APPRAISAL OF CO-OPERATION BETWEEN MOZAMBIQUE AND THE CE

There are currently **4 National Indicative Programmes of the 6th, 7th, 8th and 9th EDFs** underway. It should be highlighted that these Programmes correspond to different social and economic development stages in Mozambique and, as such, to different areas of intervention and different programming instruments.

NIP of the 6th EDF was signed in 1986 and has a financial portfolio of €160 million. Currently there is only one major project ongoing: “Rural Telecommunications”.

NIP of the 7th EDF was signed in 1991 and has a financial portfolio of €174.6. There are still a number of important projects ongoing in the areas of health, infrastructure, water and sanitation.

NIP of the 8th EDF was signed in 1997 and has a financial portfolio of €214.5. Its execution has not yet reached a maturity phase and there are substantial amounts of funds still to allocate and pay (see financial analysis below). As a result, there is an important diversity of projects ongoing in the areas of health, education, infrastructure, rural development, private sector, water and sanitation.

NIP of the 9th EDF was signed in February 2002 and has a financial portfolio (A) of €274. Its execution started in 2002 with approval of the Poverty Reduction Support Programme PRBS II,

comprising €168 million, of which €150 million come from the 9th EDF and €18 million from the 8th EDF.

3.1 CORE SECTORS WITHIN THE 9TH EDF FRAMEWORK

3.1.1 Macroeconomic support

A) Results achieved in the sector

Main Indicators for review:

- Stable macroeconomic framework and sustainable economic growth
- Progress in the implementation of PARPA
- Progress in public expenditure management
- Progress in internal revenue collection
- Stability of financial system

As described in section 2.2, the **macroeconomic framework** in 2002 was characterised by a distinct real growth of 13.9% of GDP, while inflation continued to increase at a two-digit rate, together with strong depreciation of the metical exchange rate to the dollar. In 2002 the macroeconomic framework was more stable and in accordance with PARPA and PRGF.

In relation to the **implementation of PARPA**, Government actions have been guided towards making PARPA the reference document for co-ordination and implementation of policies for poverty reduction, including the allocation of public financial resources to priority areas. Data on the allocation of budget resources in Mozambique show a substantial increase in the share of governmental expenditure for health and education sectors. In March 2002, the Government submitted the results of PARPA implementation matrix for 2001 to the Parliament. The first PARPA implementation assessment report was completed by the end of December 2002. The establishment of the PARPA and Poverty Observatory foreseen in PARPA Monitoring and Evaluation Mechanism is delayed. The Observatory will perform an important role in monitoring PARPA and shall include representatives from the Government, civil society, private sector, academic sector, and the donor community.

In the area of **public expenditure management**, the Government achieved significant progress in 2001-2002. In May 2002, the Government approved a new system for budget classification of expenditure with the purpose of establishing a permanent tracking system for programmes and priorities, as specified in PARPA. This new system was already implemented in the preparation of 2002 Budget. New legislation of Public Finance Management (SISTAFE) was approved in December 2001, which will regulate all of the budget process phases. The complementary regulation for SISTAFE implementation was approved in July 2002 by the Council of Ministers, and in October 2002 the Ministry of Planning and Finance approved the Action Plan. The implementation of SISTAFE started as from the beginning of 2003.

Significant progress was also achieved in the area of **internal revenue collection**. The Government adopted important measures to simplify procedures and to increase efficiency in tax revenue collection. A new fiscal code was approved by the end of 2001. Internal revenue increased from 12.7% of GDP in 2000 to 12.9% in 2001. According to the Government's forecasts, revenue should continue to increase as percentage of GDP, reaching 15% of GDP in 2005, according to the medium-term framework established in PARPA.

Contrary to other areas, stability in the **financial system** was seriously hit in 2001 due to solvency problems in two of the most important banking institution, BCM and Banco Austral, where the

Government held an important share. In 2001, the Government had to issue Treasury bonds at high interest rates to collect the necessary funds to recapitalise both banks. In December 2001, the Government successfully privatised Banco Austral (except for the 20% share belonging to bank workers), which was sold to the South African bank ABSA. However, the Government still holds an important share in BCM (40% of BCM's share capital before merger with BIM). During the course of 2002, the financial system entered a phase of improved stability.

B) Activities carried out within the Mozambique / EC co-operation framework

In 2001, the European Commission started to implement the Programme for **Poverty Reduction Budget Support 1 (PRBS1)** comprising a financial commitment of €65.7 million, of which €65 million were made available as support to the State budget through the Joint Donor Programme for Macrofinancial Support to Mozambique and €0.7 million were earmarked for technical assistance. The first tranche of €25 million was disbursed in March 2001, upon signature of the Financing Convention. The remaining €40 million were disbursed in December 2001.

Technical assistance funded by EDF carried on its support to Treasury reforms in the Ministry of Planning and Finance. This EDF project contributed to improving the system of payments, in particular the inventory of all existing bank accounts managed by public administration. As a result from this support, the Treasury has been able to provide a substantial contribution to the public expenditure management and to the reporting system. By the end of 2002, technical assistance funded by EDF was integrated into SISTAFE.

Upon favourable advice from the EDF Committee, in October 2002 the Financing Convention of the Programme for **Poverty Reduction Budget Support (PRBS II)**, worth €168 million within the scope of 9th EDF (see section 3.1.1), was signed in early December 2002 and the first disbursement of €30 million was made in late December 2002.

As a member of the **Joint Donor Programme for Macrofinancial Support** to Mozambique, the European Commission has been playing an important role in the programme's implementation and co-ordination, and in supporting the Government, in particular in the main areas of policy dialogue: Poverty Reduction, Public Expenditure Management and Internal Revenue Collection. Since its inception in November 2000, two annual reviews (2001 and 2002) of the Joint Programme were already made. The European Commission co-ordinated the Programme between November 2000 and May 2002.

C) Integration of crosscutting issues

In June 2001, the Government communicated the strategy for **Public Sector Reform**, whose main components are strengthening of good governance, administrative decentralisation, the rule of law, and improvement of the Government's institutional capacity at the central and local levels to define and implement effective policies for economic growth and poverty reduction (see also section 2.2).

The Mozambique **Consultative Group** met in October 2001, in Maputo. The European Commission co-ordinated the preparatory work of the Development Partners Group (DPG), with the purpose of preparing the theme document for DPG. During the Consultative Group meeting the Government reiterated its commitment to continuing reform in crucial areas for poverty reduction, public sector, public expenditure management, legal sector and financial system.

3.1.2 Transport Infrastructure

A) Results achieved in the sector

Main Indicators for review:

- Improvement of the institutional framework
- Completion of the Integrated Strategy for the Road Sector – Roads III
- Financing and audit of the Road Fund
- Improvement of infrastructure quality

In relation to the **institutional framework**, in 1999 the Government completed the road sector reform and the establishment of a new road administration system, including the creation of an autonomous Road National Agency (ANE) and an independent Road Fund, both under the control of the same Board of Directors⁵. It is also believed that the new sector institutional arrangements require some issues to be duly clarified, such as the relationship between MOPH and ANE (in particular at the provincial level) and between MPF and the Road Fund. In *a posteriori* information, the Government clarified that a Procedures manual for ANE Delegates had been approved by ANE's Board of Directors.

The Government road policy is materialised in the **Integrated Strategy for the Road Sector**, which is a 10-year programme of investments completed in January 2001 that is at the basis of the road rehabilitation and maintenance programme Roads III. Both the strategy and the implementation plan were approved by the Council of Ministers. The entry into force of Roads III was delayed because the Government took a long time to meet the conditions previously agreed upon with the World Bank, and the programme only became effective in June 2002.

In relation to the **Road Fund**, it is still too early to assess the operation of the mechanism for financing road maintenance of Roads III, since it only started in the 2002 fiscal year. For previous years, results of the first audits to the Road Fund concerning 1997-99 were below the expectation. It should also be stressed the fact that the 2000 audit report was only submitted by early December 2002.

As far as **infrastructure quality** is concerned, the full or partial completion of many road maintenance projects has improved road quality and conditions, as well as that of transport services. Ports and railways have also been substantially rehabilitated, allowing re-establishment of vital transport connections and recovery to former levels of trade. All three corridors (Maputo, Beira, and Nacala) were granted in concession to joint ventures, although long-term sustainability of such enterprises and the future role of the state company CFM are still uncertain. The case of Nacala corridor should be highlighted, since the concessionaire has not taken up yet any investment nor has started operation.

B) Activities carried out within the Mozambique / EC co-operation framework

Interventions funded by the EC in the road sector continued in 2001 by launching the following maintenance works: road Save River-Muxungué (rehabilitation works completed in November 2002 and the road was officially inaugurated by the President of the Republic; however, heavy rainfall in March 2003 in Inhambane and Sofala provinces damaged this stretch of road, and in consequence an amount of €1 million was requested from the EC for repair works); Nampula-Nacala; beginning of the feasibility study for the Namacurra-Ligonha River road and for the component of Rural Roads in the 9th EDF; closing of accounts for the Emergency Opening of Roads in Sofala and Zambézia projects and for the rehabilitation of the Beira-Inchope road. In the

⁵ The EC believes that ANE and the Road Fund should have separate Boards of Directors. The Government should look at this issue during the second phase of reforms in the road sector foreseen in the ROADS III programme.

railway subsector, activities related to studies and preparation of projects to the Nacala Transport Corridor and the Limpopo Railway were finally launched.

The fact that the railway Cuamba-Entrelagos (Nacala Corridor) has not been rehabilitated after 10 years of financial commitment by the Commission still deprives Malawi from its most vital external link. This situation has been particularly damaging for the food aid programme the international community mobilised to mitigate the effects of the food crisis in the region.

In regard to the post-floods (2000) reconstruction programme, the budget for those works provided in the Financing Convention was increased from €13 million to nearly €17 million with funds earmarked for unforeseen situations. Furthermore, €2.7 million were transferred from the component for flood protection to the component for road infrastructure. The programme is expected to fully use the committed fund of €18 million. It is foreseen that the implementation works and the two studies on protection against floods will be completed by late 2003.

Excessive rainfall and consequential floods by the beginning of 2001 considerably damaged road conditions, which determined delays in mobilising contractors and in work progress. Besides this, approval by the Commission services of changes in those works took, in general, excessive time. A considerable stretch of Beira-Inchope road was taken away by water and requires intensive rehabilitation.

C) Integration of crosscutting issues

Institutional capacity. The 8th EDF had foreseen a Technical Assistance component to MOPH for the road policy, whose hiring was delayed due to late approval by the parties involved. Draft specifications were prepared by the Delegation and approved by the Government in December 2001, but approval by the Commission only happened in August 2002. Five short-listed companies submitted proposals in November 2002 for supplying Technical Assistance, and the company selected is presently providing TA services since April 2003. The long-term TA services provided to ANE since 1997 came to an end in September 2002 and recruitment of a substitute is now underway, and services are expected to start by the second semester of 2003.

Social issues. Poverty, gender, environmental impact and HIV/AIDS are crosscutting issues, which were taken into account during the preparation of Roads III that also anticipates the implementation of a long-term strategy for improving road safety. However, institutional provisions for the integration of social issues require further development and demand greater institutional capacity. ANE has been working in that sense.

3.1.3 Food Security and Agriculture

A) Results achieved in the sector

Main indicators for review:

- Improved institutional framework
- Progress in the implementation of PROAGRI
- Increased participation of Non-State Actors
- Increased agricultural production
- Decreased food vulnerability

In relation to the **institutional framework**, sector reform Programmes were prepared by the Ministry of Industry and Commerce (MIC) and the National Institute of Meteorology (INAM). MIC also prepared its Agricultural Marketing Strategy for 200-2004 (linked to the sector

investment plan for 2001-2004), which was approved by the Council of Ministers in July 2001. The information co-ordination system for food security (SETSAN) was signed in July 2002.

PROAGRI achieved significant progress with the signature, in May 2001, of the Memorandum of Understanding (MoU) on the common funding mechanism, involving the Ministry of Agriculture and Rural Development (MADER), the Ministry of Planning and Finance (MPF) and ten donors (among which seven European Union Member States and the European Commission). This act took place while the European Commission was co-ordinating the PROAGRI Group of Donors.

In regard to the **participation of Non-State Actors**, MADER launched its first tertiarisation operation by requesting submission of proposals from agricultural companies and NGOs for agricultural diversification in cotton crop areas (through the Cotton Institute of Mozambique – IAM), and by implementing the National Plan for Cashew (through the National Institute for the Promotion of Cashew – INCAJU).

In 2001, the **agriculture sector had an overall growth of 12%**, despite significant variations at the regional level. Growth rates per crop also varied, and products of great importance, such as cotton, had poorer results than in the previous year. Cashew production (52,000 tonnes) was similar to that of the previous year. Recovery of production will obviously take a long time, as it has just started in the sector. In excess of one million trees were sprayed for protection against oidium. The objective of producing 100,000 tonnes of cashew in 2005 is an ambitious one.

As for **food vulnerability**, the number of vulnerable people may vary considerably from one year to the next, but it has not been below 100,000 since 1997. The Government final report on vulnerability in 2001 was not published as yet, but the situation improved in comparison to 2000, when Mozambique was affected by some of the worst floods there is memory of. During the last few years the country has had sufficient stocks of food products, and their aggregate availability has been adequate. During the first semester of 2002, a drought affected the southern provinces of Gaza and Inhambane, and to a lesser extent the provinces of Sofala and Manica. The Ministry of Agriculture prepared an action plan to mitigate drought impact, and the Government did not proclaim an emergency situation nor did it officially request food aid. The action plan of MADER was funded by PROAGRI. The main constraint in the country is more one of access to, and distribution of, food than one of total availability at the national level.

B) Activities carried out within the Mozambique / EC co-operation framework

All components in the previous Food Security financial proposal are under implementation. Most of the Food Security Multiannual Programme, worth €44 million and approved in October 2000, is under implementation. All its components are integrated into the State Budget and are fully managed by the Government. It should be noted that the two Memoranda of Understanding covering all four components of the programme were prepared, negotiated and signed in 2001, in what constituted a major effort. In 2002, disbursements within the Food Security Programme exceeded €18 million.

Technical assistance to MADER funded by the EC ensured substantial improvements in the financial management reform in MADER. In 2002, about USD 30 million from ten donors shall be made available through the common funding mechanism of PROAGRI, while in 1999 only two donors participated in this system, with an overall contribution of USD 10 million.

