



REPUBLIC OF MOZAMBIQUE

MOZAMBIQUE COUNTRY REPORT

**IMPLEMENTATION OF THE BRUSSELS PROGRAMME OF ACTION FOR
THE LEAST DEVELOPED COUNTRIES 2001-2010**

February, 2010

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ACRONYMS AND ABBREVIATIONS

| | |
|----------|--|
| ACP | Africa, Caribbean and Pacific |
| ADB | African Development Bank |
| AGOA | Africa Growth and Opportunity Act |
| BPoA | Brussels Programme of Action |
| CENOE | National Operative and Emergence Centre |
| BTs | Treasury Bills |
| CERUM | Multi-application Resource Centres |
| CIRESP | Inter-ministerial Commission for the Reform of Public Sector |
| DFTP | Duty-Free Tariff Preference |
| EBA | Everything But Arms |
| EC | European Commission |
| EGFAE | General Statute for Public Servants and State Agents |
| EPAs | Economic Partnership Agreements |
| eSIP | electronic Personnel Information System |
| F | Female |
| FM | Female & Male |
| FTA | Free Trade Area |
| GDP | Gross Domestic Product |
| HIV/AIDS | Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome |
| IFAPAs | Training Institute for Public and Local Administration |
| INGC | National Institute for Disaster Management |
| IPAJ | Sponsorship and Judicial Assistance Institute |
| ISAP | High-level Institute for Public Administration |
| ITC | International Trade Centre |
| JITAP | Joint Integrated Technical Assistance Programme |
| LDCs | Least Developed Countries |
| MAE | Ministry of State Administration |
| MDGs | Millennium Development Goals |
| MICOA | Ministry for the Coordination of Environmental Affairs |
| MoU | Memorandum of Understanding |
| MT & MZN | Metical/Meticais |
| MTS | Multilateral Trade System |
| NTBs | Non-Tariff Barriers |
| ODA | Official Development Assistance |
| OECD | Organization for Economic Cooperation and Development |
| OTs | Treasury Bonds (TB) |
| PAP | Program Aid Partnership |
| PAPA | Action Plan for Food Production |
| PES | Economic and Social Plan |
| PQG | Government's Five-Year Programme |
| PROAGRI | Programme for Agricultural Development |
| RAMS | Regional Atmospheric Modelling System |

| | |
|---------|--|
| RTAs | Regional Trade Agreements |
| S&DT | Special and Differential Treatment |
| SADC | Southern African Development Community |
| SIFAP | Training System for Public Administration |
| SIGEDAP | Performance Management System |
| SIP | Personnel Information System |
| SISTAFE | State Finance Administration System |
| SNGRH | National System for Human Resources Management |
| UNAPROC | National Unity for Civil Protection |
| UNCTAD | United Nations Conference on Trade and Development |
| VHF | Very High Frequency |
| WTO | World Trade Organization |

EXECUTIVE SUMMARY

Mozambique has been actively engaged in international efforts aimed at stimulating and supporting sustainable development programs and as part of preparation of the forthcoming United Nations Conference on the Least Developed Countries (LDCs), scheduled to be held in Istanbul, Turkey in 2011 to review the implementation of Brussels Programme of Action (BPoA) for the decade 2001-2010 Mozambique has prepared this Country Report.

The report contains five sections. The first section provides a brief introductory background, while the second section presents a summary of national political and socioeconomic developments in line with the implementation of the BPoA.

The third section contains a detailed presentation of the progress achieved in the implementation of the Brussels Programme of Action (BPoA) in all relevant development sectors: good governance, sustainable development, public sector reforms, justice, law and order, education, and human and institutional capacity-building.

The fourth section offers an overview of the LDCs, their productive capacity in a globalizing world, also taking into account their exceptionally vulnerable situation to the main challenges facing the world today, such as climate change and the environment, the global financial and economic crisis, the oil and food crises and the energy crisis to name only some.

The fifth is a concluding section, where more attention is again given to the situation and developments in Mozambique during the decade 2001-2010. This section offers a brief assessment of the impact of global challenges on social and economic development, while advancing a position on the way forward.

SECTION ONE

1. Introduction

The evaluation of the Brussels Programme of Action occurs at a time when the Government is engaged in preparations for the approval by Parliament of its Five-Year Programme for the period 2010-2014, after having concluded the implementation of PARPA II (2006-2009) and the compilation of the Mid-Term National Report on the Implementation of the Millennium Development Goals (MDGs) for Mozambique.

The review of the implementation of PARPA II and the Report on the Millennium Development Goals for Mozambique, constitute a sound basis for the evaluation of the Brussels Programme of Action 2001-2010, taking into consideration that the unique objective of this exercise is to analyze national performance in the fight against poverty and for the promotion of economic growth and sustainable development.

In the period of 2006-2009, after the Mid-Term National Report (2001-2005) on the Implementation of the BPoA, the country's socio-economic situation has registered some

progress. In the same period, numerous challenges at national, regional and international levels contributed to the constraints that the country has been facing, such as natural disasters - above all the drought as a result of climate change - and the vulnerability of the country to the impact of environmental variability, which continues to affect the country in the South and Central areas. Other major challenges are HIV-AIDS, which affects the workforce, poor infrastructure network and the low level of human development, the oil and food crises, the energy crisis, and the global financial and economic crisis.

SECTION TWO

THE NATIONAL DEVELOPMENT PLANNING PROCESS

Mozambique's National Development Vision 2025 is a national guide that addresses a set of problems related to development. It was prepared by a group of citizens representing the most diverse sectors of society

and it establishes new ways for driving sustainable development; it is indeed, a strategic exercise of reflection on the future of Mozambique, with the following objectives:

- to create a long-term National Vision through a participatory process;
- to prepare a National Development Strategy through a participatory process, defining the necessary policies and programs to respond to the objectives identified therein.

The achievement of these objectives constitutes a valuable contribution to:

- building capacity in government, institutions and civil society for defining and implementing national economic policies, programs and projects;
- ensuring consistency among short-, medium- and long-term economic and social policies;
- building the government's capacity to play a key role in the co-ordination and management of development co-operation.

The National Strategy for Poverty Reduction (PARPA), one of the key pillars in the fight against poverty, and the Economic and Social Plan, are among the instruments for the realization of Vision 2025.

Priorities

The Government's Five-Year Plan for 2005-2009 sets key objectives, which include: (a) the reduction in levels of absolute poverty, (b) the promotion of rapid, sustainable and comprehensive economic growth, (c) the development of policies and use of instruments to promote annual average growth in national income per capita, (d) the maintenance of close coordination with the international community to allow the continued flow of aid to the country and in particular to the State Budget; (e) the redistribution of income to the population, particularly to the poorest through social services and other relevant classic State functions; (f) the continued monitoring of changes in poverty levels, and (g) the improvement of the monitoring of economic developments, including productivity, using more appropriate statistical indicators, with better quality and in better time.

