



REPUBLIC OF MOZAMBIQUE

MINISTRY OF INDUSTRY AND TRADE  
DIRECTORATE OF INTERNATIONAL RELATIONS

National Report on  
the Evaluation of the Brussels Action Plan  
for the Least Developed Countries 2001-2010

## 1. Introduction

The evaluation of the Brussels Action Plan occurs at a time where the Government is engaged in the preparation of the Second Poverty Reduction Strategy Programme (PARPA II), 2006-2010 and after compiling the national report on the Millennium Development Goals.

The evaluation of the PARPA I implementation and the Report on the Millennium Development Goals for Mozambique, constitutes a valid instrument for the exercise about the evaluation of the Brussels Plan 2001-2010, taking into consideration that the unique objective of these exercises is to analyze the national performance in the fight against poverty and the economic growth.

In the period 2001-2005, the Country socio-economic situation has registered some progress despite the major challenges and constraints that the country faces, such as natural disasters, the drought above all which continues to affect the Country in the South and Centre zones, the HIV-AIDS which affects the productive force, poor infrastructures and the low level of human development.

## **2. Good governance at national and international levels**

The Country good governance implies a commitment with the democratic process and the institutions, the laws and the independence of the judicial bodies, a capable government and the promotion of fundamental human rights. Therefore, it is assumed that good governance is the key to socio - economic development and a pillar in the fight against absolute poverty.

The 1992 General Peace Agreement has consolidated the instalment of a multiparty political system and the reorganization of the Mozambique economic life and above all the re-arrangement of the social tissue which was strongly affected during the Country 16 years of war.

With regard to the democratic process, the Country has been experiencing remarkable progress, as a result of the endeavour toward consolidating peace and the country development.. Since 1994, multiparty elections are conducted periodically and from 1998 the municipality elections have been conducted also periodically.

### **2.1 Reform of the Public Sector**

Decentralization constitutes a pillar in the Reform of the Public Sector, a key for good governance. The Public Sector Reform has the civil servant as the key target in providing good quality services to citizens, emphasizing in the increase on management autonomy, especially the reduction of control by the central agencies, hence promoting decentralization, acknowledging the provision of human and

technological resources according to performance conditions and its reception to competition with the private sector.

An equally important dimension of the reform in the Public Sector has to do with the reform on public finances a key element in the provision of public services aiming at contributing toward poverty reduction. In an environment where there is international support reflected in the Millennium Development Goals there are justifiable reasons for the government to guide the public finances with responsibility. With this regard a law that regulates the public finances was approved and SISTAFE (State Finance Administration System) was established.

Another worth highlighting action in the Mozambique governance is the adoption in 2004 of the Law that fights corruption. The Government has been designing a preliminary vision of the Strategy of Fighting Corruption, which includes the Public Sector Reform and the judicial Law enforcement system.

As referred to in Agenda 2025, a strong judicial system requires a rapid dispute resolution, a transparent management of the fiscal and parastate accounts and a guarantee of public security and the defence of properties and goods.

In the scope of the Public Sector reform there are registrations of simplification of the industrial licensing processes, the improvement in the clients services, the establishment of several centres of unique multi-sectoral attendance in the main urban centres, pension reform ,improvement of the National Registration System, the reconciliation and possible integration of the data banks separated between the civil

servant staff and the improvement in the land registration processes and issuing of construction licences.

Another area of activity to highlight is the process started by the Government aiming at introducing ICTs in the governance. The Government electronic communication system (GovNet) was created and used in order to connect the ministries and the central Government agencies.

## **2.2 Justice, legality and public order**

The Government establishes as a central objective in the Justice and legality, the obligation of the State to guarantee justice amongst the citizens and other social stakeholders and the internal public order.

An Integrated Strategic Plan for the sector of justice was completed in 2001 and the Operational Plan in 2002. The present government challenge in this sector is training and human resources development especially through training and capacity building.

In the chapter of legal reform, it is worth to mention the proposals of the reforms on the registration codes of the civil registration, commercial registration and the prison organization Law. Several prison infrastructures were rehabilitated and equipped, construction of police stations, computerization of registrations and notaries and the construction of conservatories.

The future challenges are the fight against corruption and economic crimes and the promotion of social justice and an enabling business and investment environment.