Interventions in the field of Food Security covered two areas: one in the North, an area with high agricultural and marketing potential, and another in the South of poor agricultural potential, high food vulnerability and greater food insecurity. Currently there are 24 projects of a total value of

about €33 million, and co-ordination seminars and technical meetings are held attended by all projects and local authorities, as well as interested donors. Linkages of an operational nature were established between projects on the field, MADER and MIC, both at the provincial and the district levels.

A new €2 million agricultural marketing funding programme was started by MIC and is being implemented through a tertiarisation operation with two Mozambican financial mediation institutions – AMODER and GAPI. The Programme is targeted to small- and medium-scale traders in rural areas and includes a large component of training.

The EC launched in 2002 a regional operation for purchasing 45,000 MT (metric tonnes) of white maize within the scope of its food aid programme to Malawi. Taking into account the July 2002 estimates pointing to a surplus of about 60,000 MT in Northern Mozambique, it is expected that Mozambique comes to benefit from this situation by selling maize to this neighbouring country. While appraising proposals, Mozambican traders were not shortlisted by NFRA because they submitted too high prices. Operators were selected during November 2002 and deliveries should occur between December 2002 and January 2003.

A “foreign currency facility” audit was made from August 26 to September 13, 2002. The report recommends disbursement of the remaining tranches. An interim evaluation of the programme as a whole is now underway and should be completed by mid-December 2002. The results of such evaluation will be used as a basis for preparing the new multiannual programme for food security.

A Call for Proposals worth 10M€ was launched in November 2002 for proposals of projects implemented by NGOs in Gaza and Inhambane, the areas affected by drought in 2002, and the implementation of projects is expected for 2003.

C) Integration of crosscutting issues

Institutional Development. MADER has completed its functional analysis and submitted a proposal for restructuring the Ministry. The current base and configuration of human resources in MADER and MIC have to be improved to enable those ministries to pursue the ongoing institutional reform process, thus allowing the objectives associated to their function to be achieved. Budget financial limits are further constraints, and these are the areas requiring additional discussions with MPF and the Ministry of State Administration.

Institutional Capacity. Projects providing technical assistance to MADER and MIC carried on their activities with an intensive training programme. Most projects operating in the field continue to involve staff from MADER and MIC at the provincial and, in particular, at the district levels, in their technical activities.

Donor Co-ordination. Between May 2000 and May 2001, the European Commission co-ordinated the PROAGRI Working Group of Donors, and there was excellent co-ordination among Member States.

STABEX. STABEX funds deposited for the Mozambican Government shall be used in areas to be agreed upon with the EC within the Mutual Obligations Framework under completion. Consultations involving the sectors determined that the allocation of STABEX funds should soon be promoted by the GON. In due time a proposal shall be submitted to the EC for consideration.

3.2 OTHER SECTORS

3.2.1 Health and HIV/AIDS (Foreseen in the 9th EDF)

A) Results achieved in the sector

Main indicators for review:

- Progress in the implementation of health SWAP
- Progress in procurement and supply of essential drugs
- Progress in the fight against HIV/AIDS

In relation to **progress in the implementation of the health SWAP**, the establishment of a SWAP working group in January 2001 led to improved co-ordination between external partners and the Ministry of Health (MISAU). One of the group's objectives has been to prepare a joint funding mechanism (General Common Fund) for the sector, which will ensure a more efficient and transparent allocation of resources. MISAU is preparing the operational plan related to the General Common Fund for 2003, since October 2002. The first joint assessment by the sector and its partners of the implementation of PESS was made in July 2002.

There were positive results as far as the **legislation, financing, procurement, and use of drugs** is concerned. However, investment is necessary in storage, transportation and human resources. In 2001, the Ministry of Health launched an internal evaluation of the pharmaceutical area, which should be followed by an external evaluation in 2002. The result shall be an updated strategic plan.

Notwithstanding some constraints of a financial nature, the **National AIDS Council (CNCS)** continued to expand its activities. Provincial delegations and working groups (orphans, vertical infection) were established. Procedures for the CNCS Common Fund were also set up, to which a number of donors are already contributing, namely Ireland and the UK, and the EC should start to do so in 2003. The Fund will ensure funding to community-based organisations for the prevention and reduction of AIDS impact.

B) Activities carried out within the Mozambique / EC co-operation framework

6th EDF

The EC support to the HIV/AIDS programme in the Ministry of Health carried on highlighting institutional management at the provincial level, training, improved supply of drugs, epidemic supervision and monitoring. The Project was completed in March 2002.

7th EDF

In 2001, an assessment of the Rural Health EDF Project in Zambézia was undertaken. This assessment found that the focus put on Zambézia was extremely relevant, because the situation of health and services in this province was worse than the national average. It is important the attention given by the project to second level health services, since one of the reasons for a poor Primary Health Care system is the lack of Rural Hospitals operating adequately. This study was the basis for continuing providing support to Zambézia province in the area of improvement of infrastructure and services.

A Zambézia Health Map was completed in 2001. It is an inventory of the sector assessing the province needs in infrastructure, equipment and staff, and is an important tool for planning and budget allocations.

In relation to infrastructure component in Zambézia, the implementation of most Phase A works is already completed and their warranty period is still valid. The Ile, Mocuba and Alto Molócuè

works of water supply to health units are still to be implemented, as are the rehabilitation works in Namarrói and Gilé. Phase B, which comprises two batches, was launched in the beginning of 2001. In the case of Batch 1, the contract was awarded and the inspection team is now awaited so works can start. After several months of negotiation with GPO, a decision was made to not award the inspection phase to that company. Such decision was made jointly by GON, MISAU and the EC Delegation. Thus, it will be necessary to recruit other inspection companies to supervise Phase B, a process that is now underway. In regard to Batch 2, proposals submitted exceeded the financial portfolio available, and the initial tender had to be cancelled and a new tender relaunched in May 2002 through a quick open procedure. The contract is now awarded and further comments are expected from the contractor concerning the document and its signature. Conclusion of the 7th EDF works is foreseen to mid-2004. Within the scope of the 7th EDF there are still pending activities for supplying medical and non-medical equipment. The tender for the provision of non-medical equipment was already launched and is now under evaluation.

8th EDF

In February 2002 the Financing Convention for the new Health Sector Support programme (8 ACP MOZ 33), worth €30 million, was signed. The programme marks an important transition from the project approach of previous health programmes to a SWAP and includes financing the following common funds (CF): pharmaceutical CF, General / PESS CF, CNCS / HIV/AIDS CF, and provincial support CF.

A consultant was hired for a 4-month period to support MISAU in preparing tender documents for continued long-term TA and in preparing the Start Up Work Programme. This plan is expected to begin during the first quarter of 2003. The agreements on Common Funds (pharmaceutical and provincial support) shall also be signed during the first quarter of 2003. In what concerns long-term TA, this is expected to be hired by April 2003.

Due to delays in hiring short-term TA, which would have responsibility for preparing the aforementioned Specifications, recruitment of long-term TA will start later than expected and, as such, the execution of a number of foreseen activities may also be delayed. Thus, taking into account the complexity of this programme, it will be necessary to extend the Financing Convention up to December 2007.

C) Integration of crosscutting issues

The reform within the health sector progressed in various areas in 2001/2002: a new set of **sector indicators** was prepared, which will lead to an improved follow-up in the health sector. The **Institutional Development Plan** was presented with two new programmes: the Programme for an effective decentralisation in the health sector and the Programme on organisation and management in central-level MISAU. The first **MISAU / external partners joint review** of the sector's performance was made in July 2002. This review found a quality improvement in health services and progress in the implementation of SWAP.

3.2.2 Good Governance (Foreseen in the 9th EDF)

A) Results achieved in the sector

Main indicators for review:

- Progress in the preparation and implementation of the Justice Sector Integrated Strategic Plan

By the end of 2001, the Government submitted a draft of the legal sector and courts reform strategy, under the "Completion Point" set of conditions by the HIPC initiative for debt relief.

During 2002, the Legality Defence and Justice Organisation Policy was also approved by the Council of Ministers, and a body was established to co-ordinate the preparation process of this strategy: the Council for Co-ordination of Legality and Justice, which comprises the Supreme Court, the Administrative Tribunal, the Attorney-General's Office, and the Ministry of Justice. In February 2002 this body published the **Integrated Strategic Plan for the Justice sector for the period between 2002-2006**, followed by the respective operational plans for the institutions covered in this Strategic Plan.

B) Activities carried out within the Mozambique / EC co-operation framework

By the beginning of 2001, the GON services and the Delegation launched an informal consultation for the formulation of a financing proposal to the justice sector, within the scope of the 8th EDF. At the same time, the Commission services started discussions with DANIDA aiming at the co-funding of the sector, taking into account the outstanding role of Denmark in the justice sector reform. For this reason the Commission services decided to suspend the informal consultation. Agreement with DANIDA was not possible and the Commission decided that funds available (€10 million) would not have the desired impact while the main reforms in the sector had not occurred. In this context, support to the justice sector was rescheduled within the framework of the 9th EDF.

As soon as the Integrated Strategic Plan for the sector was approved and progress achieved in the reform process was deemed adequate, EC and GON started a consultation process with the Supreme Court, the Administrative Tribunal, the Attorney-General's Office, the Ministry of Justice, and the Ministry of Home Affairs (in the fields of criminal investigation and prisons), for the formulation of ToR for a mission whose main objective is to assess the current situation in the judiciary system and to analyse options, identify forms and contents of a future intervention in the sector using funds from the 9th EDF. Limited informal consultations were once again started in October 2002, and the mission's final report was recently submitted by the consultants, and the draft funding proposal is currently being prepared.

C) Integration of crosscutting issues

Mozambique was selected to be one of the beneficiary countries of the **European Initiative for Democratisation and Human Rights (EIDHR)**, funded by the Commission Budget, between 2002-2004. The priorities are the support to civil society in actions of democracy and Human Rights promotion, civic and electoral education, and support to an independent press. The justice sector in the country may become one area to which EIDHR will allocate resources once EDF interventions in the sector are decided.

3.2.3 Rural Development (8th EDF)

A) Results achieved by the Programme

The main EC rural development support programme was approved in October 1999 within the scope of the 8th EDF, with a budget of €30 million, but its implementation has not started as yet. The EC has provided support to rural development through microprojects and the Budget Line of Co-funding with NGOs. At this level, the number of districts and rural communities participating in local investments increased with the extension of previous pilot experiences to other areas and the development of microprojects. Reflection on the issue of decentralised planning, financing and implementation of public investment also progressed. Access of rural population to social services increased as well.

B) Activities carried out within the Mozambique / EC co-operation framework

In 2001, 18 new projects were approved through the Budget Line of Co-funding with NGOs, a total amount of €12,5 million. The 7th EDF rehabilitation programmes are coming to an end with launching of the last four interventions in Zambézia. The Regional Microproject Programme of the 8th EDF continues its activities in four regions, while a new funding decision was approved to continue providing support to the National Directorate of Rural Development. In relation to microprojects, an extension until October 2003 of the Financing Convention was recently approved by EC, which will allow an extension of the implementation contracts.

However, the main instrument to promote a new approach to rural development support – the Rural Development Programme of the 8th EDF – has been essentially halted. In fact, after a long 12-month period for approval of Specifications and Terms of Reference by the Commission services, the tender for mobilising UGP was eventually launched in August 2001. Because there was no consensus between the Evaluation Committee and the EC services on the evaluation results, and taking into account that the additional validity period of proposals was about to end, the GON decided to cancel the tender. In May 2002, agreement was reached to re-launch the tender, and a new review of the tender documents was started. Re-launching this programme will depend on whether or not the Financing Convention will be extended to December 2007, on the redefinition of priorities in those sectors involved (health, education, rural bridges, agriculture, decentralisation, and rural planning), and on the preparation of an implementation timeframe.

On the 12th December 2002 an important meeting of the Programme Co-ordinating Committee was held to discuss objectives and priorities in each sector, considering evolution observed in each one of them since project inception three years ago. The Co-ordinating Committee decided to propose that the sectors involved should directly implement their respective programme components, using as much as possible the new financing mechanisms based on common funds and sectoral budget support. This proposal needs now to be formally approved by GON and EC.

C) Integration of crosscutting issues

The issues of poverty and gender are central matters in designing the rural development programme. The mobilisation of specific technical support to the Mozambican administration in these areas, which is foreseen in the PDR financing decision, is being prepared.

3.2.4 Private Sector Development (8th EDF)

A) Results achieved by the Programme

In October 1999 a €4.8 million programme was approved under the framework of the 8th EDF for private sector development, which comprises a fund for supporting business activities and companies providing training services, with the objective of improving competitiveness and organisation in the sector. Since this programme only started by the end of 2002, results can not be reported.

B) Activities carried out within the Mozambique / EC co-operation framework

During the last few years, direct contribution from the European Union to the development of the Private Sector was successfully channelled through EIB loans (direct and global, with own funds and EDF funds), CDI/CDE activities, and All-ACP EDF mechanisms such as EBAS.

The 8th EDF programme was formulated as a contribution of EDF to the Enterprise Development Programme (PoDE), with an amount of USD 47.6 million co-funded by the Government, private sector beneficiaries, the World Bank, DFID, and NORAD. For that purpose, the EDF programme shall be implemented under general guidance from the World Bank. After many months of unfruitful negotiations with the World Bank around a joint Memorandum of Understanding that would allow this EDF programme to enter into force, the European Community and the World Bank signed an agreement in November 2001 establishing standard texts and procedures for all European Commission contributions to Trust Funds managed by the World Bank. On such a basis, an Administrative Agreement was quickly agreed upon at the local level, under which terms the contribution of the EDF programme to PoDE would be disbursed in three tranches, over a maximum period of three years. The Memorandum with the World Bank was signed in December 2002 and the first disbursement of €1.8 million was promptly made.

Additionally, a service provision contract with the Mozambican Confederation of Economic Associations (CTA) worth approximately €40 thousand, proceeding from the contingency budget item within the scope of the aforementioned 8th EDF programme for Private Sector Development, was also made available. The purpose of this contract was the organisation of the 7th Annual Private Sector Conference, held in March 2003.