SECTION THREE

3. ASSESSMENT OF THE PROGRESS AND CHALLENGES IN THE IMPLEMENTATION OF THE COMMITMENTS OF THE BRUSSELS PROGRAMME OF ACTION FOR LDCs FOR THE DECADE 2001-2010

3.1. Commitment 1: Fostering a People-Centred Policy Framework

The Brussels Programme of Action for the LDCs 2001-2010 was adopted in Brussels, Belgium during the Third United Nations Conference for the Least Developed Countries. Since then, and with regard to its implementation in Mozambique, major progress has been achieved in the areas of coverage of the program as well as sound economic performance, as shown in the table below, in Mozambique's Macroeconomic data covering the period 2001 to 2008

Table-1: Mozambique Macroeconomic data, 2001-2008

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Real GDP growth (%) | 12.3 | 9.2 | 6.5 | 7.9 | 8.4 | 8.7 | 7.4 | 6.7 | 6,1* |
| Real GDP per capita (USD) | 231 | 233 | 252 | 301 | 339 | 363 | 399 | 476 | |
| Average inflation rate (%) | 9.1 | 16.8 | 13.5 | 12.6 | 6.4 | 13.2 | 8.2 | 10.3 | 3.3 |
| Average exchange rate per MZN/USD | 20.7 | 23.7 | 23.8 | 22.6 | 23.1 | 25.0 | 25.6 | 24.2 | 27.6 |
| | | | | | | | | | |
| Exports (million USD) | 703 | 679 | 1,044 | 1,504 | 1,745 | 2,381 | 2,412 | 2,653 | |
| Imports (million USD) | 957 | 1,216 | 1,672 | 1,850 | 2,242 | 2,649 | 2,811 | 3,458 | |
| Foreign Direct Investment (million USD) | 255 | 348 | 337 | 245 | 108 | 154 | 427 | 587 | |
| | | | | | | | | | |
| Domestic revenue of the state (millions of USD) | 441 | 480 | 613 | 706 | 908 | 1,113 | 1,316 | 1,583 | 1,720 |
| External Revenue (million USD) | 1,124 | 1,188 | 1,183 | 1,168 | 1,454 | 961 | 1,033 | 1,262 | |
| Donations | 995 | 912 | 945 | 867 | 1,121 | 584 | 691 | 945 | |
| Credits | 129 | 276 | 239 | 301 | 333 | 376 | 342 | 317 | |
| | | | | | | | | | |
| Poverty rate (%) | | | 65.0 | | | | | | 45.0 |
| Human development index | 0.39 | 0.40 | 0.41 | 0.42 | 0.43 | 0.43 | 0.40 | | |
| Life expectancy at birth (years) | 45.0 | 45.6 | 46.3 | 46.7 | 47.1 | 47.4 | 49.4 | | |
| Adult literacy rate (%) | 43.3 | 46.4 | 46.4 | 47.2 | 47.2 | 48.0 | | | |
| Severe deprivation rate among children (%) | | | 59.0 | | | | | 48.0 | |
| Infant mortality rate (per thousand live births) | | | 101 | | | | | 93 | |
| Rate of chronic malnutrition in children under five years (%) | | | 48 | | | | | 44 | |
| Family aggregator with access to safe water (%) | - | - | | 66 | - | - | - | 70 | |

* Preliminary estimate: Source: MPD

3.2. Commitment 2: Good Governance at National and International Levels

The country's good governance requires a commitment to the democratic process, institutions, laws and the independence of the judiciary, a capable government and the promotion of fundamental human rights. Moreover, it is the government's belief that good governance is the key to socio-economic development and one of the pillars in the fight against absolute poverty.

With regard to the democratic process, Mozambique has been experiencing remarkable progress as a result of the effort to consolidate peace and promote sustainable development. Since 1994 and 1998 respectively, multiparty national elections and municipality elections have been conducted regularly. In 2009, the country has, for the first time in its history, held elections for the Provincial Parliaments, which is a strong contribution in the process of consolidation of democracy in Mozambique.

Concerning the issue of gender equality, the parliament has had a strong female component. In 2004 35.5% of members of parliament were women, and after the 2009 elections a woman became president of parliament.

3.2.1 Reform of the Public Sector

The general strategy for public sector reform (2001-2010) was launched in 2001 aiming to guide Government efforts to improve public services to the citizen and private sector and improve relationships between the State and society by means of improvements in the organization and functioning of public institutions, asserting that they should operate in a public culture based on integrity, transparency, efficiency and effectiveness.

A summary of key results is presented below:

3.2.1.1 Rationalization of structures and processes of service delivery

Key results in this component include the rationalization of the Government's high-level structure through the review of roles and portfolios at the ministerial level which led to the adjustment of functions, decentralization, outsourcing of non-core functions and improved service delivery. The structure of both district and provincial government has been simplified in the framework of decentralization to ensure they reflect local realities, potentials and needs, instead of being a mere reflection of central government structures.

Regarding service delivery, key improvements include the creation at a national level of One Stop Shops, aiming to reduce waiting times, costs and improve the convenience of services delivered to citizens. One Stop Shops had a significant impact in the improvement of the business climate given its focus on simplifying business licensing. Additionally the government undertook to simplify selected critical services resulting in a generalized reduction in waiting times.

3.2.1.2 Public Policy Process

The following has been achieved:

Rationalization of cabinet support processes through reducing inter-ministerial commissions from 44 to 19. Inter-ministerial commissions are an important tool to assist the cabinet in the policy-making process.

The role of Permanent Secretaries was strengthened as key managers of the Ministries, allowing Ministers to focus more on policy issues.

3.2.1.3 Professionalization of public service

Several strategic policies have been enacted, namely:

1. Strengthening the implementation of the Public Administration Training System (SIFAP) which has been consolidated with the creation of 3 regional medium-level institutes and one (IFAPAs) Higher-level Public Administration Institute (ISAP), and through the development of long-distance education (correspondence courses) for remote areas.
2. Complete review of the General Statute for Public Servants (EGFAE), with a view to aligning and updating it with the framework of public sector reforms, cultural and economic developments, with a view to improving labour relations, to ensure and enact public servants' rights and responsibilities in the context of a participatory democracy.
3. A public service Census was conducted for the first time in 2007 and the Statistics Yearbook for Public Servants published since then. The statistics yearbook contains data on public servants and supports human resources planning and management.
4. The consolidation of the Public Service Personnel Information System (SIP) through the creation of the electronic subsystem (eSIP) and the establishment of the National System for Human Resources Management. A consolidated SIP and its subsystems allow for additional improvements such electronic salary transfers to bank accounts, enabling public servants to benefit from banking services such as credit.
5. Approval of the medium-term pay policy aiming to attract, retain and redeploy qualified and experienced personnel both at central and local levels, to ensure for the government the provision of the staff required to implement its core policies and priorities.
6. Approval of a Performance Management System (SIGEDAP) which combines both institutional and individual performance appraisal, a system that is results-based and will introduce performance agreements.
7. Approval of key strategies for public service, namely, the gender strategy (to ensure gender equality and balance), HIV-AIDs (to ensure prevention and mitigation) and the strategy for the handicapped (to reassert non-discrimination and social inclusion).

