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REPUBLIC OF MOZAMBIQUE: COUNTRY STRATEGY PAPER 2011-2015

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ABBREVIATIONS AND ACRONYMS

ADF	African Development Fund
AfDB	African Development Bank
AWTF	African Water Trust Fund
AWF	African Water Facility
CAR	Commitments-at-Risk
CIF	Climate Investment Fund
CPIP	Country Portfolio Improvement Plan
CPPR	Country Portfolio Performance Review
CSP	Country Strategy Paper
EC	European Commission
EITI	Extractive Industries Transparency Initiative
e-SISTAFE	State Integrated Financial Management System
ERAP	Electricity Reform Access Program
ESW	Economic and Sector Work
FDI	Foreign Direct Investment
FAPA	Fund for African Private Sector Assistance
FRELIMO	Frente de Libertação de Moçambique (Mozambique's Liberation Front)
GBS	General Budget Support
GoM	Government of Mozambique
HDI	Human Development Index
HEST	Higher Education Science and Technology
HIV/AIDS	Human Immunodeficiency Virus – Acquired Immune Deficiency Syndrome
INE	National Institute of Statistics
IDA	International Development Association
IFTRAB	Labour Force Survey, 2004-2005
GPSE	Growth and Public Sector Efficiency
JICA	Japan International Cooperation Agency
MCC	Millennium Challenge Corporation
MDGs	Millennium Development Goals
MFIs	Microfinance Institutions
MTS	Medium Term Strategy
MTR	Mid-Term Review
MZFO	Mozambique Field Office
NCB	Non-Concessional Borrowing
NEPAD	New Economic Partnership for Africa's Development
NGO	Non-Govermental Organizations
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OPEC/OFID	Organization of the Petroleum Exporting Countries' Fund for International Development
PAF	Performance Assessment Framework
PAPA	Action Plan for Food Production
PAP	Programmatic Aid Partners
PARP	Action Plan for Reducing Poverty
PARPA	Action Plan for the Reduction of Absolute Poverty
PD	Paris Declaration
PEFA	Public Expenditure and Financial
PES	Accountability
PFM	Plano Económico e Social (Economic and Social Plan) Public Financial Management
PNASP	National Program for Productive Social
PP	Action
PIREP	Problematic Projects Integrated Professional Training Program
PPCR	Pilot Program for Climate Resilience
PPP	Public Private Partnerships
PQG	Plano Quinquenal do Governo (Government Five Year Plan)
PSI	Policy Support Instrument
RISP	Regional Integration Strategy Paper
RWSSI	Rural Water Supply and Sanitation Initiative
SADC	Southern Africa Development Community
SMEs	Small and Medium Enterprises
SoEs	State-Owned Enterprises
TVET	Technical and Vocational Educational Training
UA	Units of Account
WDI	World Development Indicators

EXECUTIVE SUMMARY

1. **Country Context:** From 1993 to 2009 Mozambique was the fastest growing non-oil economy in Sub-Saharan Africa, with growth averaging 7.5% per year. Growth drivers were based on large inflows of Foreign Direct Investment (FDI) mostly linked to natural resources exploitation, Official Development Assistance (ODA), and agriculture. Despite this progress, the country still faces severe constraints, namely: lack of economic diversification, weak institutions, high costs of financing and weak infrastructure development that hinders private sector competitiveness, in particular, the Small and Medium Enterprises (SMEs).

2. **National Development Agenda and Medium-term Prospects**: Mozambique's medium-term Action Plan for Reducing Poverty (PARP, 2011-2014) aims to reduce the poverty headcount from 54.7% in 2009 to 42% in 2014; close the country's infrastructure gap and promote human and economic well being through rapid and inclusive growth, based on three objectives: (i) increase of agricultural and fisheries production, (ii) employment promotion, and (iii) social and human development. These objectives are supported by two overarching pillars: macroeconomic management and good governance. Overall, the economy is expected to grow at an annual average real rate of 8%.

3. **Bank Group Country Assistance Strategy**: The proposed Bank Group assistance strategy to Mozambique is built based on the strategic positioning of Mozambique in the Southern Africa regional integration agenda and on the corridors development approach. It also takes into account the previous Bank's interventions and the Government's response to the new evidence suggesting low poverty reduction and job creation despite relative high Gross Domestic Product (GDP) growth rates. The CSP is prepared in response to the prevailing country's development challenges through the following pillars: (i) *Pillar I*: Enhanced private sector competitiveness through infrastructure development; *Pillar II*: Governance in support of inclusive growth.

4. **Strategy Rationale**: The preparation of the CSP followed discussions with government, development partners and civil society, and incorporated the lessons learned from previous CSPs, portfolio reviews, and project completion reports. The CSP was guided by the following strategic documents: (i) Long-Term Agenda 2025; GoM Five-Year Plan, 2010-2014; PARP, 2011-2014 pillars and priorities; (ii) ADB's Medium Term Strategy and the Bank's Regional Integration Strategy Paper (RISP, 2011-2015). The strategic thrust of the CSP is the promotion of private sector competitiveness through infrastructure development and social inclusion. It is expected that the successful implementation of the strategy will promote business and expand SMEs activities, increase Foreign Direct Investment (FDI) and increase co-financing opportunities.

5. **Improve Portfolio Performance**: The Bank's lending to the public and private sector has been channeled through Policy-Based Operations and project financing. As of June 30 2011, the portfolio consisted of 16 approved and ongoing operations with a total commitment value, net of cancellations, of UA 333.4 million allocated as follows: 62% to the public sector, 31% to regional operations and 7% to private sector. Infrastructure (power, roads, water) represents 70% of the approved and ongoing portfolio. The average project age since approval is 4.9 years. The high percentage of Projects-at-Risk (PAR) and Commitments-at-Risk (CAR) is an issue that is

being addressed. The Bank has put in place a plan to improve portfolio quality including canceling of ageing operations and enhancement of quality-at-entry.

6. **Donor Harmonization:** The African Development Bank (AfDB) has improved its position in four areas in the 2010 Program Aid Partners (PAPs) annual assessment on aid coordination compared to 2009. Participation in General Budget Support (GBS) has been effective in strengthening alignment but additional flexibility is required to increase the use of country systems for investment projects. The Bank's interventions have focused on agriculture, infrastructure, and governance while ensuring complementarity with other donors, through parallel financing in transport infrastructure, power and rural finance. The Bank intends to increase local presence to improve aid coordination and country dialogue by providing more demand-driven advisory and knowledge services, including assuming leadership of donor working groups on public sector reform, transport (roads) and water and sanitation. Other priorities include raising the number of co-financed projects and regional operations.

7. **Country Dialogue**: Continued country dialogue with Government will emphasize the following objectives: (i) improvement of portfolio performance and development impact; (ii) domestic resource mobilization and efficient use of external resources; (iii) the role of SMEs in promoting social inclusive growth; and (iv) the role of Mozambique in the Southern Africa regional integration agenda.

8. **Recommendation**: The Board of Directors is requested to consider and approve the proposed strategy for Mozambique for the period 2011-2015, including the indicative pipeline to be financed by Mozambique's country allocation for ADF- XII (2011-2013) and part of ADF-XIII (2014-2016). This will be complemented with financing from the multinational operations envelope, the private sector window, the African Water Facility, the Global Environment Facility, the Rural Water Supply and Sanitation Initiative (RWSSI) and other sources of co-financing

I. BACKGROUND

1.1 The previous Country Strategy Paper (CSP) for Mozambique for 2006-2010 was anchored on two pillars: (i) infrastructure, and (ii) governance and was designed to support the *Action Plan for Reduction of Absolute Poverty* (PARPA, 2006-2010)[1].

1.2 During this period, Mozambique achieved remarkable economic and social progress. The economy grew by 7% on average, which ranked among the highest in Africa raising the prospects of Mozambique achieving the Millennium Development Goal (MDG) target of halving poverty by 2015.

1.3 Despite these gains, more needs to be done to further reduce poverty and achieve economic transformation. The Five-Year Government Plan (*PQG - Plano Quinquenal do Governo*) launched in 2010, and the Action Plan for Reducing Poverty (PARP, 2011-2014) are Government of Mozambique's (GoM) responses to these challenges. These plans are borne out of the country's Agenda 2025 that aims to propel Mozambique into middle income country by 2025.

1.4 This new CSP covering the period 2011-2015 is aligned with the PQG; the Bank Group's 2008-2012 Medium Term Strategy (MTS); the Southern Africa 2011-2015 Regional Integration Strategy Paper (RISP), the ADF-XII guidelines and the Agriculture Strategy of the Bank (2010-2014). It builds on previous Bank interventions and takes into account the challenges of the country's current development experience, characterized by limited poverty reduction and job creation despite high GDP growth rates. The strategy will span the ADF XII cycle and part of ADF XIII.

[1] Board document Ref No. ADB/BD/WP/2006/47

II. COUNTRY CONTEXT AND PROSPECTS

2.1. Political, Economic and Social Context

Political Context

2.1.1 Overall, the political environment in Mozambique is stable. Multiple peaceful elections have been held, since the peace treaty in 1992. However, the most recent elections in October 2009, won by the ruling party, *Frente de Libertação de Moçambique (FRELIMO),* were held amid allegations of political exclusion. The constitution and electoral laws are currently being reviewed to ensure greater transparency and political inclusiveness, and these are being closely monitored by the donor community, including the Bank.

2.1.2 The next national, provincial and presidential elections are due for 2014, but lack of consensus over the reform agenda may undermine political stability. This situation may be exacerbated by the deteriorating socio-economic conditions, in particular the increases in food, fuel and utility prices, which sparked urban riots in September 2010[2]. The challenging socio-economic situation, despite relative high growth rates over the last decade raises concerns about a development model dependent on Official Development Assistance (ODA) and Foreign Direct Investment (FDI) but with limited linkages to the rest of the economy.

Economic Context

2.1.3 The economy succeeded in sustaining a long-period of high growth despite the adverse effects of the global economic downturn. From 1993 to 2009 Mozambique was the fastest growing non-oil economy in Sub-Saharan Africa, with growth averaging 7.5% per year[3]. GDP growth rates are expected to remain near 8% over the medium term on account of new extractive industries activity and stepped-up public investment, bringing

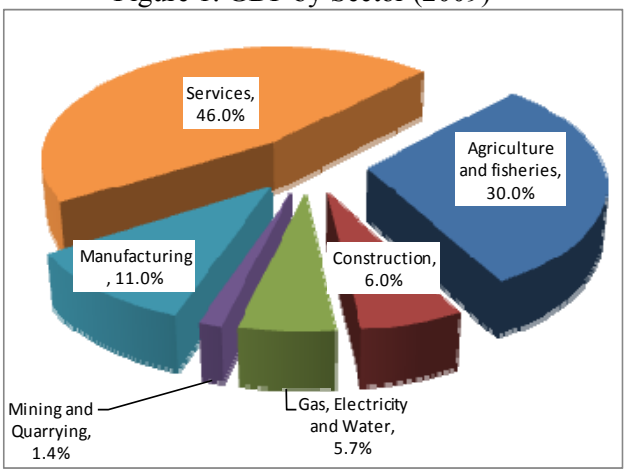
[2] In response, the authorities introduced temporary administered prices on imported food stuff, along with fiscal austerity measures to freeze salary increases for top officials.

[3] World Development Indicators (WDI, 2010).

Mozambique back towards its pre-crisis growth trajectory (see Table 1 and Annex 6 – selected macroeconomic indicators). In 2010, per capita GDP stood at US$458 compared to US$137[4] in 1993, right after the end of the civil war.

2.1.4 Notwithstanding the economic growth, the structure of the economy remains narrow. Services account for 46% of GDP followed by agriculture and industry with 30% and 24%, respectively (Figure 1). Mining is expected to increase its contribution as coal investments become operational in 2011, which will lead to the increase in export revenues to US$ 3.0 billion in 2012. The export base remains narrow, with more than half of the exports being aluminum, and only 15 products registered annual exports higher than US$ 1 million.

Figure 1: GDP by Sector (2009)



Source: AfDB Statistics Department, and National Institute of Statistics

Growth and Growth Drivers

2.1.5 Real GDP growth over the past decade has been driven by: (i) large FDI linked mainly to mining, electricity, tourism, construction and telecommunication sectors; (ii) high levels of ODA – averaging 89.2 US$ per capita (one of the highest Aid/GDP ratio in Africa); and (iii) strong growth in the agriculture sector.

[4] Ministry of Planning and Development, 2010

2.1.6 The increase in agricultural production witnessed in the past five years was due to favorable weather conditions, enhanced support to small-scale farmers through extension services and improved supply of fertilizer. The increase of productivity and diversification in the agriculture sector will require technological innovation and development of rural infrastructure. Therefore, the diffusion of modern agricultural technologies and practices are key to economic transformation.

Table 1: Macroeconomic Trends (% of GDP)

Indicators	2009	2010	2011	2012	2013	2014
GDP Growth (%)	5.4	6.5	7.3	7.5	7.9	7.8
Inflation (%)	3.4	12.7	9.5	7.2	5.6	5.6
Fiscal deficit	5.7	4.9	7.2	6.4	6.8	6.4
Total revenue	17.4	19.6	20.2	20.6	21.1	21.4
Total expenditure	32.2	32.5	33.9	34.4	34.5	34.1
Ext. CA deficit	14.2	10.2	11.4	12	11.4	10.9
Trade deficit	20.3	20.5	19.8	16.2	16.1	15.8

Source: Ministry of Finance, AfDB Statistics Dept and IMF Staff projections for 2011-2014. Ext. CA – External Current Account Deficit.

2.1.7 Emerging partners have assumed an increasing role in FDI. India's investments in agriculture processing, energy and mining are expected to reach US$ 1 billion in 2011. China became the second largest investor in 2010 and is expected to invest over US$ 13 billion in the next 10 years mainly in infrastructure (ports, roads, energy). Furthermore, Brazil is focusing on agriculture, mineral resources, infrastructure and health with up to US$ 4 billion investments projected over the next four years, according to the Investment Promotion Centre.

Macroeconomic Management

2.1.8 Macroeconomic policy has been aligned with IMF's Policy Support Instrument and has focused on sustaining economic growth, price and exchange rate stability and implementing a program of structural reforms. Fiscal performance remained strong over the past five years, with total revenue

rising from 12% in 2005 to 19.6% of GDP in 2010 mainly due to increased efficiency in tax revenue collection. Plans to phase out fuel subsidies are underway. Parliament also passed a bill to amend the 2011 State Budget to account for additional expenditures amounting to US$ 306.7 million needed to implement measures for alleviating the cost of living. Nonetheless, the combination of increased wage bill and the introduction of short-term subsidies led to unsustainable fiscal pressures and a deterioration of fiscal balance to levels close to 6% of GDP.

2.1.9 Average inflation stood at 12.7% in 2010 reflecting the strong impact of food and fuel price increases. Risks to upward pressures on the inflation rate remain given the recent 10% increase in liquid fuel prices due to phasing out of fuel subsidies, and the expansion in monetary policy. Nevertheless, inflation is expected to stabilize around 7% in the forthcoming years as the Central Bank has pursued a tightened monetary policy since the end of 2009 to suppress inflationary expectations.