C) Integration of crosscutting issues

Institutional Capacity. The European Commission Budget Item on Food Security makes a contribution to the Ministry of Industry and Commerce for private sector development activities and internal and external trade activities, based on an institutional reform programme. The Ministry of Industry and Commerce played an important role in the changes occurred in market liberalisation by the late 80's, changing its role to that of a regulator. The instruments used by the Food Security Programme comprise: (i) technical assistance and dialogue policies for the definition and implementation of the Ministry of Industry and Commerce role (1997-2002, undertaken by FAO); (ii) budget support to facilitate the Ministry's institutional reform plans (1997-2002, €7.2 million), and (iii) specific actions in rural areas, co-ordinated or sub-contracted by the Ministry.

3.2.5 Fisheries (8th EDF)

A) Results achieved by the Programme

(See activities).

B) Activities carried out within the Mozambique / EC co-operation framework

The terms of reference for the identification of a fisheries support project to be possibly funded by 8th EDF NIP funds were prepared in 2001/2002, and the study was carried out in late 2002. However, with the end of the Fisheries Agreement negotiations between Mozambique and the European Union in October 2002, this sector will benefit from a substantial financial compensation as from the beginning of 2004, to develop its sectoral development programme. Thus, Mozambique, in concertation with the European Commission, decided to allocate to other purposes the 8th EDF resources programmed for supporting the fisheries sector.

The SADC Regional Programme for Monitoring, Control and Supervision (MCS) of Fishing Activities carried on its implementation in 2002 and shall contribute to establishing and maintaining the basic institutional capacity for an efficient, effective and sustainable MCS, and the mechanisms for a regional co-operation around MCS. Mozambique will also benefit from the

All-ACP Programme for strengthening capacity building in ACP countries to carry out health control of fishery products, which was approved in 2001 and should be operational by early 2003.

C) Integration of crosscutting issues

The Ministry of Fisheries formulated in 2001 new regulations for health control of fisheries. Noticeable improvements in health control were acknowledged by the European Commission Food and Veterinary Office which, after a mission to Mozambique in May 2001, recommended the inclusion of Mozambique in list I of third party Countries automatically approved for exporting to European Union countries, under health responsibility of the EC. Previously, Mozambique was authorised to export within the framework of List II, under health responsibility of the Mozambican authorities and only up to the end of 2003.

During 2001 and 2002, Mozambique was not authorised to export aquaculture products to European Union countries. Following the adoption by the Government, by mid-2002, of a Residue Monitoring Plan and complementary provisions, the European Commission decided to include Mozambique in a list of countries that temporarily abide by the European Union regulations in issues of residue control. This decision will enter into force as soon as the legal text is notified to European Union Member States, which should happen by early 2003.

The Fisheries Agreement between the Mozambican Government and the European Union was signed in October 2002 and ratification is expected in 2003. The agreement should enter into force on 1st January 2004, foreseeing a financial compensation in favour of Mozambique adding to €4.09 million per year, distributed in the following manner: 1) Institutional development €1.5 million; 2) Maritime monitoring €1 million; 3) Investments €1 million; 4) Training €400 thousand; 5) Quality control €100 thousand; and 6) Meetings of the Joint Commission and other meetings €60 thousand.

3.2.6 Water and Sanitation (8th and 7th EDFs)

A) Results achieved by the Programmed

Since this programme has just recently started, there are still no results to report.

B) Activities carried out within the Mozambique / EC co-operation framework

The execution of the ZAMWAT project (€11.6 million), with the objective to establish ARA-Zambeze, started in 2001 recruiting Technical Assistance from DNA. Upon establishment of the ARA-Zambeze core in 2000, the Supervision Committee was established and the Interim Director of ARA-Zambeze was appointed in 2001. After the pre-qualification process in 2000, the tender for the project implementation consultancy was launched in July 2001. Technical Assistance started to work in September 2002.

In 2001, the feasibility study for water and sanitation provision to Beira City was completed and both the Specifications and the Funding Proposal for project preparation were finished. By the end of 2001 a discussion was started around the project funded by EDF to decide whether the project should cover water supply and sanitation or just sanitation. An amount of €16 million was allocated to the study (€1.85 million from the 7th EDF) and the construction (€14.15 million from the 8th EDF) of Beira's sanitation project. The tender for the study was already launched and the study is expected to start by the second semester of 2003.

C) Integration of crosscutting issues

Within the scope of the 1995 National Water Policy (PNA), which provides for the involvement of private companies in water management (tertiarisation) and awards increased responsibility to provincial and municipal governments, the Ministry of Public Works and Housing (MOPH) re-defined the organisation of the National Directorate for Water (DNA) in 2001.

Tertiarisation of the water supply system in the cities of Maputo, Beira, Quelimane, Nampula and Pemba, executed through the “National Water Development Project II” funded by the World bank, was awarded in 1999 to the consortium Águas de Moçambique (AdM). This consortium faced serious financial and management problems, culminating in the withdrawal of the leading company.

The process of water resources management decentralisation continues with the gradual establishment of Regional Water Administrations (ARA), which is facing financial constraints and, in some instances, there is a need to better clarify the legal status of these ARAs.

3.2.7 Telecommunications (6th EDF)

A) Results achieved by the Programme

According to the evaluation of the project’s phase I made in 1998, the project made a very positive contribution to the economic development of the beneficiary population, dynamically improving social and economic activities in isolated rural areas. Tele-density (lines per 100 inhabitants) increased in Mozambique from 0.30 in 1990 to 0.73 in 2000.

B) Activities carried out within the Mozambique / EC co-operation framework

Specifications for the second phase of the Rural Telecommunications project (covering 40 localities in Gaza and Inhambane provinces) were prepared in 2001 and finally approved in October 2002. Given the fact that the Financing Convention is old, a request was made to close down the project and to present a new Financing Proposal to cover activities in phase II, and the latter was approved in the first quarter 2003.

C) Integration of crosscutting issues

The Environmental Study for the implementation of rural telecommunication networks completed in 2000 found that telecommunication infrastructure does not have negative impacts.

3.3 UTILISATION OF OTHER EC BUDGET RESOURCES

ONG Programme ongoing: The current set of interventions executed by NGOs by November 2002 added up to a total of 86 projects, with a combined value of €65.6 million. In 2001, besides 4 projects funded by ECHO, 27 new NGO projects were also approved, of which six funded through the EDF Rehabilitation programmes and the remaining ones funded by Commission budget items. Of the total donations disbursed by the EC to Mozambique in 2001, about €16.8 million (i.e. about 16%) were channelled through NGOs.

3.4 REGIONAL PROJECTS

3.4.1 Transport Infrastructure (see also sections 4.1.2 and 5.1.2)

Limpopo Railway

The Water Resources Research project is under implementation and will be completed by December 2002. The tendering for works and supervision of rehabilitation of stations (including water and power supply), budgeted at € 3.5 million, will be launched by early 2003. However, given the fact the Financing Convention is quite old (6th EDF), the Commission services proposed it should be closed down and a new Financing Convention should be approved to cover the aforementioned activities. This proposal is under discussion with the national authorities. On the other hand, it is proposed that the remaining global amount of the project, about €2.8 million, is released to build up the funds necessary to complete the Beira-Inchope road project, also funded by regional funds.

Beira-Inchope Road

Although the project came to an end in June 2000, a few stretches about 10 km long close to Pungué River were considerably damaged. The cost to repair damaged areas and the so-called “ASDI stretches” (still pending as per the decision of the *Annual Review 2000*) is estimated at €5-6 million. It is important that this works are undertaken as soon as possible, since the road is part of Beira Corridor and is the main access way to Zimbabwe. Funds still not committed within the scope of this regional project total €1.5 million. As such, about €3-4 million will be additionally necessary (i.e. 20% of the project funds) to undertake the works pending. Part of those funds would be made available by the release of funds from the Limpopo Railway project (see above).

Milange-Mocuba Road

The Regional Indicative Programme for SADC of the 9th EDF provides an indicative amount of about 35% to 45% of the overall financial portfolio of €101 million for the crucial sector of Transport and Communication. A substantial part of those funds are earmarked for rehabilitating the Milange-Mocuba-Quelimane road. Probably only the Milange-Mocuba will be covered, at an estimated cost of about €30 million, since some stretches of the Mocuba-Quelimane road are already being rehabilitated or will be integrated in the Namacurra-Ligonha River road project (see sections 4.1.2 and 5.1.2). A Financing Decision is expected in late 2003, and the rehabilitation works should be completed from 2004-2007.

Nacala Corridor (see also sections 4.1.2 and 5.1.2)

Funding for Nacala Corridor is foreseen in the Mozambique and Malawi PINs, as well as in the Regional Indicative Programme (PIR) for Southern Africa, with a portfolio of about €26 million, distributed in the following way: NIP Mozambique €10 million, NIP Malawi €8 million, and PIR Southern Africa €8 million.

3.4.2 Health – CRDS (see also sections 4.2.1 and 5.1.4)

Closure of this project is dependent on the final result of the financial audit to the Work Plan locally managed. The final report draft pointed to a balance of 55.3 thousand American dollars in the project account, whose transfer to EDF account was made in October 2002. The audit also found substantial expenditure without proof invoices. The new CRDS management submitted a report in November 2002 clarifying the situation, and the report is presently under analysis.

3.4.3 PALOP – Support to judicial system development

A project with regional funds from EDF, under the co-ordination of the Angola National Authorising Officer in the capacity of Regional Authorising Officer, to support development of the judicial system in all 5 PALOPs (African Portuguese-Speaking Countries) with a total budget of €6.1 million, of which €1.1 million are co-funded by the Portuguese co-operation, was approved in 2001. This project started with the signature of the budget-programme and the execution protocol, in June 2002.

Technical activities were started in February 2003, and in the following month a circulating mission to PALOP countries was started to make a survey and diagnosis of the training needs and capacity within the PALOPs, to establish a global training plan, to design and start the website LEGIS-PALOP, and to define and improve the conceptual and thematic framework of the workshops foreseen within the scope of Legal Codes review.

3.5 FINANCIAL EXECUTION OF NIP AND SAF

3.5.1 Overall Appraisal

The financial execution of the National Indicative Programmes (PINs) and the Structural Adjustment Facility (SAF) by the end of December 2002 is showed in the table below:

EDF	NIP €M	SAF €M	Total €M	Decisions		Contracts		Payments	
				€M	% Total	€M	% Total	€M	% Total
6	160.0		160.0	158.9	99.3	147.9	92.5	146.5	91.6
7	170.6	30.0	200.6	199.3	99.3	186.3	92.8	177.5	88.5
8	214.5	132.0	346.5	325.3	93.9	205.6	59.3	172.5	49.8
9*	274.0		274.0	150.0	54.7	150.0	54.7	30.0	10.9
Total	819.1	162.0	981.1	833.5	84.9	689.8	70.3	526.5	53.7

* Portfolio A. SAF funds are integrated in portfolio A of the 9th EDF.

In what concerns the global aid amount from the European Union within the scope of PINs and SAF, the 4 EDFs added to an amount of €981.1 million. Of this amount, €833.5 million, i.e. 84.9% of the total portfolio, was object of **financing decisions**. This global index is adequate taking into account the late start of the 8th EDF NIP and this start of the 9th EDF NIP. As the indexes above show, virtually all funds available from the 6th and 7th EDFs were object of financing decisions, while indexes of the 8th and 9th EDF are respectively 93.9% and 54.7%.

In relation to the **implementation** of programmes that were object of financing decisions, the situation is as follows. The overall amount of **contracts** is €689.8 million, i.e. 70.3% of the global portfolio and 82.7% of financing decisions. Looking at each EDF, it may be observed that the 6th and 7th EDFs show an index of contracts of respectively 92.5% and 92.8% in relation to their respective financial portfolio. As for the 8th EDF, notwithstanding the fact that it shows a financing decision index relatively high, the index of contracts in relation to the financial portfolio is 59.3%, which is relatively low considering the fact that 65% of the 8th EDF financing decisions were made up to the end of 1999⁶. As for the 9th EDF, the contract index up to the end of year 2002 was 54.7%. This is due to the fact that it is a budget support programme.

⁶ According to the Commission's new financial regulations, contracts should be completed within 3 years as from the date of funding (rule no. 3).

The volume of **payments** depends on contracts entered into. Following the signature of contracts, the overall amount for payments adds to €526.5 million, i.e. 53.7% of the overall financial portfolio. The 6th and 7th EDFs show high indexes of execution at 91.6% and 88.5%, respectively. Therefore, payments should decrease their importance in the future. The 8th EDF shows an index of payment of 49.8% in relation to its financial portfolio. Moreover, it should be taken into account that €145.6 million, i.e. 84.4% of payments made under the 8th EDF, are due to budget support. In relation to the 9th EDF NIP, the index of payment is 10.9% (the Strategy Document and the 9th EDF NIP were signed in February 2002).

The indicators discussed above show that the 6th and 7th EDFs are virtually completed. However, consideration should be given to the fact that the 6th EDF was signed more than 15 years ago and the 7th EDF 11 years ago. In relation to the 8th EDF, there are still substantial amounts to hire and pay.

The following table shows the balance sheet based on three absorption indicators: RAL (remainder to liquidate), RAC (remainder to contract) and RAP (remainder to pay).

Table 9: Balance Sheet of 6th, 7th, 8th EDFs
31-12-2002

NIP	Decisions		RAL		RAC		RAP	
	€M		€M	% Decisions	€M	% Decisions	€M	% Decisions
6	158.9		12.4	7.8	11.0	6.9	1.4	0.9
7	199.3		21.8	10.9	13.0	6.5	8.8	4.4
8	325.3		152.8	47.0	119.7	36.8	33.1	10.2
9*	150.0		120.0	80.0	0.0	0.0	120.0	80.0
Total	833.5		307.0	36.8	143.7	17.2	163.3	19.6

* 9th EDF RAC equals zero because the €150 million decision concerns the budget support programmes. In such cases, the decision and the contract (secondary commitment) are simultaneously coded in the accounting system OLAS.

By late 2002, the total RAC amount was €307 million, i.e. 36.8% of financing decisions. The 6th and 7th EDFs show a relatively small RAL value, respectively 12.4 €M and 21.8 €M. This mostly concerns projects that are being closed and whose amounts should be unallocated. The 8th EDF shows a relatively high RAL at € 152.8 million. Disaggregation of the 8th EDF RAL into RAC and RAP shows the need to speed up contracts in this phase, whose RAC is €119.7 million, i.e. 78.3% of RAL. In relation to the 9th EDF, financing decision of €150 million to budget support was approved in December 2002, and the programme is following its normal course.