3.2.1.4 Financial management

The comprehensive reform of the public financial management system has been undertaken through the creation of SISTAFE. SISTAFE is a state-of-the-art, electronic-based management system that permits timely and on-line financial transactions ensuring effective budget management and reducing the risk of fraud. The system is centrally managed and accessible throughout the country.

3.2.1.5 Good Governance and anti-corruption

Key achievements in the promotion of good governance include:

- The approval and implementation of the Anti-corruption Strategy (2006-2009), the approval and implementation of the National Strategy for Electronic Governance, the approval of codes of conduct for Senior Government Officials so as to ensure they continue to set an example;
- The approval and implementation of new procurement rules for public service;
- The approval and implementation of Regulations for the Administrative Inspection Activity of the State and the approval of the National System of State Archives.

3.2.1.6 Local Administration

VHF radios were installed at local levels to ensure communication with each other and also with the Ministry of State Administration headquarters. In this regard, some outputs are emerging such as:

- Dissemination of Law 8/2003, related to the Operation of Local State Bodies and its regulation;
- District government structure established (Decree nr. 6/2006, of 12 April);
- Analysis of the roles of provincial government and its restructuring
- District administrators trained on general aspects of public administration regarding district planning, finance, patrimony and land usage;
- Establishment of both Community and Authority Councils;
- Official launch of district's profile as well as its addition to government portal;

3.2.1.7 Municipality development

In consolidating the local decision-making process in Mozambique through decentralization, the main challenges in this area were the following:

- Review of the legal framework for municipalities;
- Adoption of a mechanism to reinforce dialog between municipalities and State agencies;
- Identification of mechanisms of co-ordination between the State and other relevant stakeholders in the development of municipal activities;
- Technical assistance to municipalities in issues related to municipal management;
- Continuance of studies to create new local municipalities.

The legal framework in this area was established. Various laws were passed to define the powers of municipal government, the organization of municipalities, the transfer of competencies from central government to municipalities, the establishment of municipal police and the use of urban land.

Municipal Subvention Fund

- Redesign of Municipal Subvention Fund (UCP, MAE and municipalities);
- Consolidation of the process of inclusion of staff and nucleus in functional structure and in the municipal personnel framework, including the budget and the salaries;
- Reinforcement of municipal capacity building oriented consultation;
- Strengthening of internal control in both financial management and municipal personnel systems

Challenges

- Development of a democratic and participative climate in the exercise of the activities of public institutions, as a way of promoting solidarity and harmony between citizens,
- Restructuring of the public sector, rationalization of administrative procedures and human resource management, improvement of standards and ethics in government and combating corruption,
- The decentralization of public administration, transfer of powers and specific competences to the local bodies,
- Development of local government bodies involving the participation of the communities;
- Improvement of citizens' civic and political participation in the design, implementation and evaluation of the government's policies, and;
- Gradual independence of local administration, as a way of strengthening municipalities and increasing the involvement of citizens in the local administration.

3. 2.2. Justice, legality and public order

a) Justice

The Government's central objective in law and justice is to guarantee justice amongst citizens (and other natural or legal persons) and to maintain public order.

The strategy adopted to improve the legal system focused on:

- Increased citizens' access to justice;
- Training and human resources development;
- Legal reform;
- Development of infrastructure and acquisition of equipment;
- Oversight of the legal system;
- Human rights.

Regarding access to justice, local branches of the Institute for Legal Aid and Legal Assistance (IPAJ) were established at provincial level and 40 districts have also been covered by this expansion. Legal help centers were also created in different prisons in the City of Maputo. More than 1600 community courts were reactivated and commercial tribunals began operation within the Judicial Courts in the Provinces of Sofala, Nampula and Maputo.

In order to reduce the time taken for cases to be heard, the High Courts of Appeal were created, bringing justice closer to those who need it. In this regard, district courts were granted more competences and powers allowing them to judge cases that used to be heard by provincial courts.

A training programme for court officials within the scope of the High Institute of Public Administration (ISAP) is ongoing. Access of young people to justice was also improved, through both the establishment of separate boards for young people in the courts, as well as the establishment of youth detention centres.

The government is supporting (through the Access to Justice Fund, sponsored by the World Bank) civil society initiatives to provide the citizen with the means to defend his/her rights. This is a nationwide project with the exception of the Provinces of Manica and Cabo Delgado, whose objective is both to expand and to promote access to information related to judicial and legal issues, as well as the development of alternative mechanisms of dispute resolution.

Planning, Monitoring and Justice Evaluation Projects are being implemented to monitor the progress of the Integrated Strategic Plan. This is a communication mechanism allowing inter-institutional dialog and interaction with civil society to ensure the accountability of the legal system. Through this dialogue, different legal agencies have the opportunity to evaluate the progress in the implementation of the strategy for the legal system, benefiting, in this way, from information sharing with civil society stakeholders who also belong to the forum.

With regard to **Training and Human Resource Development**, Magistrates, Civil Registrars and Justice Officers were trained. Other personnel were also trained in issues related to the implementation of the law on Access to and Use of Natural Resources, as well as prison social workers and Para-legal officers on Natural Resources and Development laws.

In the area of **Legal Reform**, the Ministry of Justice has been involved in the elaboration and revision of different legal tools, subsequently approved by the Government.

Infrastructure development remains a challenge. During the last years 5 Palaces of Justice and 10 residences for magistrates were built. Many prison centers were rebuilt but more assistance is needed.

The country has seen great progress with respect to the **oversight of the legal system** demonstrated through the establishment of the Law against Corruption and its strategy which were disseminated throughout the country.

The partnership between State and Civil Society Organizations (including universities) to **inform local communities about the law** was strengthened. In this way, pamphlets and brochures on human rights were published that have been used to promote human rights at national level. In order to increase the profile of human rights issues, the introduction of a subject dealing with this matter in secondary schools is planned.

Challenges

- Strengthen the role of the State in the maintenance of public order, improve the effectiveness of public security institutions and administration of justice, and
- Development of an integrated policy for human resources management.

3.3 Commitment 3: Building Human and Institutional Capacities

3.3.1. Education

Universal primary schooling continues to be a major challenge for Mozambique, and the Government has redoubled its efforts in the expansion of access and the improvement of the quality of education.

The construction of low-cost schools, aimed at expanding access has been carried out as a pilot project in Cabo Delgado, Nampula, Tete and Zambezia provinces.