2.1.10 The accommodating monetary policy as a response to the financial crisis triggered a depreciation of the exchange rate and the Metical lost one third of its value against the United States of America (USA) dollar and two fifths against the South African rand in 2009. The Central Bank has since increased its lending facility rates by 100 basis points to 16.5%, and commercial Bank's minimum reserve requirements to 9% of total deposits. As a result, the metical experienced a strong appreciation against the US dollar of about 17% over the past ten months. However, these measures had negative impact on export competitiveness and private sector lending hindering overall growth opportunities.

2.1.11 Net International Reserves stood at 1.88 billion USD in February, 2011 up from 1.74 billion USD in December, 2010 due to rising export commodities linked to recent investments in extractive industries**.** This compensated for the rising import bill related to surging food and fuel prices. It also contributed to improving the country's external accounts and keep Central Bank foreign currency reserves at a comfortable 5 months of imports coverage.

2.1.12 According to the IMF Debt Sustainability Analysis, the country's debt indicators remain below the thresholds, including in the longer-term (Table 2). The GoM has negotiated with the IMF a limit of US$ 900 million for non-concessional borrowing (NCB) during the next three years and to be used for productive investments. Managing NCB will require strengthening of debt management capacities, in particular, with regards to borrowing by State-Owned Enterprises (SoEs) and other sovereign guaranteed activities.

Table 2: Debt Sustainability Indicators for Mozambique

Description	Benchmark	2010	2011	2012	2013	2014
External debt*	n.a	2	2.7	3.5	4.2	4.9
PV debt-GDP (%)	40	20	23	27	29	31
PV debt-exports (%)	150	68	85	93	102	108
Debt service-exports (%)	20	2	2	4	5	6

Source: IMF Staff estimates. PV – Present value. n.a – not applicable.
*nominal billion US$. The 2011-2014 values are forecasts.

2.1.13 FDI soared from a low baseline by 400% in the first half of 2010 as compared to same period in 2009, mainly due to booming construction and coal mining investments, and is expected to reach US$ 917 million in 2011. Nonetheless, the IMF's 2nd PSI Review/Article IV Staff Report of May, 26th, 2011 highlighted the need for additional efforts to: (i) achieve and sustain more inclusive growth; (ii) create fiscal space through prudent concessional and NCB; (iii) increase efficiency in revenue mobilization; (iv) improve current social protection schemes; and (v) enhance macroeconomic management of natural resources.

Governance and Transparency

2.1.14 The government remains committed to an ambitious reform agenda, but corruption remains a challenging issue mostly due to weaknesses in internal control systems, slow pace of implementation of reforms in the justice system and

the prevailing state-party conflict of interest which results in inefficiency in the use of public resources. Nonetheless, progress has been made in terms of expansion of the coverage of the State's Electronic Financial and Administrative System (e-SISTAFE)[5], increased number of performance audits undertaken by the Supreme Audit Court (*TA - Tribunal Administrativo*); the revision of state procurement regulation (Decree 15/2010), and the approval of the Strategic Plan for the Anti-Corruption Central Bureau in January, 2011. Cabinet approved the revision of the anti-corruption law 6/2004 in July, 2011, and the laws 4/1990 and 7/1998 on the declaration of assets are due in 2011.

2.1.15 Progress was also made in the management of public resources and enforcement of the rule of law as illustrated by the slight improvement in the World Economic Forum (WEF) governance indicators (Table 3). Similar trend was observed in the 2008/09 Mo Ibrahim Index of African Governance, in which Mozambique moved from the position 27 to 20 out of 53 countries.

Table 3: WEF Governance Indicators, 2008-2009

Indicators	2008	2009	Status
Government Effectiveness	-0.34	-0.34	equal
Voice and Accountability	-0.05	-0.07	worse
Corruption Perception	-0.47	-0.41	better
Rule of Law	-0.60	-0.58	better

Notes: Score -3.0 (Worst) to 2.5 (Best) Source: Source: AfDB Statistics Dept using data from the WEF, 2010

2.1.16 The 2010 Public Expenditure Financial Accountability (PEFA) Report shows that from 2007 to 2009, there were improvements in the areas of credibility of the State Budget. Transparency of inter-governmental transfers also improved thus scoring a level of B in 2010 against C+ in 2008 (PEFA Indicator PI-8), budget predictability has improved as a result of increased transparency of taxpayer obligations and liabilities (PEFA indicator PI-13 improved from B+ to A), effectiveness of measures for taxpayer registration (PEFA Indicator PI-14 improved from B to A) and the effectiveness in collection of tax payments (PEFA indicator PI-15 improved from D+ to C+). Despite this progress some areas need improvement, mainly in the depth of the coverage of the accounts of SoEs and the degree of expenditure out-turns as compared to original approved budget performance.

2.1.17 Extractive Industries Transparency Initiative (EITI) validation process experienced significant strides since Mozambique membership in May 2009. The country has set up the institutional arrangements towards validation through the publication of the first EITI reconciliation report and the submission of the validation report to the EITI International Board on 16th May, 2011. The country scored well in 15 out of the 18 indicators and weaknesses were raised regarding: (i) the weak engagement of civil society; (ii) the limited scope of dissemination; and (iii) the discrepancies in the mineral resources revenues reported by GoM and the private investors. Nonetheless, the country was granted an extension to mitigate these weaknesses and has until December 2011 to submit a revised scoping design and an EITI action plan for the period 2011-2013 for EITI Board consideration.

Business Environment and Competitiveness

2.1.18 In the World Bank's Global Doing Business Ranking, Mozambique went from 135th (2010) to 126th (2011) having performed well in starting business, trading across borders and closing business. The areas that need further improvement include dealing with construction permits, registering property, getting credit, paying taxes, enforcing contracts and closing business (Table 4).

[5] By 2008, e-SISTAFE had been rolled-out to all 25 Ministries and 7 State Organs, 544 Budget Execution Units and 31 districts. Additional roll-out as of end 2009 led to the inclusion of a total of 50 districts, and 29 autonomous institutions at central level.

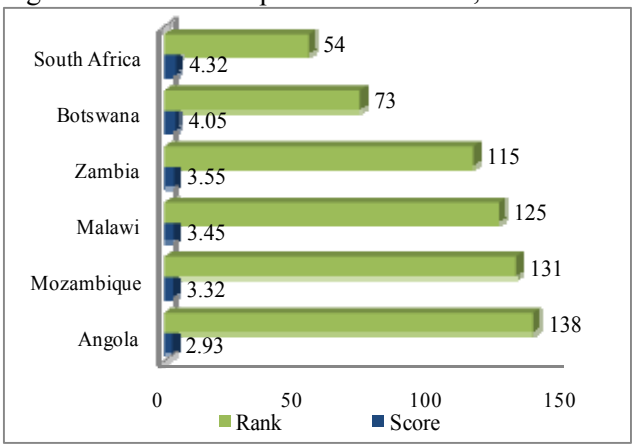
Table 4: Ease of Doing Business (DB), 2010-2011

Topic Rankings	Rank 2011	Rank2 010	Status (▼) Improvement
Ease of doing business	126	135	▼
Starting a business	65	96	▼
Dealing with Construction permits	155	159	▼
Registering property	144	151	▼
Getting credit	128	127	▲
Protecting investors	44	41	▲
Paying taxes	101	97	▲
Trading across borders	133	136	▼
Enforcing contracts	132	129	▲
Closing business	129	136	▼

Source: Ease of Doing Business, 2010-2011. World Bank

2.1.19 Pervasive constraints to private sector investment, operations and trade remain, especially for SMEs due to: (i) excessive regulatory barriers and fiscal burden, (ii) high costs of financing, (iii) a poorly qualified work force, (iv) poor market access, (v) lack of horizontal and vertical linkages, and (vi) weak entrepreneurial skills. As a result Mozambique ranks low in the Global Competitiveness Index (GCI) of the WEF standing at 131st position out of 139 countries, well below most of its peers in the region (Figure 2).

Figure 2: Global Competitiveness Index, 2010



Source: World Economic Forum Report, 2010-2011

2.1.20 The GoM recognizes the importance of SMEs as engines of employment growth and income generation. These comprise an estimated 30,000 formal units and mostly small (89.5%) and account for 42.8% of private sector employment[6] (Table 5). Approximately 12% are deemed to be in productive activities (agriculture, manufacturing and construction) while the remainder are in retail trade (Table 6). Besides the great potential of SMEs for job creation, however, the enterprise sector is currently dominated by SoEs which account for 80% of total credit to the private sector. Privatized entities are concentrated in industrial and service sectors. The key concern is the lack of competitiveness as most of the equipment used is obsolete and they are currently affected by private credit restrictions.

Table 5: SMEs distribution by size and GDP share

SMEs size	Total of units	(%)	Total Employees	(%)	Share on GDP (%)
Micro	23.074	79.9	42.563	14.1	0.0
Small	2.779	9.6	17.586	5.8	16.5
Medium	2.621	9.1	69.076	22.9	12.0
Total SMEs	28.474	98.6	129.225	42.8	28.5
Large SMEs	3.966	1.4	171.920	57.1	40.1
Total	28.870	100	301.145	100	68.6

Source: National Institute of Statistics, Enterprise Survey, CEMPRE, 2004
Ministry of Industry and Trade, *2007-2012 Strategy for Development of Small and Medium Size Enterprises in Mozambique*

Financial Sector

2.1.21 According to the Finscope[7], 2009 Report, financial development remains low. Meanwhile, private sector credit rose from 18.7% of GDP in 2008 to 29.8% in 2010 driven by short-term lending in the construction and retail trade sectors. The banking system lacks competitiveness as 85% of total financial sector's assets are concentrated in the three largest Banks which are highly linked to the Portuguese banking industry. The banking crisis in Portugal and the dollarization of the economy in

[6] Mozambican authorities estimate that 68% of the urban workforce and 87.5% of the rural workforce operates informally. (National Institute of Statistics, INE, 2006)
[7] Finscope is a tool to evaluate access to financial services developed by Finmark Trust International.

late 2009 and early 2010, both led to a non-liquid financial system and therefore limited lending opportunities to the private sector. Microfinance institutions (MFIs) have expanded rapidly in recent years, increasing the outreach of the banking sector[8]. The Insurance sector remains underdeveloped accounting for less than 1% of GDP.

Table 6: Distribution of SMEs by Economic Activity

Sect.	Number of SMEs by sector of activity			Total Business Volumes (Currency: Meticais - 10^6 MZN)		
	Small	Med	Tot.	Small	Med.	Tot.
Agric/ forest.	485 2%	132 1%	617 2%	119 0%	224 1%	343 1%
Manuf	2.310 8%	518 2%	2.828 10%	7.535 27%	3.278 11%	10.814 39%
Constr	82 0%	150 1%	232 1%	406 2%	1.805 7%	2.211 8%
Trade	15.446 54%	911 3.2%	16.357 57%	3.434 12%	2.889 11%	6.323 23%
Transp.	196 1%	126 0%	322 1%	123 0%	1.051 4%	1.173 4%
Hotel Rest.	5.398 19%	341 1%	5.739 20%	1.070 4%	616 2%	1.686 6%
Others	1.936 7%	444 1%	2.380 9%	3.265 12%	1.786 7%	5.051 10%
Total	25.853 91%	2.622 9%	28.474 100%	15.952 58%	11.649 42%	27.601 100%

Source: National Institute of Statistics, Enterprise Survey, CEMPRE, 2004. Ministry of Industry and Trade, *2007-2012 Strategy for Development of Small and Medium Size Enterprises in Mozambique.*

Energy Sector

2.1.22 Mozambique has high coal, gas and hydropower potential, but lacks the capacity to fully exploit these resources and provide the population with reliable electricity. Only 17% of the population currently have access to electricity (2011), with approximately two million Mozambicans being supplied through photovoltaic systems. The country's electricity generating capacity stands at 2.392 Gigawatts (GW) with 90% of it installed at Cahora Bassa Hydroelectric facility. Mozambique exports 35% of its total power production mostly to South Africa and Zimbabwe. The Mozal aluminum smelter plant accounts for 60% of the current consumption and 100% of imports. Despite the generation potential, however, power oscillations remain an issue.

Agriculture

2.1.23 Agricultural and fisheries production is crucial for food and nutritional security and the well-being of the population and contributes about one third of GDP[9]. However, the sector's output and productivity are still very low due to limited market access, post-harvest infrastructure, availability of credit and insurance mechanisms, as well as vulnerability to climate change. About 97% of production comes from 3.2 million subsistence farms averaging 1.2 hectares. However, there are about 36 million hectares of arable land suitable for agriculture of which 10% are under cultivation and only 3% are irrigated. In order to reverse this trend, the GoM has approved the National Irrigation Strategy for the period, 2011-2019. The strategy is estimated to cost USD 645 million and aims at doubling total irrigated land in the provinces of Sofala, Manica and Zambézia from 66,000 hectares to 113,000 hectares by 2019.

2.1.24 The GoM also approved the Agriculture Sector Strategy (PEDSA – *Plano Estratégico para o Desenvolvimento do Sector da Agricultura*) which is anchored in the country's 2008-2012 Green Revolution Strategy and the Comprehensive Africa Agriculture Development Program Agenda (CAADP). The strategy aims at contributing to boost production and productivity while generating output surpluses to be marketed at regional level and promotes sustainable use of natural resources.

Transport Sector

2.1.25 The transport sector has a regional potential and is undergoing a major restructuring. The Government has put into place an ambitious program aimed at rebuilding and expanding the system including the strengthening of capacity to undertake maintenance activities with the support of

[8] 2010 Annual Report of the Central Bank shows that the Banking sector covers 45.3% of the total 128 districts. 188 new branches were opened between 2008 and 2010 bringing the total number of branches to 466.

[9] According to a study by the Swedish International Development Cooperation Agency (Sida, 2010), approximately 95% of Mozambican women are engaged in agriculture, as compared to only 66% of men.

development partners. The transport sector currently comprises 26,235 km of classified roads[10], of which only 5,005 km (19.8 %) are paved, 3,000 km of railway lines, of which about half are operational, and five international airports. The country's ports and railways were mainly developed to serve regional trade while the road system served internal trade and access to the coastal ports. The road corridors associated to the ports of Maputo, Beira and Nacala serve Botswana, Zimbabwe, South Africa, Swaziland, Malawi, Zambia and the Democratic Republic of Congo. The main challenge lies on the ability to efficiently link natural resource production areas and agricultural belts to large population centers (demand) in order to develop new markets that will enhance private sector growth and SMEs competitiveness.