### **2.3 Future Governance Challenges in the Country**

In the area of governance, the Agenda 2025 and NEPAD are two instruments that place themselves as pillars toward the definition of the strategic vision in Mozambique-in the governance area.

To highlight the following as challenges:

Public Sector Reform:

1. Development of a democratic and participative climate in the exercise of activities in public institutions, as a way of promoting solidarity and harmony between the citizens,
2. Redimensioning of structures and State organization, rationalization of administrative procedures and human resources management, improving the governing ethic and fight corruption,
3. The decentralization and non concentration of public administration, transfer of prerogatives and specific competences to the local bodies,
4. Development of local State bodies involving the participation of the communities;
5. Improvement in the civic and political participation by the citizens in the design, implementation and evaluation of the government sectoral policies, and

6. Gradual autarchy of the country Administration as a way of expanding the public municipality and increase the involvement of citizens in local management administration.

Strengthening of Justice, Legality and Public Order:

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

### **3. Human and institutional capacity building**

The Mozambique Government has as governance priorities (1) the reduction of the levels of absolute poverty which is done through concentrating actions in education, health and rural development, (2) the fast economic and sustainable economic growth focusing attention in the creation of a favourable economic environment to the actions of the private sector, (3) the rural development, (4) the consolidation of peace and national unity, justice and democracy (5) fight corruption, crime and bureaucracy, (6) strengthen sovereignty and international cooperation.

#### **3.1 Education**

The Government priority in the area of education for the five years period, 2001-2005, is the expansion of the access and improve the quality of education .The strengthening of the institutional capacity in

the different education administration levels is also regarded as a priority.

The universal primary schooling continues to constitute a major challenge for Mozambique. The efforts in 2005 continue to be concentrated in the expansion of the access and improvement of the quality of education.

The year 2005 registered a 18% growth of students in General Education compared to the year 2004, hence keeping the growth tendency being registered compared to the previous years. With regard to the school network a 7% growth was registered compared to the year 2004.

The construction of low cost schools, aiming at expanding the access is being promoted in a pilot phase in Cabo Delgado, Nampula, Tete and Zambezia provinces.

In the 1<sup>st</sup> Grade primary education (EP1) the access to a school increased at 17.9% in 2005 compared to the previous year 2004. The number of school equally registered an increase in 5%. In terms of school coverage the net schooling rate in EP1 went from 75.6% to 79% and the gross in taking rate increased to 19.1% from 137.6% to 156.7%.

Regarding gender, it was expected that the net schooling rate for the girls in EP1 could reach 77% in 2005, 38% more than 2004 increasing from 45.9% to 47% in pararel, and in the scope of the implementation of the strategy on gender in Education a plan of action will be

implemented in order to increase the gender parity and the strategy of caring and assist orphan and vulnerable children.

In the 2nd Grade primary education (EP2) in 2005 the number of students increased at about 25% compared to last year 2004 hence maintaining the tendency of a strong growth at this level of education being experienced since 1995 with a major focus from 2000. Consequently the gross schooling rate in this grade increased from 51.1% in 2005.

In secondary education alike in the primary a significant increase on the number of students in school was registered. The year 2005 registered an increase of 10.6% in relation to the observed in 2004.

In professional technical education an increase was registered in 35% of the number of students compared to 2004 and the integration of the schools in the National Education System is being considered. Literacy is another strong component of education in Mozambique, having registered a growth in the number of students of 50% compared to the number observed in 2004.

In the scope of the strengthening the administration capacity and management of the system, privilege is being given to the training of school directors and managers of the system at provincial and district level and the establishment of partnership with the civil society.

The actions in high education aim at developing a labour force capable of fully responding to the major country development challenges. It is worth to highlight the expansion of access to high education through

polytechnic institutions, including the private education, in national strategic development areas and in the provinces lacking high education institutions, the upgrading of the quality of the courses conducted and the expanding of access opportunities.

In the area of health, priority has been the increase in access and improve the quality of the provision of primary health care in the scope of reducing the excessive mortality and morbidity in the population in general and in the groups at risk and less favourable people in particular.