Table II: Increase in School Network

| School Level | | | Growth in % |
|---|-------|--------|-------------|
| | 2004 | 2009 | |
| Primary School, 1 st Grade | 8.598 | 10.365 | 20,6% |
| Secondary School, 2 nd Grade | 1.212 | 2.693 | 122,2% |
| General Secondary School, 1 st Cycle | 224 | 433 | 93,3% |
| General Secondary School, 2 nd Cycle | 70 | 158 | 125,7% |
| Professional Technical School | 44 | 91 | 106,8% |
| Public High School | 6 | 17 | 183,3% |
| Private High School | 6 | 21 | 250,0% |

Table III: Increase in school participation

| School Level | Number of Students | | | | Growth in %/Gender | |
|-------------------------------------|--------------------|------------------|------------------|------------------|--------------------|--------------|
| | 2004/Gender | | 2009/Gender | | F | FM |
| | F | FM | F | FM | | |
| Primary | 1.649.040 | 3.639.084 | 2.430.388 | 5.145.868 | 47,4% | 41,4% |
| Secondary | 135.597 | 332.701 | 361.367 | 808.309 | 166,5% | 143,0% |
| Professional Technical Education | 9.721 | 32.225 | 15.732 | 48.557 | 61,8% | 50,7% |
| Alphabetization and Adult Education | 323.659 | 562.042 | 435.405 | 680.114 | 34,5% | 14,9% |
| High School | 7.022 | 22.256 | 25.240 | 75.000 | 259,4% | 237,0% |
| Training of Teachers | 6.216 | 12.067 | 5.269 | 10.329 | -15,2% | -14,4% |
| Total | 2.131.255 | 4.600.375 | 3.373.401 | 6.768.177 | 58,3% | 47,2% |

Challenges

- Building new schools to respond to the growing demand;
- The need for more financial resources;
- Increase in institutional capacity;
- Reduce the student/teacher ratio. In primary school, the ratio is 71, despite the annual recruitment of more new teachers;
- Improve the quality of education. The results indicate that the quality of education did not improve at the same rate as the expansion;
- Increase the expansion of programs of informal education;
- Increase youth participation in informal education programs;
- Expansion of pre-school education;
- Integration of cross-cutting issues, in particular gender issues and HIV/AIDS, in the core education programs;
- Ensure sustainability of the expansion of special programs.

3.3.2 Health

The Strategic Plan for the Health Sector (SPHS) was approved by the Government to address the many constraints facing the health system. Over the last 5 years the government has given special attention to the people who most need health care in rural areas by increasing the number of health facilities from 1337 in 2007 to 1385 in 2008.

Reduced Child Mortality: The government has continued to implement measures aimed at improving child healthcare. Some of these include: Malaria Control Program and anti HIV/AIDS awareness campaigns. The maternal mortality rate is 408/100.000, inhabitants and the Under-five mortality rate is 138/1000 live births.

Leprosy-Following the WHO's recommendation, Mozambique has achieved the target to eliminate leprosy as a public health problem. Currently the leprosy prevalence rate in Mozambique is 0.5 cases in 10.000 inhabitants.

Malaria- 2007 was the first time in the last 20 years when we have witnessed a decrease in the nationwide mortality rate due to malaria. The number of cases of malaria nationwide has fallen by 24%. The reduction of the mortality rate due to malaria by 25% has been achieved by the treatment of home interiors with insecticide as well as a significant increase in the quality of diagnosis and treatment.

Tuberculosis-The quality of TB diagnosis and treatment has increased, while the treatment rate is nearly 81,3%.

Improvements in Maternal and Infant Health: In 2006 the President of Mozambique has launched the Presidential initiative for woman and child health to accelerate the progress to reduce infant and maternal mortality nationwide.

We have 999 maternity wards. The government has taken measures to address problems of maternal and infant mortality which include increased access to immunization - which contributed to reducing measles cases by 95% - and emergency treatment for deliveries.

Human Resources: The Plan for Human Resources Development 2009-2015 was one of the major achievements. The total number of medical doctors has increased by 60% and the ratio of doctors to inhabitants has decreased to 30.000 inhabitants per doctor. Today 118 districts out of 128 have one doctor working as part of a government program to deliver quality health service to the peripheral health units.

Combating HIV/AIDS, Malaria, and Other Diseases: Initiatives have been undertaken to build a deeper understanding of the dynamics of pandemic diseases, including creating awareness amongst the population of the effects of the pandemic. HIV prevalence in adults is estimated to have decreased from 16% percent in 2008 to 15% in 2009. The Government has taken several measures in an effort to combat this pandemic which include:

- Implementation of the National AIDS Control Program (NACP), giving priority to medical care and training of HIV/AIDS patients, counseling and voluntary blood

testing, blood safety, diagnosis and treatment of sexually transmitted diseases, and monitoring of HIV/AIDS patients.

- Establishment of HIV regulations to protect people living with HIV from stigma.
- Launching of a Presidential initiative for an HIV Counseling and Testing Campaign to encourage more people to be tested and determine their HIV status
- Raising the number of people accessing Anti-Retroviral Treatment to 167,710 in 2009. The number of health centers providing Prevention of Mother to Child Transmission (PMCT) of HIV services, in maternal and child clinics, reached 832 in 2009.

Regarding malaria, the Government has continued to collaborate with other stakeholders including the private sector in raising awareness in the community on the use of Insecticide-Treated Nets (ITN).

In order to facilitate their availability to pregnant women and children under five years, a Malaria program is distributing the nets for free for vulnerable groups. Other efforts which have continued to be implemented in combating diseases include the provision of health education and putting emphasis on sanitation and the use of safe and clean water.

Challenges in this area include:

- Shortage of facilities, trained personnel and financial resources;
- Depletion of manpower in all sectors due to HIV and AIDS pandemic;
- Improvement of medical referral system especially in rural areas;
- Access to and quality of service delivery;
- Availability of emergency obstetric care services and adequate skilled birth attendants;
- Availability and affordability of drugs at all levels;
- Increasing number of orphans and other dependants;
- Short supply of essential equipment, pharmaceuticals, and medical supplies
- Public awareness and willingness to go for VCT; and
- Increase in TB patients, resulting from new cases and re-emerging ones.

3.4 Commitment 4: Building LDC's Productive Capacity for Globalization

3.4.1 Agriculture

Mozambique has immense agricultural potential which contributed 23.6 percent of GDP in 2007. In addition to the vast areas of productive arable land there are large tracts suitable for livestock production.

As result of the “*fomento*” program (imports of cattle through public funds as well as intensive work on disease control, through subsidized credit and credit in kind i.e. the loan of animals directly to farmers) livestock numbers have been increasing.

Recent surveys suggest that there are as many as 1 million cows currently being bred. Investment in poultry farming has also been increasing. However, Mozambique continues

to be a net importer of cereal products. During the 2007/2008 commercial year, for example, the trade deficit of cereals, mainly wheat and rice, was estimated to be around 450.000 tons.

The Ministry of Agriculture has been developing strategies and programs to increase production and productivity with the aim of becoming competitive in the international market and to capture international trade opportunities available to Mozambique. To support this process the Government approved the 'Green Revolution strategy' in 2007.

The Green Revolution aims to transform the subsistence agricultural sector into a commercial agricultural sector. The main focus is on food production, mainly cereals, oil crops and tubers, focused on small and medium-sized farms. To a lesser extent, there is a focus on poultry production.