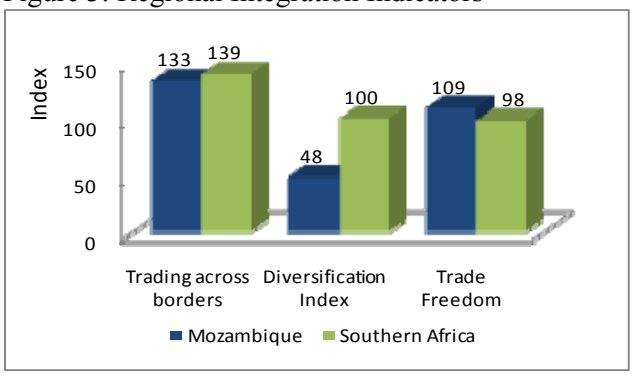
Regional Integration and Trade

2.1.26 Mozambique has a very favourable geographical positioning in the southern Africa region but its contribution to the regional trade is still reduced. The country is responsible for 70% of Southern Africa Development Community (SADC) transit traffic and therefore plays a major role in the regional trade. The Regional integration agenda is developing with a focus in transport, power and water resources. Plans are underway to build a national electricity backbone to interconnect with South Africa and the Southern Africa Power Pool (SAPP). Other projects are the construction of new deep water port in southern Mozambique involving Botswana and Zimbabwe, the development of Nacala Corridor including the upgrade of the Nacala, Pemba and Tete airports.

2.1.27 Mozambique has liberalized 85% of its import tariffs under the regional Free Trade Agreement and signed most of the 29 economic and regional integration protocols. Bilateral agreements were also signed with Malawi and Zimbabwe to enforce the rules of origins based on product's value added and variations in tariff headings up to a limit of 35% of incorporated local materials. The country enjoys preferential access to European markets under the European Union (EU)/SADC Economic Partnership Agreement (EPA) signed in 2009. Trading across borders and trade freedom indicators are in line with regional standards, however, the country performs poorly in the trade diversification index which is a reflection of its high export's products concentration (Figure 3).

2.1.28 Mozambique's share of world trade has been expanding, mostly due to natural resource exports (aluminium, electricity and gas). Traditional exports (cashew, shrimp, copra, sugar and cotton) were below average growth in world markets over the period 2006-2010. Mozambique still imports considerable volume of machinery, vehicles, fuel and consumer durables mainly from South Africa (35%), Europe (24%) and Asia (26% - mostly from China, India and Japan). The country's exports are mostly directed to Europe (54% - Belgium, Netherlands and Spain). Exports to SADC region increased from USD 385 million in 2005 to USD 599.2 million in 2009, but the volume of intra-regional trade remains low at 19% of GDP. However, this is expected to increase following the consolidation of SADC free trade tariffs which were initiated in 2008.

Figure 3: Regional Integration Indicators



Source: Ease of Doing Business, 2011. The World Bank, African Economic Outlook, AfDB-OCDE, 2010

2.1.29 Mozambique is poised to make greater contribution to regional integration as the three regional transport corridors (Beira, Nacala and

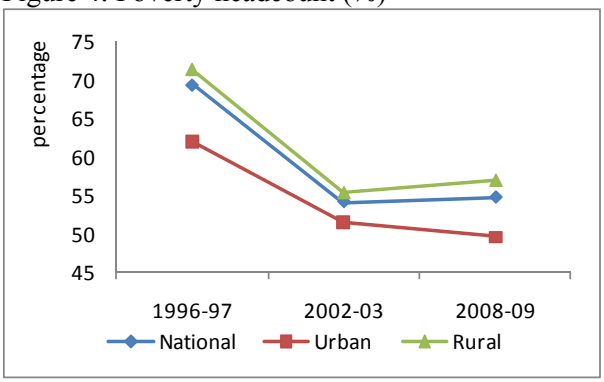
[10] Mozambique has a very low road density (3.87 km per 100 km2) compared to: Vietnam's 69 km; India's 112 km; South Africa's 29 km, Zambia's - 9 km, and Zimbabwe's - 25 km – World Bank, 2010.

Maputo) will play a strategic role in freight handling to and from the land-locked neighboring countries of Zimbabwe, Zambia and Malawi, Botswana as well as South Africa (see map in Annex 10). The exploration of natural resources, mainly coal and gas, will also provide an opportunity for rapid development of the country's logistics services.

Social context

2.1.30 Social development remains a challenge despite the progress registered since the mid 1990s. Household survey data show a decrease in poverty from 69% in 1996 to 54% in 2003 (Figure 4). Nonetheless, recent results from the 2008/09 Household Survey shows that poverty has stagnated at 54% suggesting that growth has not been inclusive in recent years. According to the 2008/09 Household Survey report the main reasons for the poverty stagnation include the slow growth in agriculture productivity, recurrent weather shocks that reduced yields, declining terms of trade due to increases in international food and fuel prices and income inequality (42% in 2009, as measured by the Gini Index).

Figure 4: Poverty headcount (%)



Source: Ministry of Planning and Development, 2010.

2.1.31 In spite of the stagnation of income poverty, the country experienced significant improvements in non-monetary well being indicators due to increased investments in access to basic services (education, health and housing conditions). Under-five mortality rates decreased from 245 per 1,000 live births in 1997 to 138 in 2008, infant mortality reduced from 144 per 1,000 live births in 1996 to 93 per 1,000 births in 2008 reflecting the improvements in public childcare treatment. The MDG targets for gender equality and child mortality are likely to be attained. There has also been substantial progress towards other MDGs, and the targets for maternal health, Human Immunodeficiency Virus – Acquired Immune Deficiency Syndrome (HIV/AIDS), malaria and other diseases, and environmental sustainability remain potentially attainable (Annex 9). Nevertheless, Mozambique remains below the African average for Human Development Index (HDI), even though it has experienced a 54% increase in this index since 1990.

Social Protection

2.1.32 The social protection system is underdeveloped and its sustainability, quality and targeting needs to be addressed (Box 1). Progress has been achieved with the approval of the Regulation for Basic Social Security in December 2009 and the National Strategy for Basic Social Security (*ENSSB – Estratégia Nacional de Segurança Social Básica*) in 2010, the National Programme for Productive Social Action (*PNASP – Programa Nacional de Acção Social Produtiva*) and the introduction of the Strategic Plan for Reduction of Urban Poverty (*PERPU – Programa Estratégico de Redução da Pobreza Urbana*. GoM is also undertaking a social expenditure review with support of development partners[11] to determine the fiscal space needed for a more inclusive social protection system.

Box 1: Mozambique: Public Social Protection System: Mozambique has a public social protection system that is not well articulated to address the needs of the most vulnerable. The system currently takes up less than 0.2 % of the GDP and covers no more than 8.3% of the poor households. One of the key initiatives consist of an unconditional cash transfer to the vulnerable reaching out to about 150 thousand people.

Education

2.1.33 The biggest challenge in the sector involves improving the quality of education while raising the enrollment rates in Technical and Vocational

[11] The United Nations, WB and IMF.

Educational Training (TVET). Literacy rates (54%) remained below African standards (64.8%) in 2008. Net enrollment rate in primary education, more than doubled from 45% in 1998 to over 96% in 2008. For girls the figure rose from 40% to 93% thus narrowing the gender inequality. Nonetheless, significant gender gaps remain at upper levels with female gross enrolment in secondary education standing at only 20.5% of total enrolment in 2009. Demand for education remains high in all subsystems, but public resources allocated to the sector are well below developing countries average (5% of GDP in 2006 – see Annex 7) posing serious challenges in terms of quality of education.

2.1.34 Higher Education experienced significant growth between 2004 and 2009, with total enrolments rising from 15,113 to 60,949 in public universities and 7,143 to 20,301 in private institutions. Despite this progress, nearly 80% of the workforce has not completed upper primary school and only 13% completed secondary school. This has led GoM to shift its priorities to professional and vocational training through the introduction, in 2006, of the Integrated Program for Reform of Professional Education (*PIREP - Programa Integrado para reforma do Ensino Professional*). The Government of Mozambique also aims at promoting employment and training observatory, through the establishment of the National Training Authority which will be responsible for TVET and labour force skills development.

Gender

2.1.35 Mozambique has made great strides in closing gender gaps, such as in education where near gender parity has been reached. Gender parity in primary education evolved positively with the ratio of female to male having increased from 83 (2000) to 88 (2010). At secondary level, progress has been slow with gender parity ratio only improving from 67.9 (2000) to 74.8 (2010). Literacy rates of young female (between 15-24 years) increased from 50% (2000) to 62.1% (2010). Maternal mortality rate has reduced significantly from 780 in 2000 to 550 per 100,000 live births in 2010. The proportion of seats held by women in the parliament increased from 30% (2000) to 35% (2010).

2.1.36 Mozambique has signed up to various international treaties including the Convention on the Elimination of all forms of Discrimination against Women. The GoM also approved the "National Plan for Women's Advancement; 2010-2014" aimed at empowering women. Skills development training programs targeted 76,722 women (2010) against 31,606 (2005) including 200 women's associations[12] over the past 5 years. Despite these achievements, Mozambique's Gender Development Index in 2007 stood at 0.395 well below the 0.433 and 0.694 ratios in African countries and developing economies, respectively. Moreover, women account for 52.3% of total labour force but the proportion of wage employed female workers only represents 5.8% against 22.2% for men (IFTRAB, 2004-05 Labour Force Survey). This suggests that disparities between men and women remain high.

Health

2.1.37 Social indicators are still low with life expectancy at 48 years in 2010 well below African average of 56 years. There is high prevalence of infectious diseases such as malaria (responsible for 25% of annual deaths), HIV/AIDS (prevalence rate of 11.5% in 2009), and child malnutrition (with stunted growth affecting 46% of children in 2008). These diseases have negative impact on labour force productivity via increased absenteism and deterioration of cognitive skills as well as aggravating poverty. The GoM has rolled out Anti-retroviral treatment to Prevent Mother-to-Child Transmission; and provided nutritional assistance to 354,000 vulnerable people. However, certain inefficiencies need to be addressed in the health sector, in particular the referral system, management of decentralized health services and provision of drugs as well as an increase in public expenditure allocated to the sector which remains below developing countries level of 4% of GDP.

[12] The AfDB is supporting this program through the Women's Entrepreneurship Project.

Water and Sanitation

2.1.38 Mozambique is very well endowed in water resources but these have not been properly harnessed. A recent assessment of progress made in the water and sanitation sector in Mozambique, indicated that between 2008 and 2010, access to water in the rural areas stagnated at 52%, whilst the access rate for urban areas improved from 50% to 60%. Access to sanitation similarly stagnated at 40% but in urban areas it improved from 50% to 64%. Overall, water supply is unreliable during the dry season. In rural areas, distribution networks are weak, with high proportion of non-operational water points. Unaccounted for water in the supply system remains high at 40%. Nonetheless, the water sector remains a priority in Mozambique and GoM has plans to invest in the expansion of production, treatment and distribution systems including waste water management in the Greater Maputo area mostly to address population growth and meet MDG target of 70% coverage by 2015.

Environment and Climate Change

2.1.39 Climate change poses major environmental challenges to Mozambique in terms of attaining a sustainable development path. The World Bank (WB) report[13] indicates that the impact of climate change over the next 40 years would lead to a 2-4% decrease in yields of the major crops, and modest reduction in energy supply, in the range of 1.4%. Severe rainfall may result in losses in the stock of roads, culverts and bridges, in a range of 2-12%. Mozambique could also lose up to 4,850 square kilometers of land and a cumulative total of 916,000 people could be forced to migrate away from the coast. This would translate in an estimated total annual damage cost of USD 103 million per year in the 2040s. The areas that are likely to be most afflicted are Zambézia, Nampula, Sofala, and Maputo due to low lying topography and higher population density.

2.1.40 GoM has prepared a National Action Plan for Adaptation to Climate Change (NAPA, 2007) with four main priorities: (i) strengthening early warning systems, (ii) strengthening the capacity of farmers to climate change, (iii) reducing the impacts of climate change along the coastal zone, and (iv) promoting water resource management. The GoM is currently preparing a Strategic Program for Climate Resilience (SPCR) under the Pilot Program on Climate Resilience (PPCR)[14] aimed at mainstreaming climate resilience into development through piloting and demonstration investments (i.e. roads, agriculture, coastal cities and water). Mozambique is also actively making efforts to reduce deforestation through the mechanism of Reduction of Emissions from Deforestation and Forest Degradation (REDD).

2.2. Strategic Options

A. Country Strategic Framework

2.2.1 The country's long term goals are expressed in the Agenda 2025, a document that resulted from a consensual debate involving government, political parties, development partners, civil society, and private sector. The Agenda identifies key viable options for fighting poverty, illiteracy, and overcoming economic underdevelopment towards the attainment of sustainable development and social inclusion. Agenda 2025 suggests key areas where success is most likely and establishes the main strategic objectives to be reached by 2025 (Box 2).

2.2.2 In line with the Agenda 2025, the Action Plan for Reducing Poverty (PARP, 2011-2014) follows the policy guidelines defined in the *PQG* for the period 2010-2014. The structure of the PARP promotes a unified strategic vision linking priority sector policies to the achievement of three strategic objectives: (i) increase in agricultural and fisheries production and productivity, (ii)

[13] World Bank, 2010, *Mozambique: Economics of Adaptation to Climate Change*.

[14] PPCR is a program under the Climate Investment Fund (CIF) aimed at mainstreaming climate resilience into developing countries' core development policies and planning. Mozambique is one of nine countries worldwide selected for participation in the program.

employment promotion, and (iii) social and human development. These objectives are supported by two overarching pillars, namely: good governance, sound macroeconomic and public finance management and investments in infrastructure. The main objective of the PARP is to reduce the incidence of poverty from 54.7% in 2009 to 42% in 2014.

Box 2: Mozambique: Agenda 2025 Strategic Objectives:
The strategic objectives are: (i) human capital increase through improvement of basic living standards; (ii) social capital improvement through strategic actions in the domains of national cohesion and peace and stability, promotion of social justice, access and ownership to land by local communities, and creation of incentives for effective participation of women and the youth in country's economic growth; (iii) macroeconomic development through the promotion of rural development and competitiveness of entrepreneurial sectors in

2.2.3 The GoM's 2010-2014 Five Year Plan accords priority to fighting poverty and improving living conditions. The plan gives priority to promotion of rapid, inclusive and sustainable economic growth with impact in the rural areas. This will be done through investments in infrastructure and basic social services with a view to generating employment opportunities. Some of the PQG targets are shown in Box 3 .

Box 3: Main targets of the PQG:
- Reduce poverty from 54.7% to 42%
- 8% real GDP growth rate per annum
- Conclude 750 km of road linking the North-South (EN1) highway
- Increase power generation capacity through construction of Mpanda Nkuwa phase I (1,500 MW), Cahora Bassa north (1,245 MW), Moatize Coal Power Plant phase I (600 MW) and Benga Coal Power Plant phase I (500 MW)
- Increase access to water in rural areas from 52% to 69%

2.2.4 Agriculture is a key sector in the PQG. The emphasis includes, enhancing productivity through scaling up smallholder model farmer practices expansion of small and medium scale irrigation, rural infrastructure such as all-weather roads and markets, and promotion of commercial farming. In addition, efforts to conserve natural resources, mitigate and adapt to climate change will be pursued. Higher agricultural productivity is expected to spur agro-processing and export growth.