4 PROGRAMMING IN 2001-2002 AND PROSPECTS FOR 2003-2005

The work programme is based on the following elements:

- To speed up financing decisions concerning the 9th EDF and the resources available from previous EDFs
- To speed up implementation of ongoing programmes
- To close completed programmes and reprogram unallocated resources.

Table 10 shows programming up to 2005.

Table 10: Programming of EDF Funds (€M)*

Programming of EDF funds	2002	2003	2004	2005	Total
Financing Decisions	168.0	132.4	28.2	0	330.3
Contracts		82.0	145.7	34.5	
Payments	47.5	111.4	142.2	152.5	453.6

* PM. The food security line should programme €48 million in 2003

4.1 Financing decisions in sectors foreseen within the 9th EDF NIP

In 2001, the objectives in terms of programming were achieved, with the approval of the 8th EDF health programme, worth €30 million. **In 2002 results fell much short of the objectives.** According to the Strategy Document and the 9th EDF NIP, the plan was to programme €274 million distributed by the 8th EDF (€34 million), the 9th EDF (€195 million), and the food security budget item (€45 million). The final result was €168 million, i.e. 61.3% of foreseen programming, related to the approval of PRSB II programme of €168 million, whose funds are distributed by the 8th EDF (€18 million) and the 9th EDF (€150 million). The discrepancy in relation to initial provisions was due to the 9th EDF crucial sectors of infrastructure and food security, and to two actions foreseen within the scope of 8th EDF in the sectors of water and fisheries, whose programming did not take place as it was expected. **The delay should be fully compensated in 2003-2004**, and the expected programming for 2003 is €132.4 million from EDF funds and €48 million from the food security budget item, and for 2004 €28.2 million from EDF funds. By the end of 2004, EDF funds available should be fully programmed. The programming details are shown in Table A1, in annex. The following section shows details of programming per sector.

4.1.1 Macroeconomic support (crucial sector)

As foreseen in the 9th EDF CSP/NIP, PRBS II was approved by late 2002, of €168 million worth. PRBS II should contribute to (i) the need of sustaining macroeconomic stability, promoting a wide-based economic growth and considering the SADC regional integration challenges; (ii) the need to support poverty reduction and improvements in the provision of services to population in PARPA (PRSP) focal areas, especially in health and education; and (iii) the strengthening of public finance management. The main areas of the approved programme are the following:

- A Multiannual Finance Proposal covering 4 budget years 2002-05.
- A single portfolio of € 168 million, of which € 6 million for Technical Assistance.
- The programme shall be implemented within the scope of the Joint Donor Programme for Macroeconomic Support to Mozambique.

Table 11: PRBS II Implementation Schedule

Instalments	2002		2003		2004		2005		Total	
	€M	%	€M	%	€M	%	€M	%	€M	%
Fixed Tranche	30.0	100.0	30.0	75.0	30.0	68.2	30.0	62.5	120.0	74.1
Variable Tranche	-	-	10.0	25.0	14.0	31.8	18.0	37.5	42.0	25.9
<i>Of which</i>										
<i>Public Finance (50%)</i>			5.0	12.5	7.0	15.9	9.0	18.75	21.0	12.95
<i>Education (20%)</i>			2.0	5.0	2.8	6.36	3.6	7.5	8.4	5.18
<i>Health (30%)</i>			3.0	7.5	4.2	9.54	5.4	11.25	12.6	7.77
Total	30.0	100.0	40.0	100.0	44.0	100.0	48.0	100.0	162.0	100.0

4.1.2 Transport Infrastructure (crucial sector)

9th EDF

According to the 9th EDF CSP/NIP, the EC will continue to support Mozambique within the scope of the new ROADS III programme, which covers the 2000 decade. As an indication, 25%-35% of resources shall be earmarked to this sector.

The 9th EDF NIP allocated this amount in the following manner:

- 1) Periodic road maintenance operations – estimated at €32 million, to which €6 will be added made available from 2002 balances from previous EDFs.
- 2) Development of capacity – estimated at €4 million
- 3) Rural roads – estimated at €9 million
- 4) Namacurra-Ligonha River road – provisional amount of €40 million.

The total amount of the 9th EDF funds allocated to this component is, therefore, €85 million. However, the Feasibility Study costs the rehabilitation of the Namacurra-Ligonha River road at €85 million. Moreover, due to delays in starting up the ROADS III programme, phase I is potentially reduced from 4 to 3 years, and perhaps the same amount of funds is not necessary anymore to areas such as capacity development, rural roads, and periodic maintenance, where absorption is not high and other programmes may be simultaneously implemented. As such, it is proposed within the scope of the 9th EDF to reduce the anticipated funding for road maintenance to a €12 worth pilot project and postpone this funding to 2003-2005. Resulting funds should be distributed as follows:

- 1) Periodic road maintenance operations: €12 million
- 2) Capacity development: €2 million
- 3) Rural Roads: €6 million
- 4) Namacurra-Ligonha River road: € 65 million

The Financing Decision covering components 1, 2, and 4, shall be made in June 2003, while the Decision to cover component 3 shall be made in November 2003. As established in the Strategy Document, financing of the Road Fund by the EC is subject to transparent, adequate and orthodox financial management practices.

8th EDF

The Nacala Corridor (railway Cuamba-Entrelagos) feasibility study was undertaken in mid-2002 (it started on June 1st) and not in early 2002, as expected. The Financing Decision is awaited by the first quarter 2004.

In relation to the Nampula-Nacala road, it was expected that about €5 million would be released by the closure of this project (due to a cost lower than initially expected to the rehabilitation works tendered). This amount should, in principle, be used to complement financing to the crucial sector of road infrastructure within the scope of the 9th EDF. However, the amount anticipated shall be used to fund additional reconstruction works that were accrued from 7 km to approximately 40 km. Works should be completed in 2004.

4.1.3 Food Security and Agriculture (crucial sector)

The 9th EDF CSP/NIP establishes that, as in the past, the main intervention planned consists on a Multiannual Food Security Programme to be prepared as to be ready to start in 2003.

A new Multiannual Food Security Programme (MAFSP) will be prepared during 2002 and 2003 for a three-year period, covering the fiscal exercises 2003-2005, to be submitted to the Food

Security and Food Aid Committee by July 2003. The new Programme shall be structured as a continuation of the strategic approach of the ongoing programme, including additional support for ongoing activities, whose financing shall come to an end within the next few years. The new MAFSP shall also include new components, but their identification is still at an initial stage. There are a number of pipeline activities that may be included in this process. On the other hand, there are also some activities co-funded by the EU member States, and additional joint activities may possibly be considered within the new programme.

4.1.4 Health and HIV/AIDS (non-crucial sector)

9th EDF

According to the 9th EDF CSP/NIP, the 8th and 9th EDF programmes are to be implemented following a co-ordinated sequence. The 8th EDF operation (€30 million) was approved in early 2002. The programme within the 9th EDF scope (approximately €25 million) should be approved by November 2003 and its timeline of execution will depend on the sector's needs and the evolution towards the adoption of the SWAP action plan. The approach continues to be the same. The programme will cover the period 2004-2007.

8th EDF

The 8th EDF programme, approved in early 2002, is a transition from the traditional project approach to a more sectoral budget support. Funds will be channelled through four common fund mechanisms: the existing common funds for pharmaceutical drugs and provincial budget support, the Common Fund of the National AIDS Council for supporting NGOs, and the PESS fund. However, discussions are currently ongoing to expand the PESS fund into a global sectoral fund, the "*General Common Fund (CF-G)*". The CF-G will allow improved budget planning in the Ministry of Health. An addendum to the Financing Convention may be necessary to allow support by the EC to the CF-G instead of PESS. The 8th EDF programme should finalise in 2007. Discussions focused on the common funds undertaken within the 8th EDF scope should contribute to the preparation of the 9th EDF programme.

4.1.5 Good Governance (non-crucial sector) – Judicial Sector and Support to Elections

The 9th EDF CSP/NIP anticipates the preparation of a programme of about €10 million to strengthen the judicial sector, decided upon as a function of the policy dialogue between the Mozambican Government and the EU, as well as of progress achieved by the Government in creating a strategy for global reform of the judicial sector, and should consider interventions from other donors. Schedule of activities programmed in the 9th EDF NIP anticipated launching this support only in 2003 (identification in early 2003, assessment in mid-2003, and financial decision in late 2003).

However, considering the positive progress in the sector's reform, the EC believed work could start in 2002 for the preparation of a financing decision aimed at supporting the sector. Presently, the identification phase is underway. The intervention modalities are still to be decided and the financing decision should occur in November 2003.

Discussions are ongoing between the Commission services and the Government concerning support to the election process, covering municipal elections planned for 28th October 2003 and the general elections (presidential and legislative) that should take place in 2004 (see also section 3.1)

4.1.6 Support to Non-State Actors – NSA (non-crucial sector)

Under the 9th EDF CSP/NIP, co-operation with non-state stakeholders in crucial sectors and the EC support to the civil society may require the creation of a capacity-building programme for Mozambican non-state stakeholders of about € 4 million. A feasibility study for its preparation shall be launched in 2003. The programme should be approved in mid-2004.

The support and capacity-building programme to the non-state actors anticipated in the 9th EDF has been object of consultations with the Mozambican civil society. A study was carried out with the objective of typifying the groups in the country's civil society and of examining the nature and possible structure for a future dialogue and support. The final report on this study was submitted in 2001 and was presented to the Mozambican civil society and other actors in a seminar held in September 2001. At the same occasion, the Delegation also presented and consulted on the new Cotonou Agreement and the new EC proposals for the 9th EDF programming. The conclusions from those consultations were quite positive, with a high level of participation and an open, interested attitude from the civil society representatives in the dialogue with the European Commission.

4.2 Financing decisions for sectors anticipated in previous PINs

4.2.1 Beira Sanitation Project (8th EDF)

The project scope was focused only on sanitation due to activities from other donors in water supply to Beira. Due to delays in approving funding for the study, the €14 million worth project is expected to be approved by the first quarter 2004. Works should be completed by the last quarter 2006.

4.2.3 Institutional Support to GON (8th EDF)

In March 2002, a new Addendum to the Financing Convention extended project duration to 31st December 2002. Since there were no activities funded by the project between August and December 2002, the Commission agreed on a third extension to the project duration to June 2003. Discussions are underway between the Commission services and the National Authorising Officer to define support by EDF funds to ensure execution of its functions within the framework of the Cotonou Convention.

4.2.4 Rural Telecommunication (6th EDF)

Due to substantial delays in finalising and approving Specifications for the supply, installation and supervision contracts, it was agreed to close the project and recover the remaining funds, implementing phase II through a new project to be financed by funds remaining from the 6th EDF. It is now expected that what remains from the current 6th EDF project (supply, installation and supervision contract tenders) is implemented in the period 2003-2005. The €10.8 worth Financing Decision was approved in March 2003.

4.3 Contracts and Payments from EDF Funds

In 2002, contracts and payments fell much short of expectations. In contrary to the financing decisions, where it is possible to recover delays in programming in 2003, this is not the case with contracts and payments due to two reasons: 1) delays in contracting within the 8th EDF (see RAC analysis) will reflect negatively on payments; 2) delays in the 9th EDF financing decisions will have a negative impact on contracts and payments. Considering these two factors, recovery in

relation to the strategy document will be extended through a longer period, 2003-2005 (see table 10, above). Contracts shall peak (€ 145.7 million) in 2004, as a result of the financing decisions that should be approved during 2003. Payments should increase, as it should be expected, according to contracts and peak (€ 152 million) in 2005.

5. SPECIFIC THEMES FOR THE 2003 ANNUAL JOINT REPORT

5.1 Speeding up the Implementation of EDF Resources

The GON/EC joint work programme for 2003-2005 presented in section 5 was prepared as to recover from the delays in programming the 9th EDF, to speed up implementation of the 8th EDF and to re-programme the RAL of projects about to be closed. Such programming should create the conditions for a successful review of the Strategy Document mid-term and the 9th EDF NIP. The programme agreed upon is quite ambitious and should require close co-ordination between GON, line Ministries involved and the EC. Considering the elements stressed in sections 4 and 5 of this report, the work programme should be laid upon the following priorities:

1. To undertake the 2003-2004 financing decisions programming of the 9th EDF and the remainder of the 8th EDF. The objective is to **programme €132.4 million in 2003 and €28.2 millions in 2004 (see table 10)**
2. To speed up administrative procedures for hiring and to review project formulation, if necessary, aiming at decreasing RAC. The objective is **take up contractual commitments of €82 million in 2003, €145.7 million in 2004, and €34.5 millions in 2005 (see table 10).**
3. To establish a constructive dialogue with the sectors benefiting from the EC assistance with the purpose of **speeding up payments and decreasing the corresponding RAP. The objective is to make payments of €111.4 million in 2003, €142.2 million in 2004, and €152 million in 2005 (see table 10).**
4. **To reformulate the Rural Development Programme** based on an approach that should allow quicker implementation of resources.
5. **To unallocate RAL from the projects about to be closed and to re-programme funds** available within the scope of the 9th EDF objectives.

5.2 Review of the 9th EDF CSP/ NIP Indicators

The review of indicators is ongoing under the context of the PARPA Monitoring and Assessment Mechanism. On the other hand, within the framework of PRBS II, the EC agreed with the Government and the Group of Donors for Macroeconomic Support on a temporary system of performance indicators in the sectors of health, education, and public finance management. In May 2003, within the annual review of the Joint Programme for Macroeconomic Support, it was decided between donors and the Government to define a joint PARPA monitoring and evaluation mechanism based on result indicators. The process shall be co-ordinated by the Government and should count on the active participation from the Group of Donors for Macroeconomic Support and the World Bank, the latter within the scope of PRSC. The indicator matrices should be ready by the end of July 2003. The exercise shall have support from the sectors, namely health, education, agriculture and rural development, water and transport infrastructure.

5.3 Progress in the dialogue between the National Authorising Officer, the European Commission Delegation and the Non-State Actors

5.3.1 Between the EC Delegation and the National Authorising Officer

The dialogue between the EC and the GON has seen substantial progress as from the last 2002 semester, thus reverting the situation preceding the events marking the final phase of the institutional support project that were at the base of a suspension of such support to carry out an audit, a fact that greatly restrained functioning of this institution critically important to co-operation management between the Republic of Mozambique and the European Union.