In line with the Green Revolution, in 2008 the Government approved the Plan of Action for Food Production (PAPA) to offset the world food crisis that was affecting the country. The main objective is to reduce imports of rice, wheat and potatoes by 50% by 2011 through technical assistance (irrigation, farm implements, improved seeds, fertilizer and pesticides).

3.4.2 Sustainable Development

On sustainable development, the Government does acknowledge that sound management of its natural resources and environmental control are essential for Mozambique's sustainable development.

The main environmental issues currently affecting Mozambique include deforestation, desertification, degradation of coastal areas, loss of wildlife and other biodiversity resources, the use of environmentally harmful products and the continued use of obsolete and environmentally damaging technologies. In recognition of these challenges, the government has established a National Strategy for Sustainable Development to integrate environmental considerations into its economic policies and poverty alleviation programs.

3.4.3 Mineral Resources

In the mining industry, a new Mining Code was adopted in 2002 and regulations revised in 2006. These revised regulations allow both foreigners and nationals to engage in prospecting activities and obtain mining concessions, although permits for some categories of small-scale activity are reserved for Mozambicans.

The upstream petroleum operations are subject to the Petroleum Law enacted in 2001 and its Regulations issued in 2004. Natural gas is a significant and growing industry, with substantial exports of \$120 million in 2007.

3.4.4 Transport and Communications

The Government has restored the railways of Ressano, Goba, Machipanda and Sena. The North Corridor benefited from maintenance Works. A Project to construct a railway to link Moatize to Nacala is in its final stage.

With regard to the transport strategy, the Government envisages the development of new railways from North to South, and the study for the first link between the Nacala Corridor and those of the centre of the country is already underway. The project will enable the export of carbon from Tete and constitutes a backbone for the development of Zambeze province.

In the area of communications, all provincial capitals are currently connected through optical fiber. It is projected that all districts will be connected through voice and data communication services that enable banking and other services outside the major cities and. The Government intends to introduce the fund for universal access, which allows the expansion of telephone services to poorer districts which are unattractive to private enterprises.

3.4.5 Manufacturing

The Government's Industrial Policy covering the period 2007-2011 has been approved.

A strategy to support the development and revitalization of industries in Mozambique was approved by the Government in October 2008, and focused on three pillars, namely: (i) the development of agricultural land in rural areas, (ii) the exemption of enterprises in industrial free zones from corporation tax during the first ten years of operation and a reduction of 25%-50% for subsequent years (iii) development of infrastructure, consisting of building industrial infrastructure valued at 1.2 million USD within the industrial parks of Beluluane, Dondo and Nacala in the Provinces of Maputo, Sofala and Nampula, respectively. This program will be fulfilled in combination with the provision of water and electricity for the industrial parks.

To diversify production and export, the recently created Institute for the Promotion of Small and Medium Enterprises promotes small-scale activities such as agro-processing.

3.4.6 Energy

The energy sector's crucial role in the development of the country and for the fight against poverty is reaffirmed in the Second Action Plan for the Reduction of Absolute Poverty (PARPA II), 2006-2009, and in the Five Years Government Plan (PQD) 2005-2009.

This sector is playing an increasingly important role in the economy of Mozambique. By 2005 the energy sector accounted for close to five percent of GDP in Mozambique, and for a much higher share of gross national investment. Since 2000 annual domestic production of energy has increased by 40% while export volume has increased by 300%.

This is mainly due to the start of natural gas production and export as well as increased production and export of hydroelectric power from the Cahora-Bassa hydro-electric dam.

In 2007, electrical energy exports were about \$245 million.

Goals and Challenges

In general, in the energy sector the Government is pursuing the following strategic goals:

- Improving the efficiency of energy suppliers and reducing the cost of supply;
- Increasing the access of productive sectors, as well as hospitals and schools, to modern sources of energy;
- Increasing the access of households to modern sources of energy;
- Increasing the efficiency of energy use;
- Generation of public revenue and foreign exchange, in part through exports.

3.5 Commitment 5: Enhancing the Role of Trade in Development

Trade is a fundamental element for sustainable development and poverty reduction, therefore being able to contribute to the achievement of the Millennium Development Goals. In Mozambique's case new action to prioritize trade started in the beginning of 2002 with an appraisal whose objective was to provide a full understanding about the constraints which prevent the country from enjoying the advantages granted by the multilateral trading system.

The process was fully completed with the inclusion of the country in the Integrated Framework and in the Enhanced Integrated Framework. After the validation of the Diagnostic Trade Integration Study in September 2003 the actions in the Matrix were reflected in the Program of Action for Poverty Reduction (PARPA II). The Enhanced Integrated Framework is still to be implemented, pending the completion of guidelines and other matters by the Integrated Framework Executive Secretariat.

The inclusion of issues related to trade in PARPA II has allowed the country to start a dialogue with her development partners in the search for long- and medium-term solutions, overcome supply constraints through the increase of the country's productive capacity, especially in commodities with great export potential and improve the business environment.

Mozambique has also benefited from her inclusion in the Integrated Technical Assistance Program (JITAP), co-funded by UNCTAD, the World Trade Organization (WTO) and the International Trade Centre (ITC). Under this program, the country has received trade-related institutional capacity building for a better understanding of the multilateral trade system.

3.5.1 Trade Policy Objectives

The objective of Mozambique's external trade policy is the creation of an environment conducive to promoting the competitiveness of Mozambican products in international

markets, especially those of the developed economies of Europe, America, and Asia. This does not prejudice the promotion of intra-African trade, an important part of Mozambique's trade policy. Trade policies are formulated with a view to aiding Mozambique's industrialization process by creating linkages with international value chains and, importantly, by reducing the barriers to imports of key inputs. In pursuing its trade policy objectives Mozambique is fully engaged in multilateral, regional and bilateral trade negotiations.

3.5.2 Foreign Trade

Steady growth in exports of electricity, natural gas and aluminium has helped improve the balance of trade. To illustrate, for the first quarter of 2007 mega-projects accounted for 81 per cent of exports, but only 24 per cent of imports, which may explain a slight improvement in the external demand position during the period 2005-2007. A relatively strong performance of traditional exports also helped reduce the trade deficit in this period.

However, a rise in the import bill for petroleum and cereals in 2008 led to substantial deterioration of current balance. While these inflationary pressures show signs of subsiding, a fall in the price of Mozambique's key export commodities could continue to put upward pressure on the trade deficit.

Since the early 1990s, exports have expanded at an average rate of 10 percent per year.

In 2007, Mozambique recorded total exports of USD 2,412.12 million. Most Mozambican exports are destined to countries belonging to the Organisation for Economic Co-operation and Development (OECD). In 2008, Mozambique's total exports made up USD 2,653.26 million.

Over the past five years imports have tended to rise in line with exports as the major exporting mega-projects also require substantial imports of machinery and primary inputs. Other imports have also increased, including consumer goods, and agricultural inputs.