2.2.5 With regard to regional integration and trade promotion, the 2010-2014 Five-Year plan aims to strengthen Mozambique's regional integration comparative advantages. Key priority actions include: (i) active participation in the establishment of the SADC trade union; (ii) identification of the country's comparative advantages in order to profit from its strategic positioning in the region; (iii) promotion of initiatives for export diversification; (iv) mobilization of resources to increase country's production and exports; (v) reinforcement of monitoring and evaluation of trade agreements; and (vi) promotion of private sector involvement in formulation of business policies and opportunities in the region.

2.2.6 Although the PQG is geared towards enhancing sustainable economic growth, its success will, however, be critically determined by the ability to overcome the economy's challenges, notably: (i) the country's poor infrastructure, (ii) the lack of export competitiveness and, (iii) the weak business environment.

B. Challenges and Weaknesses

2.2.7 Lack of transparency in governance, associated with corruption and conflict-of-interest remain among the central issues to be addressed by the second generation of governance reforms. Implementation of political and economic reforms that build trust in institutions while sustaining social inclusion are likely to assist the country to make significant achievements towards improving its business environment.

2.2.8 Mozambique's economy is small with a low degree of economic diversification as reflected by high concentration of exports in a few commodities with aluminum accounting for almost 56% of total country's exports. Moreover, the economy remains heavily dependent on foreign aid which accounts

for 46% of total State Budget and 15% of GDP in 2010.

2.2.9 Inadequate infrastructure and high costs of production constitute significant obstacles to an export-led economic growth model and affects competitiveness of local goods and services. Mozambique's roads and ports infrastructure are amongst the worst in the continent. According to the World Bank's *Investment Climate Assessment Report, 2009* most companies cite lack of reliable infrastructure (roads, electricity and availability of water, including that for irrigation systems) as main constraints for business development.

2.2.10 Weak institutional and human capacity at public, private and financial sector levels hinders the country's competiveness and private sector development. Low human capacity in the public administration is a key constraint to the implementation of the reform agenda, which is aggravated by the cumulative effects of HIV/AIDS. Labour productivity is low which results in poor competitiveness of Mozambican SMEs, The financial system remains small and limited and levels of financial exclusion are very high, with the poor having almost no access to credit.

2.2.11 The underdeveloped private sector and lack of competitiveness undermines the effectiveness of pro-poor growth strategies. Prevalent bureaucracy in clearing imports, high costs of financing, and compulsory requirement for repatriation of foreign[15] earnings and automatic conversion of 50% of export revenues into local currency may hinder private investment initiatives. The rigid labor laws[16] and predominance of market distortions with subsidies and state owned institutions offering goods and services at below cost also hamper private investment and SMEs development.

[15] This is under the new foreign exchange law of 11th March, 2009 that entered into force in 11th July, 2011.

[16] Government has recently altered the regulations for hiring foreign labor to respond to the concerns of shortage of skills in the public and private sectors.

CPIA Ratings

2.2.12 The trend in the Bank's Country Performance and Institutional Assessment (CPIA) rating for Mozambique over the period 2007-2010 remains stable (Figure 5). However, improvements are needed in debt policy management and equity in public resources management.

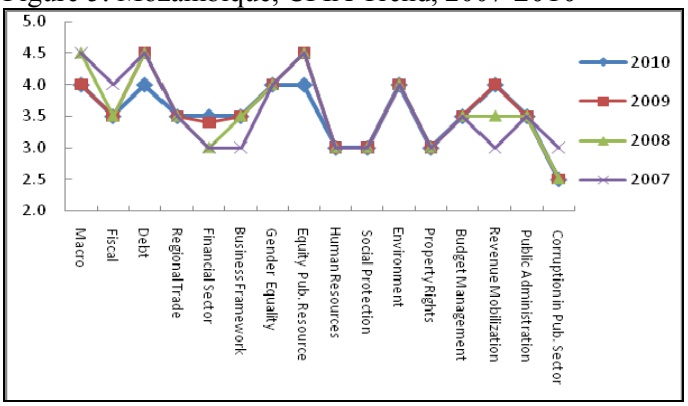
C. Strengths and Opportunities

2.2.13 The geographic positioning of Mozambique constitutes great potential for development of regional integration as the country offers harbor and transportation facilities to landlocked neighboring countries.

2.2.14 Development corridors in the context of regional integration offer great opportunities for exploration of the country's comparative advantages in agriculture and agro-processing, clean energy (due to its large potential for hydro-power production), mining (particularly in coal and gas), transport and tourism. Most importantly, spatial corridors bring an opportunity for improving SMEs competitiveness as they promote economic co-operation, FDI and technology transfer. The cases of Maputo, Beira and Nacala Development corridors are examples.

2.2.15 The country has remained politically stable and enjoyed sustained high levels of ODA support which contributed to macroeconomic stability and high growth, creating an environment favorable to FDI, focused on natural resource exploitation.

Figure 5: Mozambique, CPIA Trend, 2007-2010



Source: African Development Bank, 2010

2.2.16 Mozambique benefits from important natural resources endowments such as coal, natural gas, ore deposits, forestry reserves, and hydropower generation capabilities. The country has the appropriate agro-climatic conditions for obtaining very high yields in the production of important food staples including cassava, corn and rice as well as cash crops such as sugar and cotton. Nonetheless, agriculture exports remain low compared to the country's capacity. Electricity with 13.9%, gas (5.5%) and tobacco (9.6%) were the fastest growing export earners over the period 2006-2010, revealing the country's comparative advantage. Exports earnings of aluminum (-4.3%) and prawns (-11.2%) were affected by the impact of global financial crisis and the recession in world demand (Table 7).

Table 7: Main Exports, 2006-2010

Principal Exports	Amount: USD million		Annual Change (2006-2010)
	2006	2010	
Aluminum	1401.0	1159.6	-4.3%
Electricity	177.8	276.5	13.9%
Gas	109.6	133.8	5.5%
Tobacco	110.3	152.5	9.6%
Prawns	86.7	47.7	-11.2%

Source: Bank of Mozambique and Economic Intelligence Unit, Country Report, 2006-2010

2.2.17 The country's young population represents a potential source of dynamism for economic growth as 44% of Mozambicans are less than 15 years old. It is estimated that 300,000 youth tend to join the labour force every year. This underscores the need for inclusive growth and an opportunity for promotion of broad and competitive export base in labor intensive sectors.

2.2.18 Economic linkages between the extractive industry projects and local firms may contribute to increase SMEs competitiveness and provide opportunities for local value-addition since the new projects (Box 4) are expected to generate new smaller manufacturing and service companies. The linking of SMEs to large projects may also bring benefits in the form of further linking to the international economy thus facilitating technological adoption and skills development.[17]

Box 4: Mozambique's extractive industry projects and Regional Integration

Mozambique enjoys abundant natural resources which include gas, coal, titanium, and precious minerals. Since 1996, the country has attracted significant FDI, which resulted in the establishment of large investments that include: (i) Mozal Alluminum Smelter in the southern province of Maputo; (ii) Sasol gas plant in southern Inhambane; (iii) Moma Titanium and heavy sands mining in northern province of Nampula; (iv) Vale coal mining in Moatize-Tete, (v) Riversdale coal mining plant in Benga in the Center province of Tete. The exploitation of natural resources is expected to bring further dynamism to country's logistics services along the Maputo, Beira and Nacala corridors, respectively.

Box 5: Strengths, Opportunities, Challenges and Weaknesses

Strengths, Opportunities

- Political stability
- Large natural resource endowments
- Young population reflecting potential for social and economic dynamism
- Geographic positioning and regional potential
- Development corridors and economic diversification potential
  Economic linkages and increased value chains

Challenges and Weaknesses

- Lack of efficiency and transparency, corruption and conflict of interest
- Weak economic diversification
- Inadequate infrastructure and high costs of production
- Weak institutional and human capacity
- Underdeveloped private sector and lack of competitiveness

2.3. Recent Developments in Aid Coordination/Harmonization

2.3.1 Implementation of the Paris Declaration (PD) in Mozambique is positive as donors reassured the country on the existence of satisfactory conditions for continued General Budget Support (GBS) in the Annual Review ended in May, 2011.

2.3.2 GoM's capacity for aid management and coordination requires attention as this remains a barrier to the implementation of key PD principles

[17] Castel-Branco, 2004; Andersson,2001; Kuegler, 2008.

in particular: (i) aid recording and predictability, (ii) capacity for implementation of results-oriented frameworks, and (iii) strengthening of the fiduciary systems for coordinated aid delivery through use of country's PFM and procurement systems. Nonetheless, an IMF safeguards assessment in 2008 concluded that the Central Bank's control, accounting, reporting and auditing systems were adequate for use of coordinated aid (including GBS) as they are aligned with international standards. In general, the level of satisfaction with e-SISTAFE and the State Single Treasury Account is high. The overall risk rating for efficient and economic use of country's systems to implement program funds was moderate.

2.3.3 Efforts have been put in place to eliminate aid conditionality as established in the new Memorandum of Understanding (MoU) signed between Government and the Program Aid Partners (PAPs)[18] in 18th March, 2009. Donor concerns over the handling of the electoral process led to temporary halt in GBS during first quarter of 2010[19] but disbursements have resumed and are now on track.

2.3.4 The ranking of the AfDB has improved by four positions in the 2010 PAPs annual assessment on aid coordination having scored 21 out of 36 points possible**.** The ranking was led by Ireland with 35 points, with the Bank at the 14th place out of a total of 19 agencies, and slightly ahead of France, World Bank, Portugal, Denmark and Germany. The Bank's participation in GBS has been effective in strengthening alignment but additional flexibility is required to increase use of country systems for projects. The Bank's interventions have been focused on areas of revealed comparative advantage, in particular, infrastructure and regional integration.

[18] The Bank became member of the PAPs in February, 2006.

[19] A previous suspension of GBS occurred in 2001/02 following a banking crisis. Recently, the G19 donors have urged GoM to accelerate the approval of the anti-corruption law and public disclosure of assets.

2.3.5 Since 2007 the Bank has been chairing the donor Roads Working Group and is a signatory to the letter of commitment in support of the national rural water program. ESWs in the areas of EITI, PEFA, community perspectives and comparative analysis of decentralization in rural water sector were carried out jointly with GoM and other development partners (Switzerland, Norway, World Bank, DfID) and the Bank's Procurement and Financial Management Department (ORPF). In 2010, the WB was the largest donor, in terms of disbursed aid, followed by the European Commission and the United States Agency for International Development (USAID), the United Kingdom, and the AfDB.

2.3.6 The Bank's areas of intervention have ensured complementarity with other donors, through parallel financing with selected partners in areas like transport infrastructure, power and rural finance. Annex 8 presents donors' sectors of concentration. The Bank intends to increase its local presence to improve aid coordination and country dialogue by providing demand-driven and knowledge advisory services to GoM, in close collaboration with other partners, including assuming leadership in donor working groups on public sector reform, transport (roads) and water and sanitation. Other priorities include raising the number of co-financing opportunities through the African Water Facility (AWF), the Rural Water Supply and Sanitation Initiative (RWSSI), Global Environment Facility, Climate Investment Fund (CIF), multinational operations envelope, and bilateral sources, as much as possible, to reduce transaction costs.

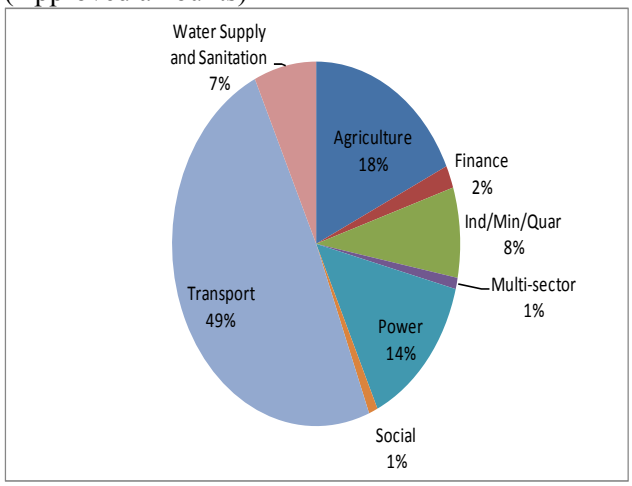
2.4. Bank Group Positioning in Mozambique

A. Bank's Operations in Mozambique

2.4.1 The Bank's lending to public and private sector has been implemented through Policy-Based Operations (PBLs) and project financing. The Bank has also been active in the use of Trust Funds for financing ESWs in the areas of PFM, water and sanitation and transparency of extractive industries. As of June 30, 2011, the portfolio consisted of 16 approved and ongoing operations with a total commitment value, net of cancellations, of UA

333.4 million allocated as follows: 62% to the public sector, 31% to regional operations and 7% to private sector (see Annex 5). In addition, through private equity, the Bank has also invested indirectly in the hydrocarbon and forestry project, as well as a US$25 million gas pipeline project. Infrastructure (power, roads, water) represents 70% of the approved and ongoing portfolio (Figure 6).

Figure 6: Portfolio distribution by sector (Approved amounts)



Source: AfDB, June, 2011

2.4.2 The disbursement rate for ongoing operations is 37% and the disbursement ratio (end of year 2010) was 18%, which is similar to the Bank-wide average of 17%. The average project age since approval is 4.9 years, as compared to the Bank-wide average of 4.3 years. The main factors affecting portfolio performance are delays in loan effectiveness and first disbursement and low capacity of implementing agencies in terms of project management. A plan has been put in place to improve portfolio quality through a set of measures that include permanent interaction with the project implementing agencies, streamlined design for new operations, in terms of conditionalities, flexible procurement rules and canceling of ageing operations based on the new guidelines.

B. Experience and Lessons from the Previous CSP, 2006-2010

2.4.3 The last CSP was successfully implemented as measured by Bank Group contribution to the achievement of country's development objectives. The previous strategy focused around the pillars of infrastructure and governance in line with country's Absolute Poverty Reduction Action Plan (PARPA, 2006-2010). Overall the pillars were well designed to assist government's development policy and meet Bank's operational objectives. ESWs were enhanced but the strategy experienced weaknesses in terms of ensuring commitment to use country's PFM and procurement systems and quality-at-entry on new approved operations.

2.4.4 The projects that have exited the portfolio during the period 2006-2010 delivered their expected results, but with 60% delay than originally planned at appraisal, thus the need to improve quality-at-entry. The Bank's multi-sector interventions contributed to improved PFM systems, namely: (i) coverage of the State budget audited by the Administrative Court; (ii) increase in the percentage of total expenditure directly executed through e-SISTAFE; and (iii) increase in the number of institutions at central and provincial level with operational internal and control units.

2.4.5 Interventions in infrastructure sector contributed to meet the target for the new domestic electricity connections bringing the number of total connections to the grid to 760,000. The strategy also contributed to increase the proportion of households with access to water and sanitation from 37% to 54% and 35% to 40%, in rural areas respectively. Nevertheless, the target for improvement of national road network was not achieved as only 71% of roads were in reasonable condition against a target of 75%. This may be attributed to the complexity of procurement process in infrastructure projects associated with lack of technical capacity.