In an effort to reduce the infant mortality, vaccination activities of children of the first school grades and women at fertile age (age 15-49) are being undertaken. A central component of Health Strategic Plan and PARPA I is the Mother Child Health Program and the Family Planning. The PARPA target of reducing the intra-hospital mother mortality rate of 175 in 100,000 in 2000 to 160 in 2005 can be accomplished. It is expected that until 2015, the intra-hospital mortality will be reduced to the rate of 0.15% and that the institutional deliveries and family planning reach a coverage of 49% and 20% respectively.

It is projected that for the year 2005, the Mozambican population will be of 19.420.036 inhabitants, 10.051.811 out of which will be women and 9.368.425 men , whereby the rate of dependency will be around 86.2%. After the information published from the surveillance epidemiology round of 2002, a data demographic update on the HIV-AIDS was made in Mozambique in order to better guide the initiatives of the fight against HIV-AIDS. The HIV national prevalence rate

amongst the adult and productive population of 15-49 years of age foresees that until the year 2010 will reach 16.8% of the Mozambican population if no immediate and effective intervention is made.

With regard to the projections of demographic impact in terms of the number of people living with HIV-AIDS in Mozambique, estimates indicate that about 1.4 million people were infected by the virus in the year 2004. From those, 68.000 are children (age 0-4), 529.000 men (age 15-49) and 779.000 women (age 15-49).

The analysis of the implications of HIV/AIDS for the growth using the overall commendable balance model for Mozambique conducted in 2001-2002 indicate that AIDS cases and deaths may cause a major impact in the economic growth. The analysis indicate that the annual growth rates GDP per capita would be between 0,3% and 1.0% lower in a non AIDS scenario during the 1997 and 2010 period with stronger effects in the period between 1997-2010.

#### **4. Building LDCs productive capacity for Globalization**

The agriculture production growth and the highlight of the sector as a key sector for the whole development process has a particular importance for the LDC's. First of all, because almost 72% of the population is rural, and that is where, above all, the high levels of poverty are witnessed in this country. Reason why most of these countries adopted policies that regulate the market of agriculture commodities, highlighting the private sector main role in attracting

investment and consequently the promotion of a new agriculture with new technologies.

Generally, the evaluation of the performance of quantitative indicators of PAF is satisfactory, however, the progress registered in institutional issues in 2004 is far from the expected one. In 2004 in the agriculture sector one continued to register a remarkable growth in the agriculture production, about 9.0% in volume. The rate of performance registered overcomes the established target in the 2002-2005 PARPA in about 1.1%. Several concerns continue to affect the agriculture production in general, namely, the plagues and diseases, the deterioration of the international market of sugar and cotton, and the vulnerability to climatic conditions whose effects were reflected through the reduction of the production registered in cashew nuts , copra and sugar cane crops.

The sector performance in the main PAF indicators was of 91% in the established target for assistance in the public extension, 4% in the vaccination against Carbuncle Symptomatic, 94.7% vaccination against Foot and Mouth disease , 78% processes followed bureaucratic procedures within 98 days period, 50.5% against 22% of the concession targets with handling plans approved and finally regarding the percentage of explorations that market food crops with a percentage of 54%,the indicator was replaced by the percentage of cereal production effectively marketed by the formal sector with a realization of 15.4%.

Some progress was registered in the institutional reform namely the review of the sector organic functioning tools. The implementation of

the reform includes the restructuring plan of human resources. In this context a matrix of indicators has been developed in order to monitor the institutional development process of the Ministry of Agriculture in 2005. However, it is still necessary to develop concrete targets, tangible objectives as well as the design, discussion and approval of a plan of action which clearly shows the stages to be followed in the reform process as a whole according to the plan approved for 2007 (CIRESP)

Of the total expected for 2004 only 62% of the investment budget was disbursed and most of this amount was disbursed in the last weeks of the year. The disbursement constraints continue to make the normal implementation of the sector activities difficult. In budget execution (a) the lack of standardized mechanisms for the presentation of financial project execution carried out outside PROAGRI mechanisms still poses a concern; (b) the information on the external investment budget finance execution at provincial level is not channelled to the DPPF central level; (c) the lack of information about the Ministry of Agriculture and Rural Development procurement account.

On cross cutting issues, the PROAGRI II environmental assessment and gender Strategic Plan is being designed. In the area of HIV/AIDS the results of the impact of this disease were presented to the staff of the Ministry of Agriculture by the consultancy company Verde Azul.