As consequence of this dialogue, and also meeting EC objectives – to normalise operation conditions in GON – the Commission services decided to resume support to GON and during the last quarter of the year the necessary measures were taken to re-establish funding as from January 2003 for a six-month period, and payments within the contract of technical assistance to GON, responsibility of the company CESO, were regularised. A EDF accountant was hired to manage expenditure of the project's *Imprest Account*.

Meanwhile, it was agreed to audit the GON support project by the end of 2002, which produced a final Report that was submitted in May 2003, now under appraisal by GON.

Overall, the consultancy considered the funds used under the project were so in accordance with the project's Financing Convention, with the exception of a number of points still under discussion between the parties.

Likewise, a consultancy was contracted to make an evaluation of the GON institutional support project, aiming at establishing the bases for a new similar package starting in June 2003 and proposing the bases for a dialogue over a new collaboration strategy that considers the new set of policies and procedures within the scope of Cotonou Agreement.

Within the global dialogue framework, some essential objectives were achieved, namely the adoption of the Strategy Document and the signature of the 9th EDF NIP in February of the year this Report concerns.

In the meantime, this dialogue, essential for the success of this co-operation, has been registering substantial progress in the sectoral and overall assessment of the co-operation execution, which resulted in the conclusion in December of the first joint annual review under a very positive, constructive and effective context.

If this level of dialogue and co-operation between the European Commission and the National Authorising Officer are to prevail, than conditions are put together to achieve the execution objectives, perhaps ambitious, of our programme in 2003. Achieving these objectives will contribute to the mid-term review process to undertake in 2004, and to possible benefits to build up funding thence taking place.

5.3.2 Between the EC Delegation, GON and Non-State Actors (NSAs)

The involvement of Non-State Actors within the implementation framework of the Country Support Strategy and NIP has not seen progress, as dialogue is still on between ACP States and the Commission over the eligibility of Non-State Actor and the importance of considering specificity of each ACP State.

Contacts have already been held between the European Commission Delegation and part of the civil society to discuss and reflect on the issues and ways to materialise co-operation perspectives opened in this area by the Cotonou Agreement.

A meeting between a mission from the Commission services for RAC (JAR) in 2001/02 and representatives from NSAs should be highlighted, which took place on 26th November 2002. This meeting had the objective of presenting the EDF project to support NSAs and discussing possible ways of execution. However, these initiatives had not the involvement of GON, a situation that should be avoided in the future.

This issue has been the object of discussions between the Delegation aiming at the definition of the strategy to follow in the implementation of this support to NSAs. This matter is also the object of reflection and discussion at the level of the ACP group.

At the same time, considering the specific characteristics of Mozambique, a consultancy is also foreseen for the definition of a co-operation strategy with NSAs, including the regulating framework to allow capacity-building support to NSAs. Meanwhile, contacts and efforts to involve NSAs in the process are carried on.

However, there are no clear indications from the Commission services on (AIDCO) on how to proceed in executing support to NSAs.

ANNEXES

- 1 Sectoral Performance Indicators & MDG**
- 2 Pipeline Status December 2003**
- 3 Joint Annual Report – Tables**
 - 3.1 6th EDF - National Indicative Programme (1)
 - 3.2 6th EDF - Non-Programmable Funds
 - 3.3 7th EDF - National Indicative Programme
 - 3.4 7th EDF - Regional Funds
 - 3.5 7th EDF - Non-Programmable Funds
 - 3.6 8th EDF - National Indicative Programme
 - 3.7 8th EDF - Non-Programmable Funds
 - 3.8 8th EDF - Regional Funds
- 4 Table on EIB operations**
- 5 Food Security Budget Line : Commitments and Disbursements**
- 6 STABEX**

PAF/PRSC: SELECCÃO DE ACCÕES PRIORITÁRIAS

Programa Governo - PARPA			Prioridades		Indicadores (T= Taxa (%))	Metas (200-)				
Objectivos Estratégicos	Áreas	Sub-áreas	Objectivos	Acções		2003	2004	2005	2006	
Redução da pobreza através da orientação privilegiada dos serviços públicos para as populações mais carentes	Educação	Ensino Primário	Escolarização universal	Implementar o Plano Estratégico 2004-2008	Taxa bruta de admissão Ep1		134	128	123	
			Melhoria da qualidade	Introduzir novo curriculum; Formar professores	Taxa de conclusão EP1	40	44	47	59	
			Redução das disparidades de género	Implementar estratégia sobre género e educação	% raparigas no EP		45.6	46	46.7	
	Saúde	Materno-Infantil	Redução mortalidade materna	Aumentar oferta de cuidados obstétricos	Taxa mortalidade materna intra-hospitalar	0.18	0.17	0.16	0.15	
			Redução mortalidade Infantil	Aumentar a cobertura do Programa Alargado de vacinações	T cobertura <1 ano tuberculose (BCG) T cobertura <2 anos Polio, DTP, Hepatite	98 93	98 95	98 95	98 95	
		Malária	Redução da mortalidade por Malária	Promover o uso de rede mosquiteira Garantir tratamento precoce e adequado	T letalidade hospitalar por malária, adultos		5.4	5.3	5.2	
		HIV-SIDA	Redução mortalidade por HIV-SIDA	Rever e implementar Plano Estratégico CNCS	T de prevalência do HIV-SIDA, adultos	15.1	15.5	15.8		
	Infra-estruturas	Estradas	Melhoria da rede nacional	Reabilitar e melhorar a rede nacional; Melhorar o sistema de <i>procurement</i> e execução de obras e serviços.	Kms. Reabilitados; Kms Manutenção Periódica Kms Manutenção de Rotina	842 624 13335	1135 2017 13834	1160 2062 14343	705 2001 15247	
			Fundos para manutenção de estradas	Alocação atempada dos fundos internos acordados com o MPF ao Fundo de Estradas	MUSD	38,6	51,8	56,8	60,1	
		Água	Aumento do acesso	Abrir poços, estabelecer novas ligações	% População com acesso à água potável	36	40	43	46	
		Saneamento	Aumento do acesso	Latrinas melhoradas, fossas sépticas	% Pop com acesso a serviço de saneamento	32	35	37	42	
	Promoção do desenvolvimento económico, com prioridade para as zonas rurais e a redução dos desequilíbrios regionais	Agricultura		Fomento da produção agrícola	Aumentar a abrangência dos serviços de Extensão Agrária	% explorações agrícolas com pelo menos 1 mensagem de extensão adoptada	2.4	2.6	2.9	3.2
					Aumentar a abrangência dos serviços de Vacinação	% explorações pecuárias com galinhas vacinadas	5	8	11	15
Aumentar a abrangência dos serviços de Caju					% de explorações de caju com cajueiros tratados contra Oidium	12	15	18	20	
Facilitar o acesso a financiamento					Clientes de micro-crédito	65000	80000	90000	100000	
Comercialização		Fomento da comercialização agrícola	Facilitar acesso à informação sobre preços de mercado	% explorações agrícolas que obtiveram info sobre preços	40	45	50	50		
		Fomento do associativismo	Facilitar acesso a mercados e a melhores preços	% de explorações agrícolas com membro associado (associação agropecuária)	4	6	8	10		
Recursos Naturais		Acesso a terra	Simplificar mecanismos de tramitação do direito ao uso e aproveitamento terra	Nº explorações agrícolas com título DUAT	30000	33000	36000	40000		
	Exploração sustentável	Fomentar os Planos de Maneio	Nº concessões com Plano Maneio aprovado	12	20	35	50			

PAF/PRSC: INDICADORES MACROECONÓMICOS

INDICADORES MACROECONÓMICOS	2002	2003	2004	2005	2006
PIB, Nominal (milhões de USD dólares)					
Taxa de Crescimento Real (%)	7.7	7.0	8.4	7.5	6.9
População					
PIB per capita (USD/ano)	199	232	255	278	300
IPC					
Inflação Média (%)	16.8	13.0	9.0	7.6	7.0
Taxa de Câmbio					
Taxa de Câmbio Fim de Período	23,854	24,384	25,629	26,449	27,295

POLÍTICA ORÇAMENTAL (em milhões de contos)	2002	2003	2004	2005	2006
Receitas Total	12,056	14,705	17,810	21,281	24,994
<i>(em % do PIB)</i>	<i>14.1</i>	<i>14.3</i>	<i>14.7</i>	<i>15.2</i>	<i>15.6</i>
Saldo Corrente	-1,413	-1,688	-1,459	-814	-177
<i>(em % do PIB)</i>	<i>-1.7</i>	<i>-1.6</i>	<i>-1.2</i>	<i>-0.6</i>	<i>-0.1</i>
Défice Primário	-4,512	-3,848	-4,165	-5,300	-5,728
<i>(em % do PIB)</i>	<i>-5.3</i>	<i>-3.7</i>	<i>-3.4</i>	<i>-3.8</i>	<i>-3.6</i>

MILLENIUM DEVELOPMENT GOALS INDICATORS

Type	Indicator	2000 (Real)	2001 (Real)	2002 (Real)	2003	2004	2005
Impact	1. Proportion of population below \$1 per day	69.4	-	-	-	-	60
	2. Prevalence of underweight children (under-five years of age)	12,2	12,2	12,3			11
	3. Under-five mortality rate (‰)	147*		135			130
Outcome	4. Net enrolment ratio in primary education	54,0		35	42	46	50
	5. Primary Completion Rate	-	-	36	40	44	47
	6. Ratio of girls to boys in:						
	- primary education	43.0	43.9	44.6	46.0	-	48
	- secondary education	39.5	39.3	39.4	42.5	-	-
	7. Proportion of births attended by skilled health personnel						
	8. Proportion of 1 year old children immunized against measles	40.3	41.2	43	45	47	46
	9. HIV prevalence among adult population	97.1	94	94	95	95	
	10. Proportion of population with sustainable access to an improved water source			13	15.1	15.5	15.8
	11. Pre-birth appointments	-	-	-	36,0	40,0	43,0
	12. Immunisation against TB		100	100	98	99.5	
	13. Immunisation against Polio & DPT		97	97	98	98	
	14. Coverage rate (0-1 year)			82	87	93	95
				100	100	98	98

Source: PES/PARPA

*1997

MOZAMBIQUE PROJECTS PIPELINE WITHIN THE 9TH EDF ENVELOPE 2003-07 (*)

Allocations: A envelope: € 274,00 million

Transfer from 6-8 EDFs: € 41,4 million with possible increase to € 42.8 million

PROGRAMMABLE ALLOCATION : € 315,4 - 316.8 million

B envelope : € 46,22 million

ECHO: € 3,85 million (7% of the B envelope)

APC: € 4,93 million (1,5% of A+B envelope)

A-ENVELOPE PROGRAMMING

Project Title		2002	2003 Jan	2003 Feb	2003 Mar	2003 Apr	2003 May	2003 Jun	2003 Jul	2003 Aug	2003 Sep	2003 Oct	2003 Nov	2003 Dec	2004 Jan	2004 Feb	2004 Mar	2004 Apr	2004 May	2004 Jun	2004 Jul	2004 Aug	2004 Sep	2004 Oct	2004 Nov	2004 Dec	Total 2002-2004	2005	2006	2007	Total 2002 - 2007
1	PRBS II	168,0																									168,0				168,0
2	Road Maintenance & Capacity Building								14,0																		14,0				14,0
3	Rural Roads												6,0														6,0				6,0
4	Namacurra-Rio Ligonha Rehab								65,0								4,0										69,0				69,0
5	Health Sector Support Programme II												25,0														25,0				25,0
6	Support to Judiciary Sector																10,0										10,0				10,0
7	Capacity building for non-state actors																	4,0									4,0				4,0
8	Support													1,5													1,5				1,5

TABLE 1

6th EDF - National Indicative Programme (1)							
Breakdown of EDF financing by Economic Sector in 2002							
Financial situation as at December 31, 2002 (Euro)		Decisions			Disbursements		
No.	Project Title	at 31.12.01	at 31.12.02	in 2002	at 31.12.01	at 31.12.02	in 2002
Balance of Payments Support							
14	TA for the Sectoral Import Programmes	38.200	38.200	0	38.200	38.200	0
19	Sectoral Import Programme	31.779.294	31.779.294	0	31.779.294	31.779.294	0
49	Sectoral Import Programme	21.263.615	21.263.615	0	21.263.615	21.263.615	0
88	General Import Programme (GIP I)	9.668.874	9.668.874	0	9.668.874	9.668.874	0
99	Sectoral Import Programme (cont. of N° 19)	4.925.215	4.925.215	0	4.925.215	4.925.215	0
100	TA for Import Programmes	180.423	180.423	0	180.423	180.423	0
		67.855.621	67.855.621	0	67.855.621	67.855.621	0
Transport Infrastructure							
1	TA for the Rehabilitation of the Nacala Railway	1.217	1.217	0	1.217	1.217	0
8	Rehabilitation of the Nacala Railway, Phase 2 *	22.184.697	22.153.245	-31.452	22.184.697	22.153.245	-31.452
16	Tender Evaluation of the Beira Port Project	60.676	60.676	0	60.676	60.676	0
18	Rehabilitation of the Beira Port	10.276.178	10.276.178	0	10.276.178	10.276.178	0
25	TA for the Inhambane Railway School	693.016	693.016	0	693.016	693.016	0
41	Training of Railway Staff	38.027	38.027	0	38.027	38.027	0
44	Training of Railway Staff *	3.775.000	3.772.917	-2.083	3.770.993	3.770.993	0
58	Mocimboa-Diala Road Study	29.353	29.353	0	29.353	29.353	0
60	Beira-Machipanda Road	3.199.010	3.199.010	0	3.199.010	3.199.010	0
78	Study on Tender Docs. For the Limpopo Railway	34.478	34.478	0	34.478	34.478	0
79	Rehabilitation of the Limpopo Railway	4.893.376	4.893.376	0	4.893.376	4.893.376	0
87	Rehabilitation of Beira Port	1.000.000	1.000.000	0	1.000.000	1.000.000	0
		46.185.028	46.151.493	-33.535	46.181.021	46.149.569	-31.452
Rural Rehabilitation and Development							
24	Study on the Rural Rehab. of Northern Inhambane	143.175	143.175	0	143.175	143.175	0
39	Study on Cabo Delgado Development Programme	40.000	40.000	0	40.000	40.000	0
43	Northern Inhambane Rural Rehab. Programme	1.867.796	1.867.796	0	1.867.796	1.867.796	0
52	TA for Cabo Delgado Development Programme	56.187	56.187	0	56.187	56.187	0
57	Cabo Delgado Development Programme	3.671.098	3.671.098	0	3.671.098	3.671.098	0
77	TA for the Reconstruction Conference	90.000	90.000	0	90.000	90.000	0
		5.868.256	5.868.256	0	5.868.256	5.868.256	0
Governance and Democracy							
27	Local Public Management Training	732.941	732.941	0	732.941	732.941	0
89	Evaluation of the Local Public Manag. Training Project	33.072	33.072	0	33.072	33.072	0
105	Computerised System of Identity Cards	1.894.502	1.894.502	0	1.894.502	1.894.502	0
107	TA to Support the Municipal Elections	171.063	171.063	0	171.063	171.063	0
		2.831.578	2.831.578	0	2.831.578	2.831.578	0
Population							
85	Study on Social and Vital Statistics	40.534	40.534	0	40.534	40.534	0
106	Support to the Population Census *	2.000.000	1.958.891	-41.109	2.000.000	1.958.891	-41.109
		2.040.534	1.999.425	-41.109	2.040.534	1.999.425	-41.109
Health							
69	Traditional Medicine Study	43.050	43.050	0	43.050	43.050	0
80	Rural Health Strategy	143.985	143.985	0	143.985	143.985	0
101	Support to the Mozambican STD/ HIV Strategy *	5.500.000	5.500.000	0	4.454.429	4.579.846	125.417
		5.687.035	5.687.035	0	4.641.464	4.766.881	125.417
Communications							
34	TA on Rural Telecommunications	32.833	32.833	0	32.833	32.833	0
51	TA on Rural Telecommunications	435.038	435.038	0	435.038	435.038	0
76	Rural Telecommunications Project *	15.600.000	15.600.000	0	4.833.469	4.857.163	23.694
92	Study on the Rehab. of the Rural Post Office Network	57.460	57.460	0	57.460	57.460	0
		16.125.331	16.125.331	0	5.358.800	5.382.494	23.694