2.4.6 The implementation of the previous CSP has provided lessons to be taken forward to improve Bank's operations in Mozambique. The most critical recommendation raised include: (i) the streamlining of conditionalities for loan effectiveness and first disbursement; (ii) the need to

increase the size of operations; and (iii) the improvement of implementation capacity.

C. CPIP Results and Recommendation

2.4.7 During the preparation of the CSP, 2011-2015 meetings were held with Government authorities and Project Implementation Teams to take stock and update the implementation of the 2010 Country Portfolio Improvement Plan (CPIP). The following results were achieved: (i) improved project planning capacities such as better portfolio monitoring which resulted in a 70% achievement of the 2010 Medium-term Expenditure Target (MTEF); (ii) the organization of workshops on reducing delays in first disbursement and training on results-based monitoring and evaluation, (iii) the close follow-up of project's effectiveness conditions to ensure that recently approved projects disburse before the 12 month deadline from the date of approval; (iv) the organization of procurement and disbursement training; (v) the assessment of the national procurement systems; and (vi) an assessment of the application of environmental safeguards in the agriculture portfolio in Mozambique (May 2011). The Box 6 , below describes the main results of decentralization in Mozambique Field Office.

2.4.8 The new CPIP is structured along the following three main topics aimed at addressing some of the key challenges facing the portfolio: project management, fiduciary management and environmental and social safeguards (Annex 4).

III. BANK GROUP STRATEGY FOR MOZAMBIQUE

3.1. Rationale for proposed Bank Group Strategy

3.1.1. The strategic positioning of Mozambique in the Southern Africa region and the integrated approach of development corridors have guided the design of Bank's strategy for Mozambique.

3.1.2. Also, the failure of economic growth to achieve poverty reduction and the need to promote job creation through the development of SMEs have driven the proposed strategy, which aims to facilitate access to productive infrastructure (roads, energy facilities, water and irrigation systems) that will increase agricultural production and productivity, enhance SMEs competitiveness and access to regional markets and consequently contribute to the creation of jobs and incomes, in particular for rural households. The proposed interventions on governance are expected to address the weaknesses identified in the CPIA with regard to improving equity and transparency in public resource use, strengthen PFM systems, and improve the business environment for private sector development and job creation policies and social inclusion.

Box 6: Gains from Decentralization in Mozambique Field Office (MZFO)

Bank activities in Mozambique are increasingly decentralized. Currently two third of the projects have their Task Managers and co-Task Managers based in the MZFO, with 40% of the supervision missions being led by the field office staff compared to less than 5% in 2006, a period of the opening of the Field Office. MZFO benefits from a strong skills mix, including sectoral, fiduciary and administrative staff. The presence of the Field Office has contributed significantly to the effectiveness of country's dialogue under the structure of the thematic working groups. The processing of disbursement and procurement applications improved significantly since the opening of the field office having contributed to reduce delays from effectiveness to first disbursement by 9 months compared to the average before the opening of the field office. From 2008 to 2011, MZFO led the preparation of one CSP completion report covering the period 2006-2010, six Project Completion Reports and six analytical works (with three being jointly coordinated). Recently the office took the lead in the preparation of the 2011-2015 CSP. The office has also contributed in knowledge sharing by taking the lead in the drafting of the country chapters of the 2009-2011 editions of the African Economic Outlook, including its dissemination.

3.1.3. The CSP is anchored on the government development strategies, namely the PARP, 2011-2014, the Five-Year Government Plan and the Agenda 2025. More specifically, the links are the promotion of employment through creation of an enabling environment for SMEs development, the increase of agricultural production and productivity

through investments in irrigation systems, the access to credit and extension services, and social and human development through promotion of TVET and skills development. The identification of the areas of intervention of this CSP resulted from a consultative dialogue (Box 7) and took into account the new social context of Mozambique characterized by high economic growth with stagnant poverty rates and lack of jobs. Government also indicated its preference for continued Direct Budget Support as the main approach for coordinated aid.

Box 7: CSP Consultation
A workshop was held with national stakeholders including leaders of opinion to identify key areas for Bank intervention. Stakeholders suggested that the Bank should focus on Economic Infrastructure for Regional Integration and ease procurement and disbursement procedures. It was proposed that: agriculture; infrastructure (roads, water and sanitation, energy); GBS; and Private Sector should be the key areas of intervention. Donors supported Bank's strategic thrust and expressed willingness to establish synergies, in particular in power, financial sector, water and private sector. A final CSP dialogue was held with the GoM to agree on the strategic focus, the proposed pillars, the lending and non-lending indicative pipeline and the objectives of the country dialogue.

3.1.4. The Bank will remain focused within its areas of selectivity and seek the promotion of development corridors for sustained growth of job opportunities through SMEs competitiveness. In order to assist the country to meet its development needs and close the skills and infrastructure gaps, the Bank will use the multinational financing window including assistance for external borrowing on NCB terms to leverage ADF resources aiming at creating fiscal space for stepping up public investment in transport (e.g. Nacala and Beira Corridors) and power corridors (e.g. Transmission Backbone). These infrastructures will draw regional economic stimulus that will lead to new business development, job creation, social inclusion and poverty reduction in line with the Bank Group's 2008-2012 Medium Term Strategy (MTS) and the Southern Africa 2011-2015 Regional Integration Strategy Paper (RISP).

3.1.5. Mozambique is at a critical stage of its development trajectory and will need to consolidate the results achieved thus far to meet the MDG targets. The country faces many challenges and continued Bank support will be necessary to assist the GoM in mobilizing resources for the implementation of its development program. Therefore, this CSP is timely as the country searches for solutions to enhance trickledown effects of economic growth on poverty reduction. Specific interventions will thus be integrated along two thematic areas:

- **PILLAR I: Enhanced Private Sector Competitiveness through Infrastructure Development.** The ultimate objective under this pillar is to assist GoM to meet the country's development needs and close the skills and infrastructure gaps with a view to promoting SMEs competitiveness, and contribute to their increased access to regional markets and consequent creation of jobs and revenues. Moreover, by focusing on the development of regional corridors the strategy will enable the country to leverage additional resources from the regional window.

- **PILLAR II: Governance in Support of Inclusive Growth.** This pillar is complementary to the first thematic area and will focus on policies for supporting the creation of an enabling business environment through governance reforms. Particular emphasis will be placed on economic and financial governance and social inclusion policies (support to vocational training and skills development programs). These will contribute to promote SMEs competitiveness, job creation, income generation, and trade facilitation to better position local products in the regional markets. Moreover, the support to fiscal and tax reforms and the assessment of the recommendations of the first EITI report related to improvement of procedures for valuation of mineral resource revenues will be at the cornerstone of the economic and financial governance reforms. It is expected that these interventions will contribute to enhance the efficiency and effectiveness country's PFM systems while improving the transparency and

accountability in the management of natural resource.

3.1.6. The proposed Bank strategy addresses Mozambique's challenges and threats, and capitalizes on the country's strengths and opportunities. The Budget Support program will focus on strengthening public sector governance and creating an enabling environment for private sector development, job creation and skills development. The intervention will link with the pillar I by addressing the creation and implementation of a legal framework for public-private partnerships and simplification of procurement procedures to SMEs. Furthermore, the operation is aligned with the RISP 2011-2015, particularly the component focusing on trade facilitation. The Budget Support is also aligned with the Bank Governance Action Plan (GAP 2008-2012), in particular the intention of strengthening country systems for managing public resources with an emphasis on oversight institutions and accountability systems.

3.1.7. The Bank's support to reduce the infrastructure gap will promote competitiveness and potentially address the full range of regional trade integration opportunities while ensuring environmental sustainability[20]. Agricultural infrastructure in irrigation and complementary components on development of market infrastructure will contribute to improved yields and the proportion of arable land that is irrigated. This is in line with the Bank's Agriculture Strategy (2010-2014), the National Irrigation Strategy and the country's commitments to allocate 10% of GDP to agriculture under the CAADP, supported by the New Partnership for Africa's Development (NEPAD). The successful implementation of Bank's agricultural interventions will contribute to improved food security, job creation and income generation, in particular for rural households.

3.1.8. There are opportunities for strong direct support to the private sector. The Electricity transmission backbone constitutes the main operation to be financed through private sector window. Other interventions may be considered taking into account the eventual competition between sovereign and non-sovereign lending. According to the orientations for non-sovereign guaranteed operations, both direct and indirect transactions will be considered. The sectors with greatest additionality and development outcomes for non-sovereign operations will include: (i) extractive industries (mining and power), (ii) agro-business, (iii) infrastructure, and (iv) SMEs financial intermediation. GoM could also opt to leverage its concessional resources to enhance bankability of private investments, including by: (i) utilizing a share of ADF allocation to cover its equity participation in projects, (ii) provision of partial risk guarantees to private lenders in projects whose ability to meet debt repayment obligations is contingent on government or SoE (e.g. gas supply project).

3.1.9. The 2011-2015 CSP will be implemented through two ADF allocations. Under the ADF-XII cycle (2011-2013) the indicative level of assistance is UA 132.47 million. In addition, the multinational operations envelope will be leveraged. Additional sources of funding will include the ADB private sector window complemented by mobilization of domestic resources together with co-financed sources.

3.2. Deliverables and Targets

3.2.1. ***Lending Program***: The Bank remains very active in Mozambique, with a pipeline of bankable projects for ADF XII cycle that adequately addresses the challenges facing the country (Box 8). The indicative lending program for the whole CSP is shown in Annex 2.

[20] The mitigation of environmental impacts such as: (i) loss of land based biodiversity, (ii) loss of fish species, (iii) alteration of flow regime leading to impacts to estuarine ecology and downstream flooding, (iv) loss of land to transmission right of ways leading to habitat fragmentation, visual impacts, and possible impact on bird species during migrations will be addressed at the project design stage. Moreover, the GoM submitted in June, 2011, its Strategic Program for Climate Resilience (SPCR) to the Climate Investment Fund (CIF). The strategy will complement the efforts to mitigate the adverse impacts to climate change.

Box 8: Indicative Lending Pipeline and Amounts for ADF XII (2011-2013)

- Nacala Road Corridor Multinational project, Phase III – UA 16.5 million
- Mueda-Negomano Multinational Road project – UA 33.5 million
- Mozambique Transmission Backbone (CESUL) Multinational project – possibly PPP – UA 30 million
- Xai-Xai Irrigation Scheme – UA 16.5 million
- General Budget Support – UA 60 million

3.2.2. Power is a strategic sector for Mozambique, with considerable untapped energy resources in hydropower, natural gas, coal, biomass, wind and solar. The highest priority project is the transmission line backbone, as more transmission capacity is needed for several major hydropower projects including Mphanda Nkuwa, Cahora Bassa North, and the thermal coal power projects of Benga and Moatize. The proposed new transport projects capitalize on the Bank's comparative advantage and will further promote regional integration by being linked to Beira and Nacala corridors. In particular, the Nacala Phase III road corridor will complement previous Bank interventions, thereby providing basic infrastructure to help unlock the US$ 7 billion of associated investment projects. The Bank will also consider the possibility of potential investments in seaports and railway infrastructure along the development corridors of Beira and Nacala.

3.2.3. The Bank's pipeline includes one irrigation project; the Xai-Xai irrigation scheme which aims to address the country's priority with regard to food production while exploiting synergies with the Pilot Project on Climate Resilience (PPCR) initiative and consequently leverage resources with other development partners.

3.2.4. ***Non-Lending Program*:** The Bank will also consolidate its position among the group of PAPs by strengthening its non-lending activities for knowledge generation. The following ESWs (Box 9) are planned: (i) Domestic resource mobilization; (ii) Infrastructure Growth Flagship Report for Mozambique; and (iii) the EITI value-chain analysis. The indicative non-lending program is shown in Annex 3.

Box 9: Indicative Non-Lending Pipeline and Amounts for ADF XII (2011-2013)

- Domestic Resource Mobilization Study
- Infrastructure Growth Flagship Report for Mozambique
- EITI value-chain analysis

3.2.5. ***Capacity building:*** The Bank will continue using various bilateral Trust Funds and the Fund for African Private Sector Assistance (FAPA) as the entry points for design of studies and technical assistance in Mozambique. In addition to the planned ESWs, the Bank will seek to address Government's request for assistance in the development of agricultural commodity exchange; the integrated study for COFAMOSA irrigation project; the design studies for the Economic Special Zone of Nacala; the PEFA assessment, the Fiduciary Assessment of Transport Sector; the Road Safety study; the In-depth Evaluation of Results of Photovoltaic Systems and the development of capacity-building for infrastructure investment planning and monitoring, including PPP projects.

3.3. Monitoring and Evaluation

3.3.1. ***Monitoring Results*:** The CSP Results Measurement Framework is anchored in the national M&E system. Annex 1 provides a set of indicators to measure the output and outcomes of Bank's support under this CSP. They will serve as basis for monitoring the CSP implementation and progress towards achievement of Mozambique's MDG and other development targets. The proposed M&E framework consists of specific output, intermediate and outcome indicators drawn from the PARP Policy Matrix. To facilitate results measurement, M&E systems will be mainstreamed in all Bank Group operations through the use of the Execution Reports of the Economic and Social Plan and PARP monitoring matrix.

3.3.2. Consistent with the results agenda, the Bank has prepared a Country Statistical Profile for Mozambique that has evaluated the national statistical system and identified potential areas of assistance. The Profile will serve as an important

instrument of dialogue with GoM and DPs for coordinated statistical development in the country. The Bank will contribute to address the weaknesses in the national statistical system through the provision of technical and financial support to the National Institute of Statistics (INE)[21].

3.3.3. The Bank will undertake a Mid-Term Review (MTR) of the CSP during the second quarter of 2013. The MTR will assess progress and make necessary adjustments to ensure the achievement of the desired results. The MTR will also draw inputs from the PQG Annual Progress Reports and MDG Reports.

3.4. Country Dialogue Issues

3.4.1. Continued country dialogue with GoM will emphasize on the achievement of the following objectives: (i) improvement of portfolio performance and development impact; (ii) domestic resource mobilization and efficient use of external resources; (iii) the role of SMEs in promoting social inclusive growth; and (iv) the role of Mozambique in the Southern Africa regional integration agenda.

3.5. Potential Risks and Mitigation Actions

3.5.1. Macroeconomic risks from exogenous shocks, and increases in import prices of food and oil are likely to generate macroeconomic imbalances (fiscal and Balance of Payments pressures) including an unexpected, sharp decline in aid flows and FDI. Moreover, as large FDI projects in the mining sector become operational and commodity exports increase, the vulnerability to external economic shocks is likely to rise. To mitigate this risk, Government has developed a sound macroeconomic policy framework, which is supported by the IMF Policy Support Instrument (PSI). Moreover, Bank's financial support will help mitigate the macroeconomic risks by providing extra cushion to finance negative contingencies plus targeted investment projects.

3.5.2. Emergence of social tension due to high poverty rates and urban youth unemployment may undermine social stability, thus the need to implement a more inclusive and labor intensive growth agenda. The Bank's Growth and Public Sector Efficiency (GPSE) program will help mitigate this risk by targeting skills development through support to HEST and sustainable social protection systems.