3.5.3 Multilateral Trade System (MTS)

Mozambique participates in the Multilateral Trading System (MTS) having acceded to the WTO at its inception in 1995. As a WTO member Mozambique has adopted the commitments which resulted from the Uruguay Round in their entirety, and the government is implementing several initiatives to enable the country to benefit from participation in the system and to avoid marginalization in the global economy. Mozambique benefits from Special and Differential Treatment (S&DT) afforded to all LDCs. The National Trade Policy Review (2009) aimed at addressing issues of economic competitiveness and building export-led growth.

3.5.4 Southern African Development Community (SADC)

With regard to Regional Trade Agreements (RTAs), Mozambique is a member of the Southern African Development Community (SADC), a regional political and economic cooperation organization which comprises 15 Member States all in the Southern and Central African region.

Mozambique is implementing the SADC Trade Protocol which sets out an ambitious timetable for regional integration. The protocol made it mandatory for participating members to eliminate 85 percent of tariffs so as to achieve a free trade area by 2008. Mozambique complied with the Protocol and participates in the Free Trade Area that was launched in January 2008. The SADC region intends to establish a SADC Customs Union in 2010, a SADC Common Market by 2015, a SADC Central Bank and Monetary Union by 2016 and a SADC Regional Currency by 2018.

In 2008, the year of entry into force of the SADC Trade Protocol, 18% of total exports were destined to SADC countries, the great majority of which was accounted for by South Africa. The main export products to the SADC countries are: maize, wheat flour, tobacco, copra, salt, unprocessed cotton, and prawn.

3.5.5 African, Caribbean and Pacific/EPAs

As a member of the African, Caribbean and Pacific (ACP) group of countries Mozambique used to benefit from unilateral preferences to access the EU (European Union) market. This arrangement is currently in the process of being transformed into the Economic Partnership Agreements (EPAs) negotiated between the European Commission (EC) and regional groups of ACP countries. Mozambique is negotiating an EPA as part of a group of SADC countries.

3.5.6 Trade Agreements and Initiatives

Mozambique signed a Trade and Investment Framework Agreement with the United States of America in 2005 which aims to strengthen commercial ties between the two countries and improve the business environment.

Mozambique concluded a bilateral trade agreement with Malawi in 2006 which provides for elimination of tariffs on all items with the exception of arms, oil, office supplies and some agricultural goods. A similar agreement was reached with Zimbabwe in 2004, covering all products with the exception of arms, automobiles and some agricultural products.

In addition to these bilateral agreements Mozambique has also been a beneficiary of unilateral preference schemes, such as the Everything But Arms (EBA) initiative granted by the European Commission and the Africa Growth and Opportunity Act (AGOA), granted by the US Government to a group of African countries.

In 2005 China announced that it would extend preferential, duty-free access to LDCs, including Mozambique, on a limited range of products (around 400), while in 2008 Mozambique subscribed to India's Duty-Free Tariff Preference Scheme (DFTP) for LDCs.

Challenges and constraints

- Improving infrastructure to promote trade competitiveness, market access and reduce production and transaction costs.
- Establishing mechanisms that reflect national development priorities and strategies;
- Non-conditionality of Aid for Trade and provision of resources in the form of grants to countries;
- Focusing substantially on supply-side constraints, including infrastructure bottlenecks.
- Substantial technical assistance to facilitate, inter alia:
 - the compliance of Mozambican exports with technical regulations, including sanitary and phyto-sanitary requirements;
 - the implementation and development of the domestic legal framework.

3.6 Commitment 6: Reducing Vulnerability and Protecting the Environment

3.6.1 National Institute for Disaster Management (INGC)

Due to its geographical location, Mozambique is vulnerable to natural disasters. Natural disasters constitute one of the factors that increase poverty in Mozambique, because of their negative impact on people and infrastructure. In this regard, the Government has defined the following priorities: (1) Reducing the number of victims and property destroyed; (2) development of a culture of readiness/preparedness; (3) providing the country with means of prevention and mitigation.

To achieve these objectives, in 2006 the government approved the Master Plan of Natural Disaster Prevention and Mitigation, a cross-government program whose implementation is guaranteed by different departments through their Annual Economic and Social Plan (PES).

The implementation of the Master plan allows the government to achieve the agreed objectives of the Brussels Action Plan document, through the following means:

- Establishment of National Emergency Response Centres (CENOE) to give a timely response to disasters. It is also an orientation tool containing procedures, tasks and actions, technical and scientific monitoring systems, warning systems (to alert the public), mission control, activation and deactivation of the emergency response systems.
- Establishment of four Multi-application Resource Centers (CERUM) in arid areas of Inhambane Province (Funhalouro and Mabote) and Gaza Province (Chigubo and Massangena). These centres must be established as physical sites endowed with the infrastructure and means to perform the following tasks:
 - Information provision

- Technology Development
 - Disaster Risk Management
 - Exchange of experiences between different communities
- Establishment of a National Unit for Public Protection (UNAPROC), a cross-departmental entity comprised of the INGC, Defence Force and Security, Education and Health officers at the local level, Mozambique Red Cross volunteers, at both national and local levels, and other volunteers.
 - Establishment of an Office to coordinate the resettlement of people and reconstruction efforts post-disaster;
 - Establishment of Emergency Response Centres at provincial and district level;
 - Establishment of community radios in some vulnerable districts, which can be connected to the internet in order to keep people informed and also to be used in emergencies.
 - Establishment of 6 V-satellites to CENOE of Maputo, Vilankulo, Caia and Nacala as well as at the CERUM of Chigubo, Massangena, for use in case of emergencies.
 - 275 officers from 75 districts trained in disaster risk management, constituting 115 technicians, 41 District Permanent Secretaries and 115 youth volunteers.
 - Establishment of 431 Risk Management Committees, comprising 1315 members; 101 trained and 45 equipped.
 - Explanatory material on new systems of emergency warnings (flags, pamphlets, etc.) disseminated;
 - Drills of cyclone and flood events in order to test the Information and Communication System among the different centres;
 - Support of the resettlement of people affected by the 2007 and 2008 floods through the construction of 1334 self-build houses and another 1646 built conventionally.

3.6.2 Environmental Protection

Mozambique has an Environmental Law, Law 20/97 of 01 October 1997 establishing the framework of the system of environmental protection.

Beyond this, specific laws have been passed which have significant environmental content:

- **Approval of the Conservation Policy and Strategy** - the vision of the policy is to preserve biological natural resources and their ecosystems consisting of a wide diversity of flora and fauna.
- **Approval of the Regulations on the Procedure for Environmental Impact Assessment**, with the aim of preventing or minimizing damage to the environment, the regulation requires that all public and private activities which directly or indirectly may affect the environment must be duly authorized, and provided with a certificate confirming its viability i.e. the environmental permit issued by the Ministry for the Coordination of Environmental Affairs.