(1) As for projects under 6th EDF Regional funds, there were no changes in 2000 and 2001. Accounts were presented in the 1999 Annual Report.

6th EDF - National Indicative Programme (1)

Breakdown of EDF financing by Economic Sector in 2002

Financial situation as at December 31, 2002 (Euro)		Decisions			Disbursements		
No.	Project Title	at 31.12.01	at 31.12.02	in 2002	at 31.12.01	at 31.12.02	in 2002
Agriculture and Fisheries							
4	Study on the Industrial Fisheries Sector	19.000	19.000	0	19.000	19.000	0
9	TA to Food Security at the Ministry of Trade	462.749	462.749	0	462.749	462.749	0
11	TA to the Beira Fish Canning Factory	730.246	730.246	0	730.246	730.246	0
15	TA for Beira Fish Processing	18.500	18.500	0	18.500	18.500	0
22	Study on the Rehab. of the Beira Fishing Harbour	177.127	177.127	0	177.127	177.127	0
35	TA to the Ministry of Agriculture	697.185	697.185	0	697.185	697.185	0
40	Institutional Support to the Fisheries Sector	2.481.759	2.481.759	0	2.481.759	2.481.759	0
72	TA to Food Security	460.220	460.220	0	460.220	460.220	0
75	Evaluation of the Moamba Food Project	44.910	44.910	0	44.910	44.910	0
81	Audit of Food Aid Counterpart Funds	131.090	131.090	0	131.090	131.090	0
83	Evaluation of Instit. Support to the Fisheries Sector	51.450	51.450	0	51.450	51.450	0
91	Collection of Statistical Data for STABEX	20.000	20.000	0	20.000	20.000	0
93	Study on the Meteorology Sector	38.697	38.697	0	38.697	38.697	0
94	Study on the Veterinary Institute	58.400	58.400	0	58.400	58.400	0
		5.391.333	5.391.333	0	5.391.333	5.391.333	0
Education, Training & Youth							
26	Eduardo Mondlane University Project	2.021.534	2.021.534	0	2.021.534	2.021.534	0
32	Scholarships	113.128	113.128	0	113.128	113.128	0
62	Scholarships	206.245	206.245	0	206.245	206.245	0
97	Education and Training Sector Study	31.884	31.884	0	31.884	31.884	0
102	Scholarships *	300.000	300.000	0	169.590	175.515	5.925
109	Link Univ. of Lisboa - Univ. Eduardo Mondlane	104.976	104.976	0	104.976	104.976	0
		2.777.767	2.777.767	0	2.647.357	2.653.282	5.925
Support to NAO, etc.							
17	TA to the NAO	298.805	298.805	0	298.805	298.805	0
36	TA to the NAO	248.500	248.500	0	248.500	248.500	0
54	TA to the NAO	307.708	307.708	0	307.708	307.708	0
82	Seminar on the Implementation of Lomé IV	27.000	27.000	0	27.000	27.000	0
95	TA on EDF Project Management	26.050	26.050	0	26.050	26.050	0
96	TA to the Implementation of the NIP	244.529	244.529	0	244.529	244.529	0
103	Institutional Support to the NAO *	2.000.000	2.000.000	0	1.301.659	1.403.304	101.645
		3.152.592	3.152.592	0	2.454.251	2.555.896	101.645
Water Supply and Sanitation							
104	Matola Water Supply Project	359.880	359.880	0	359.880	359.880	0
		359.880	359.880	0	359.880	359.880	0
Culture & Tourism							
46	Arte Makonde	298.582	298.582	0	298.582	298.582	0
90	TA to the Fundo Bibliográfico	210.351	210.351	0	210.351	210.351	0
		508.933	508.933	0	508.933	508.933	0
Trade and Private Sector							
59	Project to Support GPIE	34.430	34.430	0	34.430	34.430	0
63	Export Promotion Study	56.025	56.025	0	56.025	56.025	0
65	Industrial Legislation Study	40.100	40.100	0	40.100	40.100	0
84	Participation in the Berlin Trade Fair	2.938	2.938	0	2.938	2.938	0
110	Study on Trade Development Needs	77.213	77.213	0	77.213	77.213	0
		210.706	210.706	0	210.706	210.706	0
Total NIP		158.994.594	158.919.950	-74.644	146.349.734	146.533.853	184.119

* Projects still open as at 31.12.02

TABLE 2

6th EDF - Non-Programmable Funds							
Breakdown of EDF financing by Economic Sector in 2002							
Financial situation as at December 3, 2002 (Euro)		Decisions			Disbursements		
No.	Project Title	at 31.12.01	at 31.12.02	in 2002	at 31.12.01	at 31.12.02	in 2002
Assistance to Refugees							
20	Medical Assistance in Moatize	109.651	109.651	0	109.651	109.651	0
47	Assistance to Returnees to Chitima	745.000	745.000	0	745.000	745.000	0
64	Assistance to Displaced Persons	12.435.660	12.435.660	0	12.435.660	12.435.660	0
	Sub-Total	13.290.311	13.290.311	0	13.290.311	13.290.311	0
Emergency Assistance							
3	Emergency Energy Provision	135.059	135.059	0	135.059	135.059	0
10	Humanitarian Assistance	2.404.509	2.404.509	0	2.404.509	2.404.509	0
21	Assistance to Victims of Drought	610.000	610.000	0	610.000	610.000	0
23	Humanitarian Assistance	2.304.865	2.304.865	0	2.304.865	2.304.865	0
33	Humanitarian Assistance	2.886.634	2.886.634	0	2.886.634	2.886.634	0
48	Financing of Aid Air Bridge	450.000	450.000	0	450.000	450.000	0
50	Assistance to Victims of Conflict	645.749	645.749	0	645.749	645.749	0
56	Emergency Aid through the ICRC	2.459.553	2.459.553	0	2.459.553	2.459.553	0
66	Assistance to Victims of Cholera and Malaria	300.000	300.000	0	300.000	300.000	0
68	Emergency Aid through UNICEF	2.030.657	2.030.657	0	2.030.657	2.030.657	0
70	Assistance due to Harvest Failure	640.000	640.000	0	640.000	640.000	0
73	Assistance to Victims of Conflict	1.078.075	1.078.075	0	1.078.075	1.078.075	0
74	Assistance in Means for Self-Sufficiency	344.693	344.693	0	344.693	344.693	0
	Sub-Total	16.289.794	16.289.794	0	16.289.794	16.289.794	0
Risk Capital							
12	Lomaco	3.000.000	3.000.000	0	3.000.000	3.000.000	0
42	Cimentos de Moçambique	6.000.000	6.000.000	0	6.000.000	6.000.000	0
71	Bank of Mozambique Global Loan	1.902.000	1.902.000	0	1.902.000	1.902.000	0
111	Private Sector Support *	2.923.293	2.923.293	0	0	982.226	982.226
	Sub-Total	13.825.293	13.825.293	0	10.902.000	11.884.226	982.226
Stabex							
5	Transfer for Tea	6.617.256	6.617.256	0	6.617.256	6.617.256	0
6	Transfer for Cashew	2.232.855	2.232.855	0	2.232.855	2.232.855	0
7	Transfer for Cotton	97.166	97.166	0	97.166	97.166	0
28	Transfer for Cashew	1.065.009	1.065.009	0	1.065.009	1.065.009	0
29	Transfer for Cotton	6.216.147	6.216.147	0	6.216.147	6.216.147	0
30	Transfer for Copra	299.093	299.093	0	299.093	299.093	0
31	Transfer for Tea	3.627.855	3.627.855	0	3.627.855	3.627.855	0
55	Transfer for Tea	1.295.776	1.295.776	0	1.295.776	1.295.776	0
	Sub-Total	21.451.157	21.451.157	0	21.451.157	21.451.157	0
Total Non-Programmable Funds		64.856.555	64.856.555	0	61.933.262	62.915.488	982.226

* Projects still open as at 31.12.02

TABLE 3

7th EDF - National Indicative Programme							
Breakdown of EDF financing by Economic Sector in 2002							
Financial situation as at November 30, 2002 (EURO)		Decisions			Disbursements		
No	Project Title	at 31.12.01	at 30.11.02	in 2002	at 31.12.01	at 30.11.02	in 2002
Balance of Payments Support							
12	General Import Programme (GIP I)	15.000.000	15.000.000	0	15.000.000	15.000.000	0
82	General Import Programme (GIP II)	15.000.000	15.000.000	0	15.000.000	15.000.000	0
		30.000.000	30.000.000	0	30.000.000	30.000.000	0
Transport Infrastructure							
8	Nampula-Nacala Road Study	533.648	533.648	0	533.648	533.648	0
10	Boane-Sabié Road Study	387.486	387.486	0	387.486	387.486	0
19	Emergency Support for Roads & Water Supply *	11.800.000	11.800.000	0	7.846.483	11.496.015	3.649.532
24	TA for Roads Rehabilitation Programme	59.150	59.150	0	59.150	59.150	0
35	Beira-Inchope Road Tender Documents Study	39.687	39.687	0	39.687	39.687	0
44	Beira Dredging Study	56.175	56.175	0	56.175	56.175	0
47	Roads Rehabilitation in Zambezia and Sofala *	30.000.000	31.750.000	1.750.000	25.633.104	28.424.530	2.791.426
62	Tender Evaluation for Zambezia and Sofala Roads	26.933	26.933	0	26.933	26.933	0
66	Beira-Inchope Road Supervision	1.463.883	1.463.883	0	1.463.883	1.463.883	0
93	Nacala Corridor Study	435.206	435.206	0	435.206	435.206	0
97	TA to the National Direct. of Roads and Bridges	515.356	516.418	1.062	515.356	516.418	1.062
100	Study on a Road Programme in NW Zambezia *	58.270	51.251	-7.019	51.251	51.251	0
101	Survey and Design of Maniamba-Metangula Road	25.099	25.099	0	25.099	25.099	0
117	TA in Infrastructure	37.402	37.402	0	37.402	37.402	0
		45.438.295	47.182.338	1.744.043	37.110.863	43.552.883	6.442.020
Rural Rehabilitation and Development							
14	Study on Emergency Operations	17.400	17.400	0	17.400	17.400	0
20	Reintegration of Displaced, Refugees & Demobilised *	10.177.585	10.171.797	-5.788	10.162.224	10.171.797	9.573
23	Microprojects Programme (Manica)	550.391	550.391	0	550.391	550.391	0
25	Microprojects Study	58.948	58.948	0	58.948	58.948	0
32	Study on Reintegration and Reconstruction	548.780	548.780	0	548.780	548.780	0
38	Study to prepare the EC-Italy Programme	57.767	57.767	0	57.767	57.767	0
39	Second Microprojects Programme (Gaza) *	1.440.000	1.440.000	0	1.434.913	1.432.474	-2.439
43	Reconstruction and Resettlement Programme *	12.000.000	12.000.000	0	11.329.584	11.846.826	517.242
81	TA to Planning in Zambezia and Niassa	170.827	170.827	0	170.827	170.827	0
86	Microprojects Programme (Manica) *	1.526.000	1.480.138	-45.862	1.480.138	1.480.138	0
89	TA to the Gaza Microprojects Programme	80.166	80.166	0	80.166	80.166	0
94	Survey of Natural Resources in Cabo Delgado	135.837	135.837	0	135.837	135.837	0
105	Microprojects Coordination Unit *	607.400	607.400	0	458.920	443.699	-15.221
111	Evaluation of the Rehabilitation Programme	46.471	46.471	0	46.471	46.471	0
113	Baseline Study for the Rural Devevelop.Programme	71.359	71.359	0	71.359	71.359	0
		27.488.931	27.437.281	-51.650	26.603.725	27.112.880	509.155
Governance and Democracy							
16	TA to Electoral Organization	48.700	48.700	0	48.700	48.700	0
17	Support to the 1994 Elections	8.323.462	8.323.462	0	8.323.462	8.323.462	0
58	Supply of Voting Materials for the 1994 Elections	11.040.212	11.040.212	0	11.040.212	11.040.212	0
84	Study on the Judicial System	56.433	56.433	0	56.433	56.433	0
90	Study on Support to the Ministry of State Admin.	49.211	49.211	0	49.211	49.211	0
96	Study on Improving the Efficiency of the Government	40.295	40.295	0	40.295	40.295	0
104	Support for the 1998 Municipal Elections *	8.775.000	8.775.000	0	7.532.512	6.903.172	-629.340
110	TA to Support the Municipal Elections	17.849	17.849	0	17.849	17.849	0
112	Observation Team for the General Elections	73.954	73.954	0	73.954	73.954	0
116	TA in Governance	36.000	36.000	0	36.000	36.000	0
		28.461.116	28.461.116	0	27.218.628	26.589.288	-629.340
Health							
48	Study on the Rehabilitation of the Rural Health System	48.003	48.003	0	48.003	48.003	0
76	TA to the Ministry of Health	257.769	257.769	0	257.769	257.769	0
77	Rural Health Rehabilitation in Zambezia *	26.000.000	26.000.000	0	9.497.955	12.081.225	2.583.270
		26.305.772	26.305.772	0	9.803.727	12.386.997	2.583.270