3.5.3. The Lack of institutional capacity and inadequate transparency and accountability mechanisms may have direct impact on the implementation of the CSP, including the efforts to maximize the benefits from PPPs, extractive industries and regional trade facilitation. The Bank will continue supporting the development of transparency and accountability through several instruments (EITI, external audit, internal audit, public procurement) as well as through performance assessments of readiness of country's fiduciary systems.

IV. CONCLUSIONS AND RECOMMENDATION

4.1.1. Mozambique's development pattern, which is characterized by large dependency on FDI in natural resource sectors and ODA with little effects between economic growth, job creation and poverty reduction, has strong challenges ahead. Moreover, there is a need to sustain the good track record of political and economic reforms and improve social inclusion, domestic resource mobilization, private sector development and SMEs competitiveness to access regional markets. The rising food and fuel prices associated with high unemployment in urban areas could imply that social demonstrations may become recurrent. The Government is well aware of the challenges and opportunities ahead, and has requested the Bank's support to address them.

4.1.2. The Board is hereby requested to consider and approve this 2011-2015 Country Strategy Paper for Mozambique.

[21] A grant amounting to UA 87,000 was signed in July, 2011 between the AfDB and the GoM as part of the statistical capacity building program for regional member countries.

Annex 1: Mozambique 2011-2015 Results-Based Monitoring Matrix

Country Development Goals (PRSP/NDP)	Issues hindering the achievement of Country Development Goals (= sector issues)	FINAL OUTCOMES (expected by the end of the CSP in 2015)	FINAL OUTPUTS (expected by the end of the CSP in 2015)	MID-TERM OUTCOMES (expected at CSP Mid-Term by 2013)	MID-TERM OUTPUTS (expected at CSP Mid-Term by 2013)	ADB Interventions expected to be ongoing during the CSP period (new and carried forward from previous CSPs)
PILLAR I - ENHANCED PRIVATE SECTOR COMPETITIVENESS THROUGH INFRASTRUCTURE DEVELOPMENT						
Transport						
- Expand and improve access to transport and infra-structure services	- Inadequate road network that translate into precarious link between the northern and southern part of the country - High construction costs and transport tariffs - Inefficiency in management of contract permits	- National road network improved - Delays at the Mozambique/Malawi borders reduced 36 hours to 6 hours by 2015. - Expand and improve access to transport	- 250 km of gravel roads upgraded to bitumen surface standard. - Increase in paved road density from 3.87km /100km2 in 2010 to 7km/ 100km2 in 2015. - Increase in national roads in good and reasonable conditions from 71% in 2009 to 75% in 2015.	- Completed Fiduciary Assessment of Transport Sector	- 100 km of gravel roads from Nampula to Cuamba upgraded - Increase in paved road density from 3.87km /100 km2 in 2010 to 5km/ 100km2 in 2013. - Increase in national roads in good and reasonable conditions from 71% in 2009 to 73% in 2013.	**Proposed:** -Nacala Corridor Phase III - Mueda-Negomano Road - Fiduciary Assessment of Transport Sector - Infrastructure and Growth Study for Mozambique **Ongoing:** - Montepuez-Lichinga Road -Nacala Corridor Phase I
Power						
- Expand access to electricity for domestic users, businesses, health and education facilities, and increase export of electricity while curbing the environmental impact of its use	-Non-cost reflective tariffs -Tariffs not affordable for most SMEs -Dependence on External Markets for sustainability of the sector -Limited capacity to implement regional projects	-Increased access to electricity – effective supply and lower losses of production	- 12,601 business service connections installed in rural centres in 2015. - 6 sub-stations rehabilitated and power transmission increased from 58 MW in 2010 to 105 MW in 2015. - No. of HH new connections increase to 15,200 in 2015.	- Completed In-depth Evaluation of Photovoltaic systems	-No. of business service connections installed: 8,300 in 2013 - 4 sub-stations rehabilitated and power transmission increased from 58 MW in 2010 to 80 MW in 2013 -No. of Households (HH) new connections: 7,500 in 2013	**Proposed:** -Mpanda-Nkuwa Hydropower Dam Phase I - Mozambique Transmission Backbone (CESUL) - Energy Flagship Report **Ongoing:** -Electricity III -Electricity IV -ERAP
Agriculture						
-Increased agricultural and fisheries production and productivity	-Low productivity -Low level of technological innovation -High vulnerability to climate change shocks	-Increased agricultural production and productivity of major crops	-Quantity of cereals produced increase from 100,000 tons/year in 2009 to 141,000 tons/year in 2015 -No. of hectares covered by new rehabilitated irrigation scheme increase from 3,000 ha in 2009 to 5,000 ha by 2015	- Productivity increases of 10% for major crops by 2013	-Quantity of cereals produced increase from 100,000 tons/year in 2009 to 120,000 tons/year in 2013 - No. of hectares covered by new rehabilitated irrigation scheme increase from 3,000 ha in 2009 to 4,000 ha in 2013	**Proposed:** -Xai-Xai irrigation scheme **Ongoing**: -Family Farming Income Project -Rural Finance Project -Artisanal Fisheries Project -Massingir Dam Project -Integrated Study-COFAMOSA

Country Development Goals (PRSP/NDP)	Issues hindering the achievement of Country Development Goals (= sector issues)	FINAL OUTCOMES (expected by the end of the CSP in 2015)	FINAL OUTPUTS (expected by the end of the CSP in 2015)	MID-TERM OUTCOMES (expected at CSP Mid-Term by 2013)	MID-TERM OUTPUTS (expected at CSP Mid-Term by 2013)	ADB Interventions expected to be ongoing during the CSP period (new and carried forward from previous CSPs)
Water						
-Increase access to and use of drinking water supply services and of safe sanitation in rural and urban/suburban areas	-Increased costs for provision of water sources, in particular in rural areas -Limited access to water and sanitation services in rural and urban areas -Sustainability concerns of the rural water supply interventions	-Operational water facilities as % of total public units increases to 85% in 2015 -Water supply improved and coverage rose from average 12% in 2009 to 70% in 2015 -Improved sanitation facilities rose to additional 500,000 people by 2015 of which 50% are women	- 300 new boreholes built - 70 wells rehabilitated - 4 small pipe systems built - 100,000 household latrines and increased use of facilities - 200,000 people sensitized on sanitation with 35% being female - Staff trained increase from 90 in 2013 to 140 in 2015 with 50% women	- Operational water facilities as % of total public units increases to 60% in 2013 - Water supply improved and coverage rose from average 12% in 2009 to 70% in 2015 -Improved sanitation facilities for an additional 200,000 people of which 50% are women	- 100 new boreholes built - 40 wells rehabilitated - 2 small pipe systems built - 50,000 household latrines and increased use of facilities - 120,000 people sensitized on sanitation with 35% being female - Staff trained in 2013 – 90 with 50% being women	**Proposed:** -Greater Maputo Water Supply **Ongoing:** -Niassa Provincial Towns Water and Sanitation -Rural Water Program - PRONASAR
PILLAR II - GOVERNANCE IN SUPPORT OF INCLUSIVE GROWTH						
-Enhance public finance management framework and reduce the incidence of corruption	-Widespread corruption and conflict of interest -Slow progress in governance reforms, in particular the efficiency and transparency of the justice system -Inadequate scope of follow up actions of internal and external scrutiny and auditing	- Improved public fiduciary environment - Strengthened country's PFM systems -Reduced incidence of grand and petty corruption -Enhanced public sector efficiency and transparency -Enhanced public financial management framework	-Corruption Perception Index (CPI) improve from 2.5 in 2009 to 3.0 in 2015 -Percentage of total budget expenditure based on e-SISTAFE/ budgetary units: 90 %/ 600 in 2015 -% of the budget covered by the audits international norms – 40% in 2015.	-Corruption perception reduced - Improved Budget and Financial management procedures - Completed Country PEFA Assessment report	-Corruption Perception Index (CPI) improve from 2.5 in 2009 to 2.8 in 2013 -Percentage of total budget expenditure based on e-SISTAFE/ budgetary units: 70 %/ 600 in 2013 -% of the budget covered by the audits international norms – 37% in 2010.	**Proposed:** -Growth and Public Sector Efficiency Program, 2011-2013 -PEFA assessment report **Ongoing:** -Institutional Support Project for Public Sector Reform (ISPPSR)
-Improve the regulatory framework for management of natural resources, public sector efficiency	-Weak regulatory framework as a constraint to public sector efficiency and transparency in the management of natural resources	- Increased investment in infrastructure sector through PPP - Increased transparency in the management of natural resource revenues -Enhanced public sector efficiency and promoted transparency	-The PPP law is approved by Parliament by 2015 - 2009-2012 EITI reports published	-PPP regulations approved by Cabinet -EITI validation report approved and Mozambique becomes EITI compliant	-The PPP law is endorsed by Cabinet in 2011 -The first EITI report and scoping design are submitted by end of 2011	**Proposed:** - Growth and Public Sector Efficiency Program, 2011-2013 - EITI Value Chain **Ongoing:** -Financial Sector Technical Assistance Project (FSTAP) - EITI FAPA Grant Program

Country Development Goals (PRSP/NDP)	Issues hindering the achievement of Country Development Goals (= sector issues)	FINAL OUTCOMES (expected by the end of the CSP in 2015)	FINAL OUTPUTS (expected by the end of the CSP in 2015)	MID-TERM OUTCOMES (expected at CSP Mid-Term by 2013)	MID-TERM OUTPUTS (expected at CSP Mid-Term by 2013)	ADB Interventions expected to be ongoing during the CSP period (new and carried forward from previous CSPs)
-Simplification of business procedures	-Underdeveloped private sector and lack of competitiveness	-Electronic single window customs installed -Improved efficiency in customs clearance in the One stop border shop between Mozambique and South Africa -Business environment improved -Business procedures simplified and facilitated trade for promoting business creation	-Pilot phase of the electronic single window customs in at least two ports of entry operational by end-2015 -One stop border shop is operational in 2015 -Time to start business reduced from 13 days in 2009 to 7 days in 2015 -Trading across borders: time to export and import reduced from 27 days in 2009 to 15 days in 2015	-Modernization of customs services -Improved efficiency in customs clearance -Business environment improved	-Pilot phase of the electronic single window customs in at least one port of entry by end-2011 -Time to start business reduced from 13 days in 2009 to 9 days in 2013 -Trading across borders: time to export and import reduced from 27 days in 2009 to 20 days in 2013	**Proposed:** - Growth and Public Sector Efficiency Program, 2011-2013 **Ongoing:** --Institutional Support Project for Public Sector Reform (ISPPSR)
-Improve access to financial services, skills and technology for SMEs	-Limited skilled labour -Low uptake of technological adoption -Difficulties for access to finance	-The National Training Authority (ANEP) for TVET is fully operational -Linkages between SMEs and large firms increased -Access to credit is expanded - Professional training is mainstreamed -Improves access to financial services, skills and technology for SMEs	-ANEP regulations approved in 2015 -About 20% of SMEs provide services to large firms by 2015 -Additional number of business and rural communities with access to microfinance increases from 200,000 in 2009 to 300,000 by 2015 - Number of people trained (professional training) increases from 43,000 in 2010 to 100,500 in 2015 with 30% being women	-Improved coordination of TVET programs and skills development -The National Program of SMEs business linkages is approved by 2013 - Cumulative number of rural communities and business recipients of microfinance credit increased -Number of people benefiting from professional training increases	-ANEP decree endorsed by Cabinet in 2013 -About 15% of SMEs provide services to large firms by 2013 -Additional number of business and rural communities with access to microfinance increases from 200,000 in 2009 to 250,000 by 2013 - Number of people trained (professional training) increases from 43,000 in 2010 to 76,500 in 2013 with 30% being women	**Proposed:** - Growth and Public Sector Efficiency Program, 2011-2013 - Domestic Resource Mobilization **Ongoing:** --Institutional Support Project for Public Sector Reform (ISPPSR)

Annex 2: The Bank Group's 2011-2015 Indicative Lending Program for Mozambique

Project	ADF Cycle	Target Board Date	Amount (Million UA)	Sector	Status	Financing Source
Pillar I: Enhanced private sector competitiveness through infrastructure development						
Regional operations						
Mpanda Nkuwa Hydro-power Dam	ADF XIII	2014	TBD	Power	Identification	ADB/Private Sector
Mozambique Transmission Backbone (CESUL)	ADF XII	2012	30	Power	Preparation	ADB/Private Sector/multinational window
Nacala Corridor Phase III	ADF XII	2013	16.5	Transport	Preparation	ADF/multinational window
Mueda-Negomano Road	ADF XII	2012	33.5	Transport	Preparation	ADF/multinational window
National operations						
Greater Maputo Water Supply	ADF XIII	2014	20	Water and Sanitation	Identification	ADF
Xai-Xai irrigation scheme	ADF XII	2012	16.5	Agriculture and Environment	Identification	ADF/PPCR and GEF Fund
Pillar II: Governance in support of inclusive growth						
Growth and Public Sector Efficiency (GPSE)	ADX XII	2011	60	Governance	Appraisal	ADF
Total Amount- CSP 2011-2015 Pipeline			**176.5**			
Total ADF XII Indicative PBA			132.47			

Notes: Pipeline to cover ADF XII (2011-2013) and first two years of ADF XIII (2014-2015). TBD – amount to be defined, PPCR – Pilot Program on Climate Resilience Multinational Fund. GEF – Global and Environmental Fund.

Annex 3: The Bank Group's 2011-2015 Indicative Non-Lending Program for Mozambique

Project	ADF Cycle	Target completion date	Sector	Status	Financing Source
Pillar I: Enhanced private sector competitiveness through infrastructure development					
Infrastructure Growth Flagship Report for Mozambique	ADX XII	2013	Transport	Identification	ORRU
Pillar II: Governance in support of inclusive growth					
Domestic Resource Mobilization	ADX XII	2012	Governance	Identification	Portuguese Trust Fund
EITI value-chain analysis	ADX XII	2012	Governance	Identification	FAPA
Total Amount					

Notes: ORRU – Partnership Trust Fund Unit, FAPA – Fund for African Private Sector Assistance.