- **Approval of the Regulations for the Prevention of Pollution, Environmental Protection and the Coastal Environment** - is to prevent and limit pollution from illegal discharges from ships, rigs or land-based sources off the coast of Mozambique and the establishment of a legal basis for the protection and conservation of the areas that are public sea, lake and river beaches and fragile ecosystems.
- The Government has made investments with a view to improving the quality of weather forecasts, enabling their distribution in a more comprehensive format, reducing the vulnerability of local communities to extreme weather conditions

Actions with Partners

Development partners: strengthened cooperation through the constitution of a Group of Partners for the Environment which has been meeting regularly.

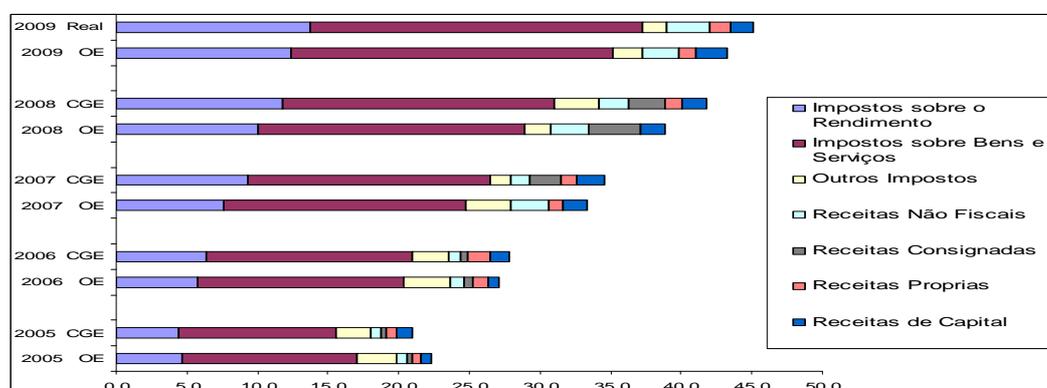
- The Government of Mozambique has also signed some Memoranda of Understanding to undertake various environmental projects which include the projects to address Forest fires and deforestation training to adapt to the impact of climate change: environmental education, forestation, prevention of soil erosion, training and institutional strengthening;
- Assessment and monitoring of air quality, biodiversity, coastal erosion, and land use and urban development;

3.7 Commitment 7: Mobilizing Financial Resources

The effective mobilization of resources to ensure the implementation of public current (operational) and investment expenditure under the Government's Five-Year Plan 2005-2009, has registered an upward trend. Indeed, the total resources mobilized increased from 44.5 to 81 thousand million MT from 2005 to 2009, and in 2010 about 116 thousand million MT.

Of the total public revenue received, the domestic revenue of the State had an upward trend, standing at 20.9, 27.8, 34.5, 39.2 and 47.4 from 2005 to 2009, respectively, with an annual average growth rate of 22.5%. Despite the adverse impact of the financial crisis, a total of 47.4 thousand million MT in revenues was collected compared to a target of 46.2 thousand million MT for 2009, or the equivalent of 102.5% of the annual target. For the year 2010 the target is 57.3 thousand million Meticaís.

Graph 1 - Evolution of State Revenue by group of Source of Revenue



3.7.1 Implementation of Tax Policy

Under the Government's Five-Year Plan 2005-2009, the Ministry of Finance has continued to deepen reforms in tax and customs, which culminated in the creation, by Law No. 1/2006 of March 22, of the Mozambican Revenue Authority, a body with responsibility for the implementation of the Government's tax and customs policy, and entered in force in November 2006.

Challenges

- The great challenge for the Government, in the field of revenue collection, is to ensure annual growth by 0.5 percentage points of GDP over the period of 2005 to 2014, which has been achieved so far.
- Widening tax basis through fiscal education action and permanent registration of the new taxpayers
- The simplification of tax collection procedures
- The continuous modernization and informatization of the Revenue Authority
- facilitation of legitimate trade

3.7.2. Mobilizing Funding for Program Aid

The Government's relationship with the Program Aid Partners (PAPs¹) of the State Budget was based on the Memorandum of Understanding established in the light of the Rome Declaration (February 2003) and Paris Declaration (March 2005). The State Budget and Balance of Payments support is done in form of grants and credits

Table IV - Support of Cooperating Partners to the State Budget (in millions of USD)

¹ GERMANY, AUSTRIA, BELGIUM, WORLD BANK, ADB, CANADA, EUROPEAN COMMISSION, DENMARK, FINLAND, FRANCE, NETHERLANDS, IRELAND, ITALY, NORWAY, PORTUGAL, UNITED KINGDOM, SWEDEN AND SWITZERLAND

| | 2005 | 2006 | 2007 | 2008 | 2009 | Total 2005- 2009 | Medium Value 2005-2009 | Preview 2010 |
|----------------------------|--------------|--------------|--------------|--------------|--------------|------------------------|------------------------------|-----------------|
| <u>Donations</u> | | | | | | | | |
| Netherlands | 18.1 | 22.9 | 24.1 | 26.2 | 25.2 | 116.5 | 23.3 | 25.8 |
| Norway | 16.0 | 18.6 | 22.7 | 29.7 | 24.3 | 111.3 | 22.3 | 27.6 |
| Canada | 2.0 | 2.1 | 4.3 | 7.5 | 9.9 | 25.8 | 5.1 | 14.3 |
| France | 3.9 | 3.8 | 2.7 | 3 | 3.0 | 13.4 | 2.7 | 2.9 |
| Ireland | 7.8 | 7.2 | 12.5 | 15.1 | 14.8 | 57.3 | 11.5 | 15.8 |
| Sweden | 17.3 | 18 | 44.7 | 54.3 | 40.0 | 174.3 | 34.9 | 44.6 |
| Denmark | 0.0 | 2.6 | 19.4 | 10.5 | 8.9 | 41.4 | 8.3 | 9.6 |
| United Kingdom | 56.5 | 62.2 | 70.2 | 81.3 | 61.7 | 331.9 | 66.4 | 69.8 |
| Finland | 5.1 | 6.2 | 6.8 | 10 | 8.9 | 37 | 7.4 | 10.0 |
| Spain | 3.6 | 3.8 | 4.2 | 7.1 | 9.9 | 28.6 | 5.7 | 10.0 |
| Belgium | 2.6 | 3.8 | 4.1 | 4.6 | | 15.1 | 3.0 | 4.3 |
| Portugal | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 7.5 | 1.5 | 1.5 |
| Italy | 4.2 | 3.9 | 5.6 | 5.9 | 5.3 | 24.9 | 5.0 | 5.5 |
| European | 56.3 | 49.2 | 58.9 | 66.3 | 85.5 | 298 | 59.6 | 67.4 |
| Germany | 4.4 | 12.7 | 13.7 | 17.8 | 19.5 | 68.1 | 13.6 | 21.6 |
| Austria | 0.0 | 0 | 0 | 2.5 | 4.4 | | | 4.6 |
| World Bank | | | | 10 | 10.0 | 20 | 4.0 | 10.0 |
| Switzerland | 7.7 | 6.7 | 7.5 | 6.8 | 6.6 | 35.3 | 7.1 | 15.4 |
| Sub-total Donations | 207.0 | 225.2 | 302.9 | 360.1 | 339.4 | 1406.4 | 281.3 | 360.7 |
| CREDITS | | | | | | | | |
| ADB | 2.4 | 61.8 | 30.4 | 30 | 30.3 | 154.9 | 31.0 | 30.5 |
| World Bank | 60.0 | 60 | 69.7 | 71.8 | 175.0 | 436.5 | 87.3 | 110 |
| Sub-total Credits | 62.4 | 121.8 | 100.1 | 102 | 205.3 | 591.4 | 118.3 | 140.5 |
| Grand Total | 269.4 | 347 | 403 | 461.9 | 544.7 | 1997.8 | 399.5 | 501.2 |