7th EDF - National Indicative Programme

Breakdown of EDF financing by Economic Sector in 2002

Financial situation as at December 31, 2002 (Euro)		Decisions			Disbursements		
No	Project Title	at 31.12.01	at 31.12.02	in 2002	at 31.12.01	at 31.12.02	in 2002
Agriculture and Fisheries							
1	Trypanosomiasis Control Programme *	2.000.000	1.893.099	-106.901	1.903.498	1.893.099	-10.399
7	Moamba Food Self-sufficiency Project	378.254	378.254	0	378.254	378.254	0
9	Sociedade do Fomento Pesqueiro TA	405.102	405.102	0	405.102	405.102	0
34	Study on 1991 STABEX FMO	22.600	22.600	0	22.600	22.600	0
36	Inhambane Experimental Fishing Project	396.127	396.127	0	396.127	396.127	0
51	Slaughterhouses Rehabilitation Study	44.917	44.917	0	44.917	44.917	0
87	Livestock Restocking Study	50.000	50.000	0	50.000	50.000	0
114	Assessment of the Livestock Situation *	79.924	76.224	-3.700	76.224	76.224	0
		3.376.924	3.266.323	-110.601	3.276.722	3.266.323	-10.399
Education, Training & Youth							
37	Scholarships *	350.000	350.000	0	289.571	330.860	41.289
42	Support to Students in Eastern Europe	1.159.907	1.159.907	0	1.159.907	1.159.907	0
50	Reintegration of Qualified African Nationals *	400.000	400.000	0	216.739	216.739	0
		1.909.907	1.909.907	0	1.666.217	1.707.506	41.289
Support to NAO, etc.							
33	TA to the NAO	358.356	358.356	0	358.356	358.356	0
85	TA to the NAO	30.497	30.497	0	30.497	30.497	0
95	Study on the Ministry of Social Action	43.120	43.120	0	43.120	43.120	0
98	Study on the Causes of Poverty	19.354	19.354	0	19.354	19.354	0
118	Study for 3rd UN Conf. on Least Dev. Countries *	78.000	78.000	0	17.490	38.160	20.670
		529.327	529.327	0	468.817	489.487	20.670
Water Supply and Sanitation							
21	Study on an Emergency Water Supply Programme	36.200	36.200	0	36.200	36.200	0
107	Feasibility Study on the Beira Water Supply and Sewerage	400.000	271.824	-128.176	191.532	271.824	80.292
120	Beira Sanitation Project Design	0	1.850.000	1.850.000	0	0	0
		436.200	2.158.024	1.721.824	227.732	308.024	80.292
Culture & Tourism							
31	National Conference on Culture	148.569	148.569	0	148.569	148.569	0
45	Study on Ilha de Moçambique	35.654	35.654	0	35.654	35.654	0
46	Study on Ilha de Moçambique	50.820	50.820	0	50.820	50.820	0
53	Assessment of the Tourism Sector	48.387	48.387	0	48.387	48.387	0
78	Study on Reading Habits	36.617	36.617	0	36.617	36.617	0
79	TA on Environmentally Friendly Tourism	1.294.627	1.294.627	0	1.294.627	1.294.627	0
91	Study on Bazaruto National Park	49.242	49.242	0	49.242	49.242	0
103	Support for SADC Theatre Festival	222.487	222.487	0	222.487	222.487	0
106	Study on the Rehabilitation of Public Libraries	38.503	38.503	0	38.503	38.503	0
		1.924.905	1.924.906	0	1.924.906	1.924.906	0
Trade and Private Sector							
55	TA for the 5th PTA Fair	32.797	32.797	0	32.797	32.797	0
83	Study on Private Sector Promotion	57.869	57.869	0	57.869	57.869	0
99	Analysis of the Future Role of IDIL	59.934	59.934	0	59.934	59.934	0
108	Study on Trade Development Needs	15.758	15.758	0	15.758	15.758	0
		166.358	166.358	0	166.358	166.358	0
Total NIP		166.037.735	169.341.351	3.303.616	138.467.695	147.504.652	9.036.957

* Projects still open as at 31.12.02

TABLE 4

7th EDF - Regional Funds							
Breakdown of EDF financing by Economic Sector in 2002							
Financial situation as at December 31, 2002 (Euro)		Decisions			Disbursements		
No.	Project Title	at 31.12.01	at 31.12.02	in 2002	at 31.12.01	at 31.12.02	in 2002
Transport Infrastructure							
54	Trainmar (Sea and Port Training)	924.692	924.692	0	924.692	924.692	0
75	SATCC Regional Study	194.466	194.466	0	194.466	194.466	0
334	SATCC Regional Study *	5.800.000	5.800.000	0	5.453.660	5.448.188	-5.472
380	Beira-Inchope Road Rehabilitation *	20.000.000	20.000.000	0	14.508.180	14.527.130	18.950
524	Emodraga Dredging Study	207.524	207.524	0	207.524	207.524	0
716	EU-SADC Transport Conference	60.096	60.096	0	60.096	60.096	0
	Sub-Total	27.186.778	27.186.778	0	21.348.618	21.362.096	13.478
Health							
135	Training in Public Health (PALOP) *	3.480.000	3.480.000	0	1.752.363	1.774.008	21.645
775	Financial Audit to Cost Estimate 1 of Project 7.RPR.135 *	9.015	9.015	0	0	5.869	5.869
	Sub-Total	3.489.015	3.489.015	0	1.752.363	1.779.877	27.514
Culture							
411	SADC Theatre and Music Festival	43.663	43.663	0	43.663	43.663	0
437	Fundo Bibliografico (PALOP) *	2.500.000	2.500.000	0	1.672.347	1.773.885	101.538
608	Publication of a Book	55.000	55.000	0	55.000	55.000	0
	Sub-Total	2.598.663	2.598.663	0	1.771.010	1.872.548	101.538
Energy							
387	Study on Cahora Bassa Line	18.000	18.000	0	18.000	18.000	0
	Sub-Total	18.000	18.000	0	18.000	18.000	0
	Total Regional Funds	33.292.456	33.292.456	0	24.889.991	25.032.520	142.529

* Projects still open as at 31.12.02

TABLE 5

7th EDF - Non-Programmable Funds							
Breakdown of EDF financing by Economic Sector in 2002							
Financial situation as at December 31, 2002 (Euro)		Decisions			Disbursements		
No	Project Title	at 31.12.01	at 31.12.02	in 2002	at 31.12.01	at 31.12.02	in 2002
Assistance to Refugees							
2	Support to Displaced People in Manica	709.480	709.480	0	709.480	709.480	0
3	Support to Displaced People in Tete and Inhambane	603.518	603.518	0	603.518	603.518	0
4	Rural Water Supply	593.492	593.492	0	593.492	593.492	0
5	Assistance to Handicaped in Niassa	319.396	319.396	0	319.396	319.396	0
6	Medical Assistance in Niassa and Nampula	646.418	646.418	0	646.418	646.418	0
22	Support to the Rural Health Sector	14.593.763	14.593.763	0	14.593.763	14.593.763	0
73	Support to the Health Services in Rural Districts	1.771.883	1.771.883	0	1.771.883	1.771.883	0
80	Social Reinsertion in Zambezia and Niassa *	5.600.000	5.600.000	0	5.172.343	5.455.115	282.772
	Sub-Total	24.837.950	24.837.950	0	24.410.293	24.693.065	282.772
Emergency Assistance							
13	Humanitarian Assistance to Drought Victims	1.707.834	1.707.834	0	1.707.834	1.707.834	0
26	Support to Refugees and Drought Victims	2.858.478	2.858.478	0	2.858.478	2.858.478	0
54	Emergency Assistance	582.279	582.279	0	582.279	582.279	0
57	Emergency Assistance	271.129	271.129	0	271.129	271.129	0
67	Health Assistance to Refugees	733.848	733.848	0	733.848	733.848	0
68	Health Assistance to Refugees and Returnees	604.982	604.982	0	604.982	604.982	0
119	Further Humanitarian Assistance for Flood Victims *	840.000	840.000	0	654.400	654.400	0
	Sub-Total	7.598.550	7.598.550	0	7.412.950	7.412.950	0
Risk Capital							
15	Nacala Cashew Nuts	3.000.000	3.000.000	0	3.000.000	3.000.000	0
27	Ancuabe Graphite Mine	450.000	450.000	0	450.000	450.000	0
28	Ancuabe Graphite Mine	2.900.000	2.900.000	0	2.900.000	2.900.000	0
56	Pescamar Fishing Vessels	4.742.937	4.742.937	0	4.742.937	4.742.937	0
65	Cahora Bassa-South Africa Transmission Line	16.571.897	16.571.897	0	16.571.897	16.571.897	0
92	Ancuabe Graphite Mine	500.000	500.000	0	500.000	500.000	0
115	Private Sector Support	0	0	0	0	0	0
	Sub-Total	28.164.834	28.164.834	0	28.164.834	28.164.834	0
Stabex							
29	Transfer for Cashew (1991)	1.233.873	1.233.873	0	1.233.873	1.233.873	0
30	Transfer for Timber (1991)	34.731	34.731	0	34.731	34.731	0
52	Transfer for Cashew (1992)	554.909	554.909	0	554.909	554.909	0
60	Transfer for Copra (1993)	164.121	164.121	0	164.121	164.121	0
61	Transfer for Cashew (1993)	1.632.601	1.632.601	0	1.632.601	1.632.601	0
70	Transfer of Additional Funds	17.492	17.492	0	17.492	17.492	0
	Sub-Total	3.637.727	3.637.727	0	3.637.727	3.637.727	0
Structural Adjustment Facility							
11	General Import Programme (GIP I)	30.000.000	30.000.000	0	30.000.000	30.000.000	0
	Sub-Total	30.000.000	30.000.000	0	30.000.000	30.000.000	0
TOTAL Non-Programmable Funds		94.239.061	94.239.061	0	93.625.804	93.908.576	282.772

* Projects still open as at 31.12.02

TABLE 6

8th EDF - National Indicative Programme							
Breakdown of EDF financing by Economic Sector in 2002							
Financial situation as at December 31, 2002 (Euro)		Decisions			Disbursements		
No.	Project title	at 31.12.01	at 31.12.02	in 2002	at 31.12.01	at 31.12.02	in 2002
Balance of Payments Support							
2	General Import Programme (GIP III)	15.000.000	15.000.000	0	15.000.000	15.000.000	0
	Sub-Total	15.000.000	15.000.000	0	15.000.000	15.000.000	0
Transport Infrastructure							
13	T.A. on Support to the Road Sector	56.525	56.525	0	56.525	56.525	0
15	Nampula-Nacala Road Rehabilitation *	36.580.000	36.580.000	0	2.041.008	5.190.804	3.149.796
22	Study for Namacurra - Rio Ligonha Road *	1.600.000	1.600.000	0	0	496.108	496.108
36	Feasibility Study on Nacala Corridor	150.000	150.000	0	0	0	0
	Sub-Total	38.386.525	38.386.525	0	2.097.533	5.743.437	3.645.904
Rural Rehabilitation and Development							
7	Evaluation of EC-funded Rehabilitation Interventions	41.409	41.409	0	41.409	41.409	0
8	Micro-projects Regional Programmes *	4.800.000	4.800.000	0	1.428.223	3.278.659	1.850.436
18	Rural Development Programme *	30.000.000	30.000.000	0	0	0	0
32	Micro-projects Coordination Unit	360.000	360.000	0	0	47.209	47.209
	Sub-Total	35.201.409	35.201.409	0	1.469.632	3.367.277	1.897.645
Governance and Democracy							
9	Support to the 1999 General Elections *	17.750.000	17.750.000	0	16.170.972	15.066.636	-1.104.336
10	TA to Support the 1999 General Elections	39.542	39.542	0	39.542	39.542	0
38	Evaluation - Support to the 1999 General Elections	0	43.390	43.390	0	21.729	21.729
	Sub-Total	17.789.542	17.832.932	0	16.210.514	15.127.907	-1.082.607
Health							
33	Health Sector Support Programme	30.000.000	30.000.000	0	0	21.200	21.200
	Sub-Total	30.000.000	30.000.000	0	0	21.200	21.200
Agriculture and Fisheries							
6	SADC Regional Monitoring, Control & Surveillance of Fisheries *	2.280.000	2.280.000	0	0	37.901	37.901
39	Study for Strengthening of the Information and Management System at the Ministry of Agriculture & Fisheries	0	92.123	92.123	0	85.669	85.669
43	Feasibility Study - Prog. Support to the Fisheries Sector	0	15.500	15.500	0	0	0
	Sub-Total	2.280.000	2.387.623	107.623	0	123.570	123.570
Water Supply and Sanitation							
5	Study for the Zambezi Valley Water Programme	73.697	73.697	0	73.697	73.697	0
19	Zambezi Valley Water Programme *	11.639.901	11.639.901	0	87.637	167.505	79.868
	Sub-Total	11.713.598	11.713.598	0	161.334	241.202	79.868
Trade and Private Sector							
11	Study on Support to the Private Sector	33.329	33.329	0	33.329	33.329	0
14	Private Sector Development Programme *	4.800.000	4.800.000	0	0	0	0
	Sub-Total	4.833.329	4.833.329	0	33.329	33.329	0
Reconstruction							
23	TA for Flood Recovery Programme *	1.965.000	1.965.000	0	703.707	1.139.527	435.820
24	Post-Flood Reconstruction Programme in Gaza *	18.035.000	18.035.000	0	20.547	1.654.663	1.634.116
	Sub-Total	20.000.000	20.000.000	0	724.254	2.794.189	2.069.935
	TOTAL NIP	175.204.403	175.355.416	107.623	35.696.596	42.452.112	6.755.516