Annex 4: 2011 Country Portfolio Improvement Plan (CPIP)

Issue	Actions required	Measurable indicator	Responsible	Timeframe
	Project implementation and management			
Poor quality-at-entry	Apply readiness filter to: • Scrutinize loan conditions during appraisal and fulfill them at negotiations Ensure project implementation plan is ready, including action plan for first disbursement effectiveness • Project design to consider including technical audits • Consider requesting waiver to eliminate counterpart funding requirements and VAT financing restrictions in projects. • Ensure key project staff are designated at appraisal • Ensure bidding documents for 1st year are ready by Board and routinely consider advance procurement • Ensure new projects include appropriate Core Sector Indicators (with baseline data) • Use project preparation facilities to finance key project start-up activities	• Time from approval to first disbursement reduced from 16 months (2011) to 12 months or less	GoM (MPD/EA)/ AfDB	• Immediate
Quality at implementation	• Ensure sound hand-over when changing Task Managers • Prepare action plans for closing projects six months before LDD • Ensure timely inputs into SAP of project milestones (contracts, revisions of LOGS, supervision ratings) • Organize hands-on training for new PIU staff and carry out periodic clinics • Provide training to GoM entities on AfDB procedures and rules • Ensure results-oriented and problem-solving supervision missions	• Timely insertion of project milestones in SAP • Continuous hand-on training provided • All projects have project closure action plans	AfDB/GoM (EA)	• Immediate
	Fiduciary management (disbursement and procurement)			
Delays in Special Account advance justifications	Ensure strict adherence to the Bank's disbursement rules and disbursement management handbook with regards to Special Account disbursements and justifications.	All disbursements to Special Accounts are fully justified 12 months from disbursement.	AfDB/GoM (EA)	• Immediate
Limited use of national systems	Increasingly use national financial and procurement systems.	At least one project will use national systems.	AfDB/GoM	• 2012
Slow disbursing co-financed projects	Ensure efficient payment mechanisms in co-financed projects	Contracts under co-financed projects do not have multiple funding sources.	AfDB/Co-financier/GoM	• 2012
	Environmental and social safeguards			
Limited follow-up of social and environmental safeguards	Systematically ensure that supervision missions include, when appropriate, specialists to assess implementation of environmental and social safeguards.	Environmental and social safeguards specialists participate in supervision missions as required	AfDB	Immediate

Annex 5: Approved and Ongoing Bank Group Financed Projects as at June 30, 2011

	Sector Name	Fin.project	Loan Number	Long Name	Approval Date	Effect. Date	Closing Date	Approved Amount (UA)	Cancelled Amount (UA)	Disbursed Amount (UA)	Disb.Rate	Age (years since approval)
1	Agriculture	P-MZ-AAF-001	2100150006688	ARTISANAL FISHERIES DEVELOPMENT PROJECT	14-Nov-01	10-Jul-03	31-Dec-11	14,170,000.00	0.00	6,837,866.94	48.26%	9.63
1	Agriculture	P-MZ-AA0-026	2100150014043	MASSINGIR DAM AND SMALLHOLDER AGRICULTUR	2-Mar-07	30-Nov-07	31-Dec-11	17,000,000.00	0.00	2,601,924.67	15.31%	4.33
	Agriculture	P-MZ-AAC-002	2100150020395	MASSINGIR DAM EMERGENCY REHABILITATION PROJECT	15-Jul-09	15-Mar-10	30-Dec-12	13,300,000.00	0.00	60,136.42	0.45%	1.96
1	Agriculture	P-MZ-AA0-015	2100150007156	RURAL FINANCE INTERMEDIATION SUPPORT PROJECT	12-Nov-03	11-Jul-05	29-Jun-12	11,520,000.00	0.00	8,374,082.41	72.69%	7.63
	Agriculture	P-MZ-AA0-015	2100155002003	RURAL FINANCE INTERMEDIATION SUPPORT PROJECT	12-Nov-03	11-Jul-05	29-Jun-12	3,840,000.00	0.00	1,691,845.65	44.06%	7.63
4	**Agriculture Total**							**59,830,000.00**	**0.00**	**19,565,856.09**	**32.70%**	**7.31**
	Finance	P-MZ-HZ0-001	2100155005616	FINANCIAL SECTOR TA PROJECT (FSTAP)	4-Oct-05	8-Feb-06	31-Jan-12	6,800,000.00	0.00	3,114,889.78	45.81%	5.74
1	**Finance Total**							**6,800,000.00**	**0.00**	**3,114,889.78**	**45.81%**	**5.74**
	Ind/Mini/Quar	P-MZ-BAA-001	2000120000169	MOMA MINERAL SANDS PROJECT	21-May-03	9-Jun-05	18-Oct-07	24,992,970.73	0.00	24,992,970.73	100.00%	8.11
1	**Ind/Min/Quar Total**							**24,992,970.73**	**0.00**	**24,992,970.73**	**100.00%**	**8.11**
	Multi-Sector	P-MZ-K00-005	2100155005317	INSTITUTIONAL SUPPORT PUBLIC SECTOR REFORM	22-Jun-05	6-Apr-07	31-May-11	2,126,000.00	0.00	1,676,170.24	78.84%	6.02
1	**Multi-sector Total**							**2,126,000.00**	**0.00**	**1,676,170.24**	**78.84%**	**6.02**
	Power	P-MZ-FA0-006	2100150012843	ELECTRICITY IV PROJECT	13-Sep-06	24-Jan-08	31-Dec-12	26,300,000.00	0.00	554,829.18	2.11%	4.80
	Power	P-MZ-FA0-005	2100150007228	ENERGY ACCESS AND REFORM PROJECT (ERAP)	5-Nov-03	24-Jan-05	30-Jun-11	9,017,000.00	0.00	7,718,746.06	85.60%	7.65
	Power	P-MZ-FA0-005	2100155002048	ENERGY REFORM AND ACCESS PROGRAM (ERAP)	5-Nov-03	24-Jan-05	31-Dec-11	1,965,000.00	0.00	505,143.39	25.71%	7.65
	Power	P-MZ-FA0-004	2100150006670	RURAL ELECTRIF.PROJECT (ELECT III)	3-Sep-01	1-Oct-02	31-Dec-12	11,120,000.00	0.00	3,104,659.57	27.92%	9.83
3	**Power Total**							**48,402,000.00**	**0.00**	**11,883,378.20**	**24.55%**	**7.43**
1	Social	P-MZ-AZ0-001	2100155006516	Women's Entrepreneurship And Skills Deve	25-Jan-06	29-May-08	31-Dec-12	2,510,000.00	0.00	1,065,285.77	42.44%	5.43
1	**Social Total**							**2,510,000.00**	**0.00**	**1,065,285.77**	**42.44%**	**5.43**
	Transport	P-MZ-DB0-007	2100150013143	MONTEPUEZ-LICHINGA ROAD PROJECT	27-Oct-06	29-Jul-08	31-Aug-11	30,100,000.00	0.00	8,571,385.32	28.48%	4.68
	Transport	P-MZ-DB0-010	2100150023096	SUPPLEMENTARY LOAN MONTEPUEZ - LICHINGA	26-Oct-10	Pending	31-Dec-15	32,650,000.00	0.00	0	0.00%	0.68
	Transport	P-Z1-DB0-039	2100150020398	NACALA MULTINATIONAL ROAD CORRIDOR	24-Jun-09	Pending	30-Jun-15	102,720,000.00	0.00	0.00	0.00%	2.02
3	**Transport Total**							**165,470,000.00**	**0.00**	**8,571,385.32**	**5.18%**	**2.68**
	Water Sup/Sanit	P-MZ-E00-008	2100150023298	NATIONAL RURAL WATER SUPPLY PROGRAM	9-Nov-10	Pending	31-Dec-15	5,270,000.00	0.00	-	0.00%	0.64
	Water Sup/Sanit	P-MZ-E00-006	2100150019951	NIASSA PROVINCIAL TOWNS WATER AND SANITATION	29-Apr-09	22-Oct-10	31-Dec-13	18,000,000.00	0.00	110,379.29	0.61%	2.17
2	**Water Sup Total**							**23,270,000.00**	**0.00**	**110,379.29**	**0.47%**	**1.41**
16	**Grand Total**							**333,400,970.73**	**0.00**	**70,980,315.42**	**37.02% (a)**	**4.88 (b)**

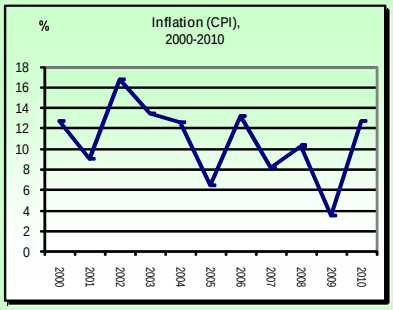
(a) Excluding approved projects that are not yet effective for first disbursement, (b) Excluding Private Sector (Moma Mineral Sands)

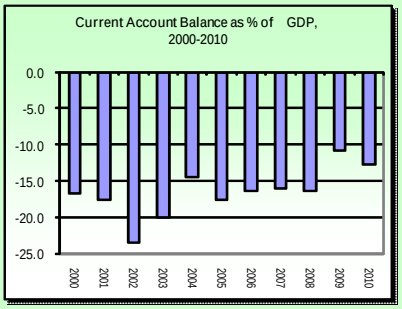
Mozambique ONGOING NON-ADB GROUP FINANCED Projects as at 30.06.2011

	Sector Name	Fin.project	Loan Number	Long Name	Approval Date	Effect. Date	Closing Date	Approved Amount	Cancelled Amount	Disbursed Amount	Disb.Rate	Age (since approval)
	AWTF - Agriculture	P-MZ-AAC-001	5600155000951	INTEGRATED STUDY FOR COFAMOSA PROJECT	22-Nov-07	11-Feb-09	31-Dec-11	1,064,132.39	0.00	365,475.23	34.34%	3.61
	FAPA	P-MZ-K00-008	5700155001201	MOZAMBIQUE MIREM EITI FAPA GRANT PROJECT	22-Jul-10	12-Oct-10	31-May-11	218,688.49	0.00	218,688.49	100.00%	0.94
	JICA	P-MZ-DB0-007	6550655000101	MONTEPUEZ-LICHINGA ROAD PROJECT	19-Mar-07	29-Jul-08	31-Dec-13	25,404,836.36	0.00	0.00	0.00%	4.28
	OPEC	P-MZ-FA0-004	6540654000282	RURAL ELECTRIF.PROJECT (ELECT III)	3-Sep-01	1-Oct-02	31-Dec-12	4,311,287.45	0.00	0.00	0.00%	9.83
5	RWSSI	P-MZ-E00-008	5800155000601	NATIONAL RURAL WATER SUPPLY PROGRAM	9-Nov-10	6-Dec-10	31-Dec-15	5,372,925.83	0.00	0.00	0.00%	0.64
	Grand Total							**36,371,870.52**	**0.00**	**584,163.72**	**1.61**	**3.86**

Annex 6: Selected Macroeconomic Indicators

Indicators	Unit	2000	2005	2006	2007	2008	2009	2010 (e)
National Accounts								
GNI at Current Prices	Million US $	4,017	6,219	6,472	7,445	9,239	9,696	…
GNI per Capita	US$	230	290	310	340	380	440	…
GDP at Current Prices	Million US $	4,183.1	6,578.5	7,095.9	8,035.6	9,891.0	9,787.9	11 163.6
GDP at 2000 Constant prices	Million US $	4,183.1	6,386.9	6,941.4	7,446.9	7,955.6	8,468.4	9 151.8
Real GDP Growth Rate	%	14.7	8.4	8.7	7.3	6.8	6.4	8.1
Real per Capita GDP Growth Rate	%	11.7	5.7	6.1	4.8	4.4	4.1	5.7
Gross Domestic Investment	% GDP	31.0	18.7	17.7	16.1	15.7	20.5	24.0
Public Investment	% GDP	9.2	8.6	11.7	9.8	8.7	12.3	16.0
Private Investment	% GDP	21.7	10.1	5.9	6.3	7.0	8.2	8.0
Gross National Savings	% GDP	15.1	8.4	7.6	7.2	4.4	9.5	12.0
Prices and Money								
Inflation (CPI)	%	12.7	6.4	13.2	8.2	10.3	3.5	12.7
Exchange Rate (Annual Average)	local currency/US$	15.2	23.1	25.4	25.8	24.3	27.5	34.0
Monetary Growth (M2)	%	74.2	28.8	19.9	22.8	22.0	26.7	…
Money and Quasi Money as % of GDP	%	35.4	36.1	36.5	38.9	41.0	46.4	…
Government Finance								
Total Revenue and Grants	% GDP	18.5	20.0	24.9	25.0	25.3	27.0	26.6
Total Expenditure and Net Lending	% GDP	23.7	23.5	25.5	27.3	28.0	32.0	32.0
Overall Deficit (-) / Surplus (+)	% GDP	-5.3	-3.5	-0.5	-2.4	-2.7	-5.1	-5.4
External Sector								
Exports Volume Growth (Goods)	%	19.9	1.7	4.3	-5.4	5.3	-6.9	3.6
Imports Volume Growth (Goods)	%	-13.7	11.9	5.3	0.9	19.2	8.6	3.2
Terms of Trade Growth	%	4.8	5.4	15.1	3.1	1.3	4.9	16.6
Current Account Balance	Million US $	-696.9	-1,158.2	-1,167.5	-1,295.1	-1,621.7	-1,063.3	-1,417.1
Current Account Balance	% GDP	-16.7	-17.6	-16.5	-16.1	-16.4	-10.9	-12.7
External Reserves	months of imports	4.4	3.1	2.7	3.0	2.7	3.7	3.2
Debt and Financial Flows								
Debt Service	% exports	74.2	9.7	70.7	8.5	8.5	20.0	17.1
External Debt	% GDP	143.0	88.1	64.1	61.4	48.8	51.8	48.9
Net Total Financial Flows	Million US $	1,175.8	1,288.6	1,619.6	1,807.9	1,888.9	2,036.1	…
Net Official Development Assistance	Million US $	906.2	1,297.0	1,605.7	1,778.1	1,996.1	2,013.3	…
Net Foreign Direct Investment	Million US $	139.2	107.9	153.7	427.4	591.6	881.2	…



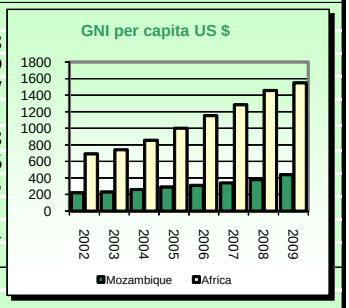


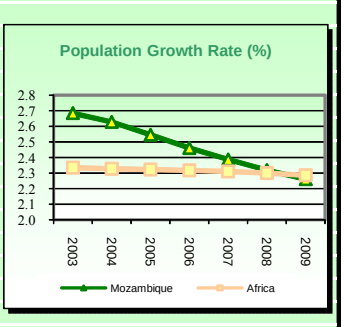
Source: ADB Statistics Department; IMF: World Economic Outlook, October 2010 and International Financial Statistics, April 2011; ADB Statistics Department: Development Data Platform Database, April 2011. United Nations: OECD, Reporting

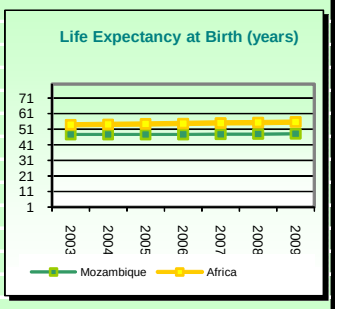
Notes… Data Not Available; (e) Estimations

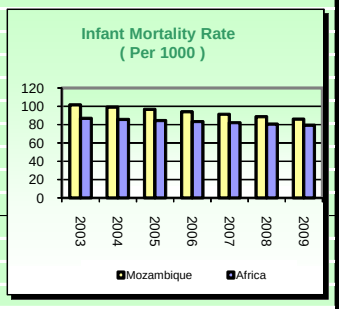
Annex 7: Selected Socio-Economic Indicators