Source: State Flexibility Disbursement of PAP's

From 2005 to 2009, financial support from the PAPs to the country recorded a substantial increase of approximately 100%, rising from USD 269.4 million in 2005 to USD 544.7 million in 2009 that represent average growth 19% of total financial aid . For 2010 this aid is estimated at USD 501.2 million

3.7.3. Public Debt Management

With the need to access foreign credit to cover the building of infrastructure and economic development in the country, foreign debt increased to USD 4.6 billion in 2005, which represents approximately 70.8% of GDP, after reaching the highest level of USD 6 billion in 1998 and reduced in 2002 to USD 3.6 billion with debt forgiveness achieved under the HIPC Initiative. The overall accumulated external debt declined from 70.8% of GDP in 2005 to 37.5% of GDP in 2009 GDP.

Confirming the declining trend of loans recorded in the period of 2005 to 2008, the disbursement of foreign loans to GDP also declined from 5.5% of GDP in 2004 to 3.3%

in 2009, which shows that the pace of economic growth in this period was driven more by the use of domestic financial resources and donations.

Debt service (annual payment of principal and interest) decreased significantly from about 24% of annual exports, before the start of forgiveness and debt relief, to around 4% in 2004 and 2% in 2008. If this level of external debt service remains below 5% of exports it will ensure the sustainability of external debt service.

Table V – External debt evolution (in Million of USD dollars)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 OE | 2009 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Debt Balance | 4,416.10 | 4,648.90 | 3,282.00 | 3,316.91 | 3,636.59 | 3,756.94 | 3,402.01 |
| % for GDP | 77.6% | 70.8% | 45.3% | 39.5% | 36.4% | 37.5% | |
| Multilateral | 2321.2 | 2535 | 1191.6 | 1543.41 | 1835.4 | 2155.48 | |
| Bilateral | 2,094.90 | 2,113.90 | 2,090.40 | 1,773.50 | 1,801.19 | 1601.46 | |
| Total Reimbursement) | 311.51 | 324.70 | 297.60 | 332.92 | 372.36 | 334.50 | 505.8 |
| % for GDP | 5.5% | 4.9% | 4.1% | 4.0% | 3.8% | 3.3% | |
| Multilateral | 308.42 | 324.7 | 297.6 | 313.9 | 363.26 | 331 | 308.9 |
| Bilateral | 3.09 | 0 | 0 | 19.02 | 9.1 | 3.5 | 196.9 |
| Debt Cancellation and exchange rate variation | -205,27 | 47,11 | 1.621,17 | 266,14 | 21,63 | 167,34 | 56,77 |
| Debt Service | 59.05 | 65.27 | 61.84 | 47.60 | 49.64 | 67.93 | 46.22 |
| % for Exports | 3.9% | 3.7% | 2.6% | 2.0% | 1.9% | 2.3% | |
| Capital | 39.48 | 44.79 | 43.33 | 31.88 | 31.05 | 46.81 | 26.23 |
| Multilateral | 25.602 | 30.434 | 29.214 | 21.825 | 20.397 | 27.867 | 14.81 |
| Bilateral | 13.881 | 14.353 | 14.111 | 10.05 | 10.648 | 18.945 | 11.42 |
| Debt burden | 19.56 | 20.49 | 18.52 | 15.72 | 18.60 | 21.12 | 20.0 |
| % Export | 1.3% | 1.2% | 0.8% | 0.7% | 0.7% | 0.7% | |
| Multilateral | 16.267 | 16.512 | 14.385 | 11.959 | 14.184 | 16.133 | 15.15 |
| Bilateral | 3.296 | 3.974 | 4.134 | 3.764 | 4.415 | 4.983 | 4.84 |

Fonte: DNT

SECTION FOUR

4. IMPACT OF GLOBAL FINANCIAL AND ECONOMIC CRISIS AND CURRENT CHALLENGES AND POLICY RESPONSES

The global financial and economic crisis is already affecting Mozambique, although to a very small degree if compared with those countries with a substantial share in the world economy. One of the channels through which the crisis is being transmitted is international trade. The disruption of economic activity in our target markets has caused major falls in export prices, putting pressure on the current account. The concentration of

our export profile on a few key products makes Mozambique particularly vulnerable to disruptive events brought by the crisis.

However, thanks to our minimal share in the world economy and bold policy measures, Mozambique's banking sector has not suffered significant damages resulting from the global financial and economic crisis.

SECTION FIVE

5. CONCLUSION AND WAY FORWARD

5.1. Conclusion

Mozambique remains committed to reducing poverty, which has been registered in the following positive statistics:

- The reduction of the poverty rate from 63% in 2003 to 45% in 2009
- Access to drinking water, which rose from 66% per household in 2004 to 70% in 2008, with hopes for further improvements in 2009 as a result of continuing work
- Increase in the adult literacy rate from 45% in 2001 to 49.4% in 2007.

Despite the significant advances made, indicators of agricultural and industrial production and agro-processing are still very low, which represents a challenge for the country in the coming years.

The government has made great efforts in reforms to widen the tax base, to reduce the significant dependency on external sources of funding.

Another aspect to point out is that the effects of the global financial and economic crisis were pronounced for those sectors of the Mozambican economy most exposed to the vicissitudes of the international economy, and open to international trade. However, the timely implementation of the government's response minimised the transmission of the negative effects of the crisis to the national economy.

5.2. Way Forward

Over the period 2001-2010 Mozambique has registered many positive developments as a result of the firm determination of the Government to implement courageous economic reforms and sound economic and social policy and programs. The results are already reflected by major increases in economic growth. The Government is determined to continue its efforts to fight against poverty, through diversifying production, particularly based on agriculture and to promote sustainable development in line with internationally agreed commitments, including the Millennium Development Goals.

With regard to the Multilateral Trade System, the Government of Mozambique looks forward to the conclusion of the **Doha Round**, which is of particular importance since the Doha Development Agenda incorporates a development component including improved market access for developing countries, and specifically the commitment in the Hong Kong Declaration to duty-free, quota-free access for all products originating from LDCs on the basis of simple, transparent rules of origin.

To complement and boost our domestic efforts, Mozambique looks forward to continue benefiting from the valuable support of its development partners, both multilateral and bilateral.

Maputo, February 2010