* Projects still open as at 31.12.02

TABLE 7

8th EDF - Non-Programmable Funds							
Breakdown of EDF financing by Economic Sector in 2002							
Financial situation as at December 31, 2002 (Euro)		Decisions			Disbursements		
No	Project Title	at 31.12.01	at 31.12.02	in 2002	at 31.12.01	at 31.12.02	in 2002
Structural Adjustment Facility							
3	General Import Programme (GIP III) *	45.900.000	45.900.000	0	45.809.780	45.872.268	62.488
4	General Import Programme (GIP III) *	6.900.000	6.900.000	0	6.148.448	6.265.397	116.949
25	General Import Programme (GIP III)	13.500.000	13.500.000	0	13.500.000	13.500.000	0
26	Poverty Reduction Budget Support I *	26.400.000	26.400.000	0	25.700.000	25.700.000	0
27	Poverty Reduction Budget Support I *	30.700.000	30.700.000	0	30.700.000	30.700.000	0
28	Poverty Reduction Budget Support I *	4.000.000	4.000.000	0	4.000.000	4.000.000	0
29	Poverty Reduction Budget Support I *	4.600.000	4.600.000	0	4.600.000	4.600.000	0
40	Poverty Reduction Budget Support II *	0	150.000.000	150.000.000	0	0	0
41	Poverty Reduction Budget Support II *	0	18.000.000	18.000.000	0	0	0
	Sub-Total	132.000.000	300.000.000	168.000.000	130.458.228	130.637.665	179.437
Risk Capital (Mozambique)							
1	Mozal Aluminium Smelter	19.000.000	16.108.865	-2.891.135	16.108.865	16.108.865	0
12	Maragra Sugar Plantation *	3.500.000	3.500.000	0	0	3.500.000	3.500.000
17	Monapo Factory	1.000.000	1.000.000	0	1.000.000	1.000.000	0
21	Private Sector Support *	10.000.000	10.000.000	0	3.193.820	5.001.920	1.808.100
30	TDM Telecommunications *	6.000.000	6.000.000	0	1.982.084	6.000.000	4.017.916
34	Mozal Aluminium Smelter II *	20.000.000	20.000.000	0	0	13.160.711	13.160.711
35	Feasibility Study EDM Beira *	1.000.000	1.000.000	0	0	336.537	336.537
42	Accord Amorim Hotels	0	5.000.000	5.000.000	0	0	0
	Sub-Total	60.500.000	62.608.865	2.108.865	22.284.769	45.108.033	22.823.264
Interest Rate Subsidies							
16	Motraco	3.454.997	3.454.997	0	3.454.997	3.454.997	0
20	Maragra Sugar Mill *	553.000	427.599	-125.401	0	427.599	427.599
31	TDM Telecommunications	292.689	292.689	0	292.689	292.689	0
	Sub-Total	4.300.686	4.175.285	-125.401	3.747.686	4.175.285	427.599
TOTAL Non-Programmable Funds		196.800.686	366.784.150	169.983.464	156.490.683	179.920.983	23.430.300

* Projects still open as at 31.12.02

TABLE 8

8th EDF - Regional Funds						
Breakdown of EDF financing by Economic Sector in 2002						
Financial situation as at December 31, 2002 (Euro)	Decisions			Disbursements		
No. Project Title	at 31.12.01	at 31.12.02	in 2002	at 31.12.01	at 31.12.02	in 2002
Risk Capital (Regional)						
RAU 7 Motraco	8.200.000	8.200.000	0	8.200.000	8.200.000	0
	8.200.000	8.200.000	0	8.200.000	8.200.000	0
Total Regional Funds	8.200.000	8.200.000	0	8.200.000	8.200.000	0

LOANS FINANCED THROUGH THE EUROPEAN INVESTMENT BANK (1987 - 2002)

Situation as at 31.12.02

Convention	Signature	Name of Project	Decision	Disbursement at 31.12.02	Disbursement in 2002
<u>Special Loans</u>					
Lomé 3	28.01.1995	Transmission Line Cahora Bassa -SA	7.226.234	7.226.234	0
TOTAL			7.226.234	7.226.234	0
<u>Loans financed with own resources</u>					
Lomé 4 bis	13.07.1998	Mozal Aluminium Smelter	37.050.947	37.050.947	0
Lomé 4 bis	28.06.1999	Motraco	19.900.000	19.900.000	0
Lomé 4 bis	30.11.1999	Maragra	3.500.000	3.500.000	3.500.000
Lomé 4 bis	28.12.2000	TDM Telecommunications	3.000.000	3.000.000	0
Lomé 4 bis	20.12.2002	Motraco II	10.000.000	0	0
TOTAL			73.450.947	63.450.947	3.500.000
<u>Risk Capital Operations</u>					
Lomé 3	19.05.1987	Lomaco	3.000.000	3.000.000	0
Lomé 3	08.11.1988	Cimentos de Moçambique	6.000.000	6.000.000	0
Lomé 3	18.07.1990	Banco de Moçambique	1.902.000	1.902.000	0
Lomé 3	13.01.2000	Private Sector Support	2.923.293	982.226	0
Lomé 4	22.12.1992	Companhia do Cajú de Nacala	3.000.000	3.000.000	0
Lomé 4	28.06.1993	Minas de Grafite de Ancuabe	2.900.000	2.900.000	0
Lomé 4	09.07.1993	Minas de Grafite de Ancuabe III	450.000	450.000	0
Lomé 4	26.07.1994	Pescamar	4.742.937	4.742.937	0
Lomé 4	07.09.1994	Transmission Line Cahora Bassa -SA	16.571.897	16.571.897	0
Lomé 4	30.05.1996	Minas de Grafite de Ancuabe II	500.000	500.000	0
Lomé 4 bis	22.06.1998	Mozal Aluminium Smelter I	19.000.000	16.108.865	0
Lomé 4 bis	29.06.1999	Motraco	8.200.000	8.200.000	0
Lomé 4 bis	28.07.1999	Monapo	1.000.000	1.000.000	0
Lomé 4 bis	30.11.1999	Maragra	3.500.000	3.500.000	3.500.000
Lomé 4 bis	01.12.1999	Private Sector Support	10.000.000	5.001.920	1.808.100
Lomé 4 bis	08.12.2000	TDM Telecommunications	6.000.000	6.000.000	4.017.916
Lomé 4 bis	20.09.2001	Feasibility Study EDM Beira	373.982	373.982	373.982
Lomé 4 bis	11.12.2001	Mozal Aluminium Smelter II	20.000.000	13.160.711	13.160.711
Lomé 4 bis	10.12.2002	Accor Amorim Hotels	4.000.000	0	0
TOTAL			114.064.109	93.394.538	22.860.709
<u>Interest Rate Subsidies</u>					
Lomé 4 bis	09.08.1999	Motraco	3.454.997	3.454.997	0
Lomé 4 bis	16.12.1999	Maragra	553.000	427.599	427.599
Lomé 4 bis	08.12.2000	TDM Telecommunications	292.689	292.689	0
Lomé 4 bis	20.12.2002	Motraco II	1.915.000	0	0
TOTAL			6.215.686	4.175.285	427.599
GRAND TOTAL			200.956.976	168.247.004	26.788.308

FOOD SECURITY BUDGET LINE: COMMITMENTS AND DISBURSEMENTS

Situation as at 31 December 2002

DESCRIPTION	COMMITMENTS	DISBURSEMENTS 1996-2001						Disb. 2002	Balance	Status	Effective Balance janv-03	Forecast Disburs. 2003	Forecast Disburs. 2004
		1996	1997	1998	1999	2000	2001	Effective 31.12.2002	end of déc-02				

I. 1996-1999 FOOD SECURITY PROGRAMMES

1. Foreign Facility for Budget Support:		-											
- 1996 Programme (1)	10.200.000	-	5.000.000	-	5.040.784	-	-	-	159.216	TDC (4)	-	-	-
- 1997 Programme (2)	10.100.000	-	-	-	5.000.000	-	5.016.880	-	83.120	Idem	-	-	-
Sub-total	20.300.000	-	5.000.000	-	10.040.784	-	5.016.880	-	242.336				
2. Technical Support to MIC													
- FAO-EC/MIC: Phase I, Aug97- Mar00	1.739.000	-	695.600	-	956.450	86.950	-	-	-				
- FAO-EC/MIC: Phase II, Apr00 - Apr03	2.800.000	-	-	-	-	1.037.326	-	1.100.660	662.014	On-going	662.014	662.014	-
- Initial Support to MIC's Reform Plan, 2001 (3)	550.000	-	-	-	-	-	500.000	-	50.000	TDC	-	-	-
Sub-total	5.089.000	-	695.600	-	956.450	1.124.276	500.000	1.100.660	712.014			662.014	-
2. Technical Support to MADER													
- FAO/EWS: Phase I, Apr95 - May98	1.382.420	334.376	1.048.044	-	-	-	463.619	-	-				
- FAO/EWS: Phase II, Aug98 - Dec 01	1.290.000	-	-	516.000	708.193	-	-	-	65.807	TDC	-	-	-
- FAO/FS Policy Formulation, Aug98-Dec01	820.000	-	-	328.000	-	451.000	-	-	41.000	Idem	-	-	-
- TA Financ Manag Ref. (LB), Aug 99 - Feb01	950.000	-	-	-	197.588	463.619	288.793	-	-				
- TA Decent Financ Manag Ref.(LB), Feb01-Dec01	500.000	-	-	-	-	-	207.498	250.041	42.461	Idem	-	-	-
- Initial Activities of SENCAP/MSF-CIS, 2001 (3)	500.000	-	-	-	-	-	500.000	-	-				
Sub-total	5.442.420	334.376	1.048.044	844.000	905.781	914.619	996.291	250.041	149.268				
3. Food Security Consolidated Information Systems													
- MSF-CIS: Phase I, Jun96-May98	1.500.000	600.000	-	450.000	450.000	-	-	-	-				
- MSF-CIS / INGC: Phase II, Jun98-Oct 00	1.411.600	-	-	-	657.104	600.579	12.757	16.433	124.727	Idem	-	-	-
Sub-total	2.911.600	600.000	-	450.000	1.107.104	600.579	12.757	16.433	124.727				
4. FS Funded NGO Projects													
- 1996 Special Fund (still CARE Vilankulos, AMODER)	4.905.958			1.254.320	495.486	673.525	680.863	256.397	1.545.367	Some on going	1.342.094	1.006.571	335.524
- 1997 General Budget (Oikos, ANS 1st phase)	904.641			390.911	125.967	284.844	-	33.391	69.528	? Oikos 97	-	-	-
- 1998 General Budget (Movimondo Zambezia)	2.583.820			-	835.940	-	257.658	768.546	721.676	On going	674.567	674.567	-
- 1999 General Budget (10 CfP 99 + VW Nampula)	14.793.662			-	-	4.500.253	899.193	2.999.677	6.394.539	Idem	6.394.539	4.795.904	1.598.635
Sub-total	23.188.081	-	-	1.645.231	1.457.393	5.458.622	1.837.714	4.058.011	8.731.110			6.477.042	1.934.158
5. Support to Grain Marketing Credit (1997 FSP)	2.050.000	-	-	-	-	-	2.050.000	-	-				
TOTAL I	58.981.101	934.376	6.743.644	2.939.231	14.467.512	8.098.096	10.413.642	5.425.145	9.959.455			7.139.056	1.934.158

(1) Includes 200.000 Euro for external audit and evaluations.

(3) Reallocation of the funds from the Emergency Food Reserve from the 1997 programme.

(2) Includes 100.000 Euro for external audit and evaluations.

(4) TDC To be decommitted

II. MULTIANNUAL FOOD SECURITY PROGRAMME, 2000-2002 (MAFSP)

1. Foreign Facility for Budget Support:	25.200.000	-	-	-	-	-	-	13.200.000	12.000.000	On going	12.000.000	8.400.000	3.400.000
2. Consolid. & Decent Financ Manag Reform in MADER	2.400.000	-	-	-	-	-	800.000	-	1.600.000	Idem	1.600.000	800.000	800.000
3. Institutional Support to SENCAP in MADER	3.600.000	-	-	-	-	-	1.200.000	-	2.400.000	Idem	2.400.000	-	1.200.000
4. Mixed Crop Improv. and Diversification (IAM, INCAJU)	11.400.000	-	-	-	-	-	3.800.000	-	7.600.000	Idem	7.600.000	2.100.000	3.800.000
5. Technical Assistance	1.600.000	-	-	-	-	-	-	-	1.600.000	Managed Bxl	1.400.000	1.000.000	400.000
6. 2002 NGO CfP (Gaza Inhambane)	10.000.000	-	-	-	-	-	-	-	10.000.000	Contr. Jul 03	< 10 M€	2.000.000	1.000.000
TOTAL II	54.200.000	-	-	-	-	-	5.800.000	13.200.000	35.200.000			14.300.000	10.600.000

GRAND TOTAL	113.181.101	934.376	6.743.644	2.939.231	14.467.512	8.098.096	16.213.642	18.625.145	45.159.455			21.439.056	12.534.158
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STABEX OVERVIEW

Situation at 31 December 2002

Programme	Transfer (A)	Net Interest (B)	Total Funds (C)	Committments (D)	Paym ents (E)	Bank Balance (F)
Stabex 1991 incl. excedent Lomé IV/1	1.268.604 + 17.490 =1.286.096	369.707,57	1.655.803,57	0	0	1.655.803,57
Stabex 1992	554.909	71.862,04	626.771,04	0	0	626.771,04
Stabex 1993	1.796.722	229.866,36	2.026.588,36	0	0	2.026.588,36
TOTAL	3.637.727	671.435,97	4.309.162,97	0	0	4.309.162,97

Total funds available for new commitment:

Total Funds	(C = A + B)	4.309.162,97
Commitments	(D)	0
Funds Available	(C - D)	4.309.162,97