	Year	Mozambique	Africa	Develo-ping Countries	Develo-ped Countries
Basic Indicators					
Area ('000 Km²)		802	30 323	80 976	54 658
Total Population (millions)	2010	23.4	1,031.5	5,629	1,069
Urban Population (% of Total)	2010	38.4	40.0	44.8	77.7
Population Density (per Km²)	2010	29.2	3.4	66.6	23.1
GNI per Capita (US $)	2009	440	1 550	2 780	39 688
Labor Force Participation - Total (%)	2010	46.0	39.5	45.6	54.6
Labor Force Participation - Female (%)	2010	55.8	41.4	39.8	43.3
Gender -Related Development Index Value	2007	0.395	0.433	0.694	0.911
Human Develop. Index (Rank among 169 cou	2010	165	n.a	n.a	n.a.
Popul. Living Below $ 1 a Day (% of Popula	2003	74.7	42.3	25.0	…
Demographic Indicators					
Population Growth Rate - Total (%)	2010	2.2	2.3	1.3	0.7
Population Growth Rate - Urban (%)	2010	4.3	3.3	2.4	1.0
Population < 15 years (%)	2010	43.9	40.3	29.2	17.7
Population >= 65 years (%)	2010	3.7	3.8	6.0	15.3
Dependency Ratio (%)	2010	89.3	77.6	52.8	49,O
Sex Ratio (per 100 female)	2010	94.9	99.5	93.5	94.8
Female Population 15-49 years (% of total po	2010	23.8	24.4	53.3	47.2
Life Expectancy at Birth - Total (years)	2010	48.4	56.0	66.9	79.8
Life Expectancy at Birth - Female (years)	2010	49.3	57.1	68.9	82.7
Crude Birth Rate (per 1,000)	2010	37.5	34.2	21.5	12.0
Crude Death Rate (per 1,000)	2010	15.4	12.6	8.2	8.3
Infant Mortality Rate (per 1,000)	2010	83.3	78.6	49.9	5.8
Child Mortality Rate (per 1,000)	2010	140.2	127.2	51.4	6.3
Total Fertility Rate (per woman)	2010	4.9	4.4	2.7	1.8
Maternal Mortality Rate (per 100,000)	2008	550.0	530.2	440.0	10.0
Women Using Contraception (%)	2003	16.5	…	61.0	75.0
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2004	2.6	42.9	78.0	287.0
Nurses (per 100,000 people)*	2004	19.7	116.6	98.0	782.0
Births attended by Trained Health Personnel (	2003	47.7	52.7	63.4	99.3
Access to Safe Water (% of Population)	2008	47.0	64.9	84.0	99.6
Access to Health Services (% of Population)	2005	…	65.4	80.0	100.0
Access to Sanitation (% of Population)	2008	17.0	41.0	54.6	99.8
Percent. of Adults (aged 15-49) Living with H	2007	12.5	4.6	1.3	0.3
Incidence of Tuberculosis (per 100,000)	2007	431.0	315.2	161.9	14.1
Child Immunization Against Tuberculosis (%	2009	90.0	81.8	89.0	99.0
Child Immunization Against Measles (%)	2009	67.0	81.0	81.7	92.6
Underweight Children (% of children under 5	2003	23.7	30.9	27.0	0.1
Daily Calorie Supply per Capita	2007	2 067	2 462	2 675	3 285
Public Expenditure on Health (as % of GDP)	2006	3.5	2.4	4.0	6.9
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2009	114.5	102.8	106.8	101.5
Primary School - Female	2009	108.2	99.0	104.6	101.2
Secondary School - Total	2009	23.3	35.0	62.3	100.3
Secondary School - Female	2009	20.5	30.6	60.7	100.0
Primary School Female Teaching Staff (% of	2009	37.2	38.1	…	…
Adult literacy Rate - Total (%)	2008	54.0	64.8	81.0	…
Adult literacy Rate - Male (%)	2008	69.5	74.0	86.6	…
Adult literacy Rate - Female (%)	2008	40.1	55.9	75.6	…
Percentage of GDP Spent on Education	2006	5.0	4.6	…	5.4
Environmental Indicators					
Land Use (Arable Land as % of Total Land A	2008	5.7	7.8	9.9	11.6
Annual Rate of Deforestation (%)	2005	…	0.7	0.4	-0.2
Annual Rate of Reforestation (%)	2005	…	10.9	…	…
Per Capita CO2 Emissions (metric tons)	2008	0.1	1.2	1.9	12.3









Sources : ADB Statistics Department Databases; World Bank: World Development Indicators; last update: April, 2011
UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP; Country Reports.
Note : n.a. : Not Applicable ; … : Data Not Available.

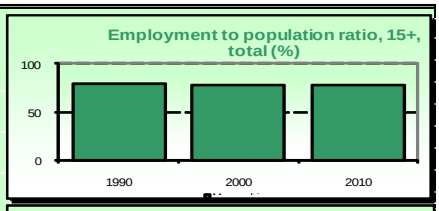
Annex 8: Mozambique: Donor's Interventions

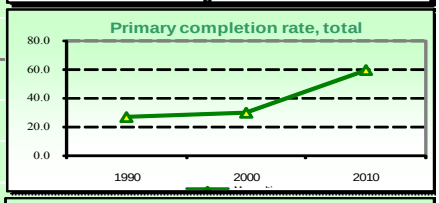
Sector	Austria	AfDB	Belgium	Canada	Switzerland	Germany	Denmark	Spain	European Commission	France	Finland	Italy	Ireland	Norway	Netherlands	Portugal	Sweden	United Kingdom	World Bank	Japan	USA		United Nations	Islamic Development	Korea
																					USAID	MCC			
Health			●	●	●		●	●				●	●		●				●	●	●		●		
HIV/AIDS																		●	●		●		●		
Education and Culture			●	●		●		●			●	●	●			●		●	●	●			●		
Agriculture/ Fisheries/ Rural Development	●	●	●	●					●		●	●		●			●		●	●	●	●	●	●	
Environment/ Natural Resources							●			●				●					●				●		
Transports		●							●										●	●		●			●
Energy		●	●							●				●			●		●						
Water and Sanitation		●													●				●			●	●	●	
Economic governance/ Financial Services					●	●	●												●		●		●		
Governance	●	●		●	●	●	●	●					●			●	●	●	●	●	●	●	●		

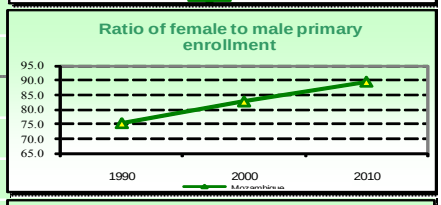
Source: PAPs, 2010. *Legend: USA – United States of America; USAID – United States Agency for International Development; MCC – Millennium Challenge Corporation. Components of governance include: decentralization, justice, land tenure, public financial management, public sector reform, social protection, security, and statistics*

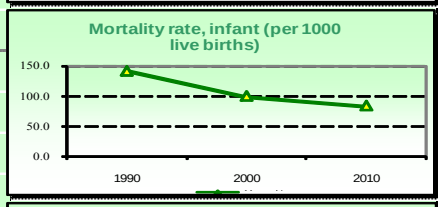
Annex 9: Mozambique: Millennium Development Goals

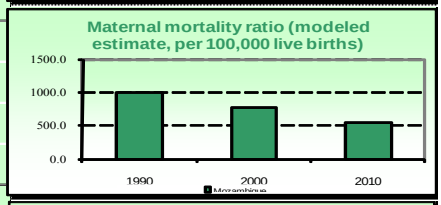
Goal 1: Eradicate extreme poverty and hunger	1990[1]	2000[2]	2010[3]
Employment to population ratio, 15+, total (%)	79.9	78.2	77.9
Malnutrition prevalence, weight for age (% of children under 5)	…	21.2	…
Poverty headcount ratio at $1,25 a day (PPP) (% of population)	…	74.7	…
Prevalence of undernourishment (% of population)	59.0	44.0	…
Goal 2: Achieve universal primary education			
Literacy rate, youth female (% of females ages 15-24)	…	50.0	62.1
Literacy rate, adult total (% of people ages 15 and above)	…	48.2	54.0
Primary completion rate, total (% of relevant age group)	26.4	29.5	59.4
Total enrollment, primary (% net)	44.0	70.8	92.3
Goal 3: Promote gender equality and empower women			
Proportion of seats held by women in national parliaments (%)	16.0	30.0	34.8
Ratio of female to male primary enrollment	75.5	82.9	89.6
Ratio of female to male secondary enrollment	56.6	69.8	81.8
Goal 4: Reduce child mortality			
Immunization, measles (% of children ages 12-23 months)	59.0	60.0	67.0
Mortality rate, infant (per 1,000 live births)	140.4	99.1	83.3
Mortality rate, under-5 (per 1,000)	242.2	169.8	140.2
Goal 5: Improve maternal health			
Births attended by skilled health staff (% of total)	…	47.7	…
Contraceptive prevalence (% of women ages 15-49)	…	16.5	…
Maternal mortality ratio (modeled estimate, per 100,000 live births)	1000.0	780.0	550.0
Goal 6: Combat HIV/AIDS, malaria, and other diseases			
Incidence of tuberculosis (per 100,000 people)	181.0	460.0	409.0
Prevalence of HIV, female (% ages 15-24)	…	…	8.5
Prevalence of HIV, male (% ages 15-24)	…	…	2.9
Prevalence of HIV, total (% of population ages 15-49)	…	16.0	12.5
Goal 7: Ensure environmental sustainability			
CO2 emissions (kg per PPP $ of GDP)	0.4	0.4	0.3
Improved sanitation facilities (% of population with access)	20.0	32.0	17.0
Improved water source (% of population with access)	36.0	43.0	47.0
Goal 8: Develop a global partnership for development			
Net total ODA/OA per capita (current US$)	73.6	61.2	87.9
Internet users (per 1000 people)	…	6.8	26.8
Mobile cellular subscriptions (per 1000 people)	…	34.9	260.8
Telephone lines (per 1000 people)	3.5	3.4	3.2

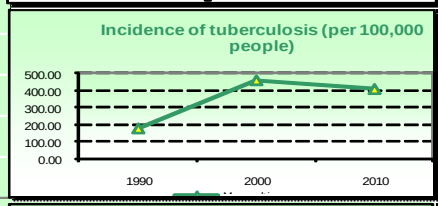


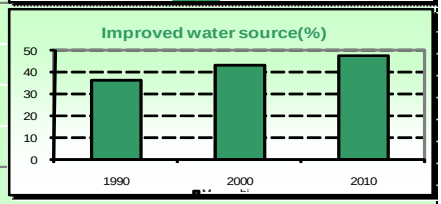


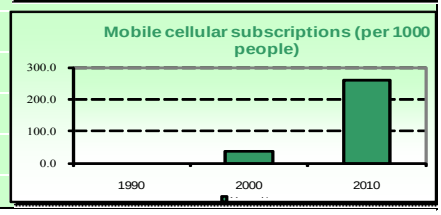






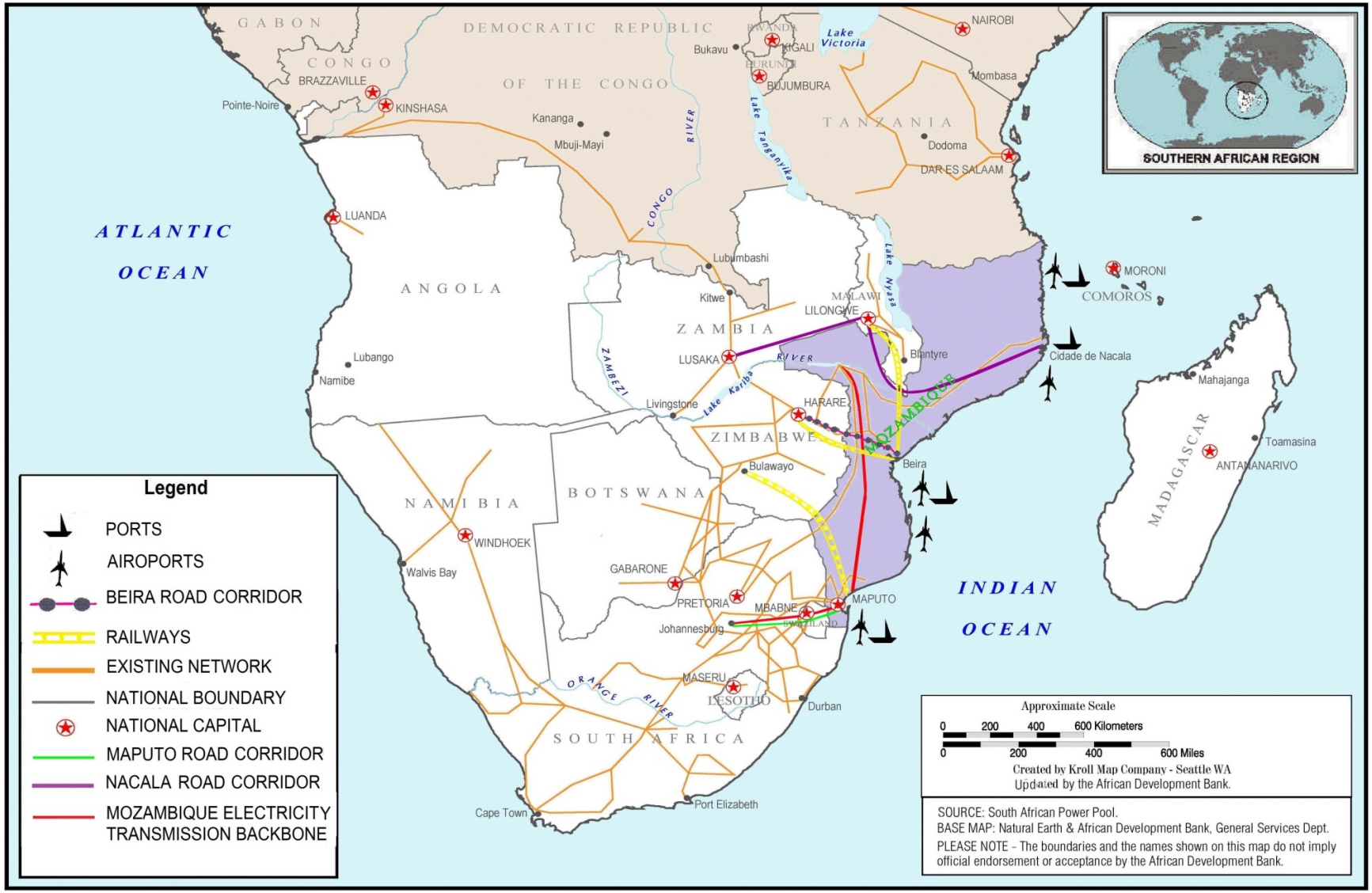






Sources: ADB Statistics Department Databases; World Bank: World Development Indicators; UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP; Country Reports,
Note: n,a, : Not Applicable ; … : Data Not Available,
Latest year available in the period 1990-1995; 2 Latest years available in the period 2000-2004; 3 Latest year available

Annex 10: Mozambique's Strategic Positioning in the Context of Regional Integration



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