## **5. Strengthening the role of Trade in development**

Trade is a fundamental element for sustainable development and poverty reduction therefore being able to contribute for the objectives of the Millennium. In Mozambique case the action of prioritizing trade

started in the beginning of 2002 with the undertaking of an appraisal study with na objective of having a full understanding about the constraints which hamper the country from enjoying the advantages granted by the multilateral trading system.

The process became fully complete with the inclusion of the country in the Integrated Framework which after the validation of the of the Appraisal Study on Trade Integration in September 2003 the expected actions in the Matrix will be reflected in the Program of Action for Poverty Reduction PARPA II being designed. Despite the fact that PARPA II is still being designed projects are being identified in the Matrix of Action with immediate impact outputs in the process of trade integration for funding in the scope of Window II.

Mozambique has also benefited from her inclusion in the Integrated Technical Assistance Program JITAP, co-funded by UNCTAD, World Trade Organization (WTO) and the International Trade Centre (ITC). In the scope of this program, the country has been receiving institutional capacity building related with trade for a better understanding of the issues multilateral trade system in order to create and strengthen herself in the necessary negotiation capacity. JITAP aims at creating and strengthening the national capacity in understanding and implementation of the WTO agreements, effective participation in WTO agreements and formulation of trade policies.

Despite this technical assistance, the country has not yet taken the desirable advantages, we are aware that this is a long process that needs to be followed by other measures and reforms in the national economy and countries of our partners. The assistance for trade will

only produce the desired effects if it takes into account what has been the concern of least developed countries in the present Doha Agenda, if we wish to speak about economic growth using trade for poverty reduction and creation of employment.

Another aspect worth highlighting in this area is the unilateral concession of Preferences by some developed countries to mention United States and the European Union, which allows exports to these markets duty free.

At the same time the country congratulates the WTO position with regard to cotton of granting a special attention in the negotiation process, enforcing at minimum levels the commitment made in the Doha Development Agenda due to the fact that the Mozambique government is aware of the importance of cotton crop for the farmers family income and in the national economy and its role in the fight against absolute poverty.

As a perspective, the inclusion of issues related to trade in PARPA II will allow the country to start a dialogue with her development partners in the search of long and medium term solution, overcome the supply problems through the increase of our productive capacity, especially in commodities with a huge capacity for export, improvement of business environment hence Mozambique is making a direct link of such process with the outcome of the Doha Round.

Within the development matrix trade is assumed as a key element of the whole process, meaning that it is reflected within the partners in the Program of *Integrated Framework Trade-related Technical*

*Assistance* JITAP (Joint Integrated Technical Assistance). Mozambique must speed up her national programs in order to take maximum benefit from the assistance programs strengthening therefore the institutional capacity.

## **6. Reducing Vulnerability and Environment Protection**

The country continues to be vulnerable to shocks deriving from natural disasters. The country vulnerability to natural disasters is an evident fact that can not be neglected. The 2000 floods which affected mainly the South and Centre region and its social and economic consequences, the 2001 floods in the Centre and North with dramatic human and economic consequences are a closer proof of that fact. Natural disaster are a factor of risk that affects the rhythm of economic growth, and destroys in particular the assets of the poorest population groups in the affected zones, reducing them to a situation of at least temporary dependence on donations. Therefore the measures tending to manage this risk are of highest importance.

This section presents additional actions to the foreseen ones on Infrastructure-water and environment.

### Management of Natural Disasters

Main objectives: to improve the national capacity response to eventual natural disasters, and increase the quality of services of the national warning system.

Main action to respond: to promote and coordinate the establishment of a contingency plan in order to fight natural catastrophes, to strengthen the capacity of the National Institute of Meteorology in the

forecast of the weather extraordinary irregularities. (a) Project design and (b) mobilization of resources and start with the project implementation.

## **7. Mobilizing Financial Resources**

**The Action Plan for the Reduction of Absolute Poverty (PARPA)** describes the country's macroeconomic, structural and social policies and programs to promote growth and reduce poverty. It provides a detailed action plan and sets out strategies and measurable objectives. The PARPA also provides clear links between sectoral policies and programs in the context of a comprehensive poverty reduction strategy.

The performance of the Government has been satisfactory based on the goals of the PARPA, namely attaining a GDP growth rate of about 8 per cent the last decade and reducing extreme poverty to less than 60% in 2005 and projected to be less than 50% in 2010. Currently the Government is preparing the PARPA II (2006-2009), on its final phase, which will operationalise the 2005-2009 Five-Year-Plan.

The **Economic and Social Plan (PES)** is the first stage in operationalising the Government's Five-Year Program and PARPA. It presents the major macroeconomic objectives, the evolution of economic indicators, developments by sector<sup>1</sup> and the budgetary policy. The other operational instrument is the **State Budget**, that is, the numerical expression of the PES.

**Lessons from PARPA I (2001-2005)** show that the objectives of absolute poverty reduction have been achieved. The economy grew at accelerated rhythm in the period of 2001-2004. Nonetheless, problems remain such as: weak administrative capacity in some sectors; corruption with both faces; limited growth of the formal sector and exports-excluding the mega projects; weak fiscal system that reduces capacity of the government of tax collection; the relevance and dependence on external finance to the government; low agricultural productivity and the important role of infrastructures of trade promotion; the HIV-AIDS infection rate increase; etc.

**The economic strategy of PARPA II (2005-2009)** is to continue to reduce absolute poverty in Mozambique. The government intends to reduce the incidence of absolute poverty to the levels of 50% in 2009. The PARPA II operationalizes the Five-Year government program and it is consistent with the spirit of 2025 Agenda. The PARPA II is elaborated in harmony with the objectives of economic development, growth and macro stability in the Five Year Government Program. The private sector should be the engine of growth in a system of competitive market economy. Unlike the PARPA I, the **PARPA II** will add support to the business environment of the private sector and its priorities through the provision of public goods. External support and cooperation with international partners continue to be important in the fight against absolute poverty. The government will continue to make efforts to increase gradually the financing of state budget through internal sources relatively to external sources, and guarantee the growth of the formal sector, widening the tributary base, and reducing fiscal evasion.

**Access to financing** still is a major constraint, which reflects on the relative reduction of the value of credit to the economy as a percentage of GDP, in nominal terms – from 19% in 2000 to 10% in 2004. The high interest rates also negatively contribute to the expansion of credit to the consumers and to the private sector. The government frequently borrows from the banking system to finance the budget deficit – in the last years the gross value of internal credit to the government has increased from 2.8% of GDP to 6.4% in 2004. Internal government revenue in relation to PIB was 12%, including increase in VAT collection from foreign trade.

#### *Involvement of Aid Partners in Government Poverty Reduction Efforts*

External financing has been fulcrum to reduce the levels of poverty. This generous financing from the international community continues to be important to complement the internal sources of financing, in the long run. However, there are inconveniences such as follow:

- the level of external dependence of the government is still high, 50% of the state budget;
- late disbursements that create substantial macroeconomic volatility;
- the off-budget financing problem;
- difficulties in coordinating and systematizing the flow of information between donors, the Ministry of Foreign Affairs, the recipient sectors, and other sectors of the government in the areas of planning and finance;

- the diversity of information from the different modalities of evaluation, and other requisites from the donors side;
- the fictitious separation of activities of the government between the projects financed externally and the running costs; and
- the risk of the government to lean more on these kind of financing than the interests of national citizens and institutions.

International development assistance plays a crucial role in Mozambique's fight against poverty. Net Official Development Assistance (ODA) averaged \$1.1 billion in the period 1997-2003, around 31.4% of GNI or \$61.8 per capita in the same period.<sup>i</sup> Around three-quarters of ODA were provided under bilateral programs, whilst the remainder was provided by multilateral institutions, such as the World Bank and the European Commission.

A group of seventeen donors, known as G17, currently provide budget support to Mozambique. The rationale for direct budget support to Mozambique is to provide efficient and effective financial support to the implementation of PARPA.

The government of Mozambique and the partners signed a Memorandum of Understanding (MoU) in 2004, which sets out the principles, terms and operations for the Program Aid Partnership (PAP). The PAP is organized around a structure of 23 thematic groups; Government, multilateral organizations and civil society participate to monitor progress of the PARPA indicators.

Maputo, December, 2005

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