

REPUBLIC OF MOZAMBIQUE

**ACTION PLAN FOR THE REDUCTION OF
ABSOLUTE POVERTY
2006-2009**

(PARPA II)

**Final Version Approved by the Council of Ministers on
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**Maputo
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TABLE OF CONTENTS

	Contents	Page
I.	Introduction, and Relationship Between PARPA and Other Planning Documents.....	1
II.	PARPA Review Methodology.....	6
III.	Absolute Poverty - Evolution.....	8
IV.	Vision, Objectives, and Essential Actions	28
V.	Basic Macroeconomic and Fiscal Scenario	34
VI.	Scenarios for Absolute Poverty Reduction.....	54
VII.	Cross-Cutting Topics	57
	1. Gender.....	57
	2. HIV/AIDS.....	59
	3. The Environment	60
	4. Food and Nutritional Security.....	62
	5. Science and Technology	63
	6. Rural Development.....	66
	7. Natural Disasters.....	67
	8. De-mining.....	68
VIII	Development Strategy, by Pillar.....	70
	1. Governance.....	70
	2. Human Capital	84
	3. Economic Development.....	117
IX	FACTORS DETERMINING SUCCESS IN IMPLEMENTATION	143
	1. Ownership/Participation by the Various Actors	143
	2. Political Leadership	145
	3. Coordination among Sectors, Including Cross-Cutting Issues	146
	4. The Government's Position on Assistance from the Cooperation Partners...146	
X	MONITORING AND EVALUATION	150
	1. Introduction.....	150
	2. Challenges facing Monitoring and Evaluation	151
	3. Fundamental Principles of Monitoring and Evaluation.....	152
	4. Mechanisms and Instruments of Monitoring and Evaluation.....	152
	5. Monitoring and Evaluation and Participation.....	154
	6. The Position of Monitoring and Evaluation in the Institutional Framework and its Responsibilities	155

Annexes

Annex 1: Summary of the Provincial Poverty Observatories.....	158
Annex 2: Linkages Between the PARPA II Pillars and the Millennium Development Goals	162
Annex 3: Strategic Indicators Matrix.....	164

Abbreviations and Acronyms

ACPD	Handicapped Former Combatants
AIDI	Integrated Attention to Childhood Diseases
ARVT / TARV	Anti-Retroviral Therapy
BdPES	Balance Sheet – Economic and Social Plan
CDMA	Code Division Multiple Access
CFMP	Medium Term Fiscal Framework
CIT	Information and Technology Sciences
CNCS	National Council on Combating AIDS
CNJ	National Youth Council
COVs	Orphans and Other Vulnerable Children
CPI	Center for Investment Promotion
CTA	Federation of Economic Associations
DAF	Department of Administration and Finance
DDT	dichloro-diphenyl-trichloroethane
DINAGECA	National Directorate of Geography and Land Registry
DNPO	National Directorate of Planning and Budget
DOTS	Directly-Observed Treatment Short-Course
DPPF	Provincial Directorate of Planning and Finance
DPT3	Triple DPT Vaccine (diphtheria, pertussis (whooping cough) and tetanus – 3 rd dose)
ECA II	Agricultural Marketing Strategy II
EP1	First Level Primary Education (grades 1 to 5)
EP2	Second Level Primary Education (grades 6 and 7)
ESG2	General Secondary Education – 2 nd cycle
e-SISTAFE	State Financial Administration System – electronic system
GBS	General Budget support
GCCC	Central Anti-Corruption Office
GDP	Gross Domestic Product
HB	Hepatitis B
HDD	Day Hospital
HIV	Human Immunodeficiency Virus
IAF	Survey of Family Units
IDS	Demographic and Health Survey
IER	Impact Evaluation Report
IGS	General Inspectorate of Insurance
IMF	International Monetary Fund
INE	National Statistics Institute
INSS	National Social Security Institute
IPCC	Institute for Community Participation and Consultation
IRPC	Corporate Income Tax
IRPS	Individual Income Tax
ISCISA	Higher Institute of Health Sciences
M&A	Monitoring and Evaluation
MADER	Ministry of Agriculture and Rural Development (former)

MEC	Ministry of Education and Culture
MF	Ministry of Finance
MIC	Ministry of Industry and Commerce
MICOA	Ministry for Coordination of Environment Affairs
MINEC	Ministry of Foreign Affairs and Cooperation
MINT	Ministry of the Interior
MISAU	Ministry of Health
MMAS	Ministry of Women and Social Action
MP	Mega-projects (synonymous with Large Projects)
MPD	Ministry of Planning and Development
MPF	Ministry of Planning and Finance (former)
MPME	Micro, Small and Medium-sized Enterprises
MT	<i>Metical</i> (Mozambican abbreviation of its currency)
MZM	<i>Metical</i> (international abbreviation)
NEPAD	New Partnership for the Development of Africa
ODM	Millennium Development Goals
OE	State Budget
OMS	World Health Organization
ONG	Non-Governmental Organization
OP	Poverty Observatory
PAF / QAD	Performance Assessment Framework
PAP	Program Aid Partnership
PARPA	Action Plan for the Reduction of Absolute Poverty
PAV	Expanded Vaccination Program
PEN	National Strategic Plan
PES	Economic and Social Plan
PF	Family Planning
PIA	Population of Active Age
PIREP	Integrated Program for Vocational Education Reform
PPP	Public-Private Partnerships
PQG	Government Five-Year Plan for 2005-2009
PRM	Police of the Republic of Mozambique
PROAGRI	National Program for Agrarian Development
PTV	Vertical Transmission Prevention
PVHS	People Living with HIV/AIDS
QUIBB	Questionnaire on Basic Indicators of Well-Being
RTA	Automobile Transportation Regulations
SAAJ	Friendly Services of Adolescent and Youth
SACU	Southern Africa Customs Union
SADC	Southern African Development Community
SAN	Food and Nutritional Security
SC	Civil Society
SIDA	AIDS – Acquired Immune Deficiency Syndrome
SIFAP	Public Administration Training System
SIS	Health Information System

SISTAFE	State Financial Administration System
SMI	Maternal and Child Health
SNS	National Health Service
STD	Sexually-transmitted diseases
T21	Threshold 21
TA	Administrative Tribunal
TB	Tuberculosis
TDM	Mozambique Telecommunications
TIC	Information and Communications Technology
UEM	Eduardo Mondlane University
UNAC	National Union of Rural Workers
UNDP	United National Development Program
UNICEF	United Nations International Children's Emergency Fund
US	Health Units
VAT	Value-Added Tax

I. INTRODUCTION, AND RELATIONSHIP BETWEEN PARPA AND OTHER PLANNING DOCUMENTS

1. The Government of Mozambique's Action Plan for the Reduction of Absolute Poverty for 2006-09 (PARPA II) is intended to reduce the incidence of poverty from 54 percent in 2003 to 45 percent in 2009.
2. This document is a successor to PARPA I (Government of Mozambique, 2001). It shares the same priorities in the areas of human capital development through education and health, improved governance, development of basic infrastructures and agriculture, rural development, and better macroeconomic and financial management.
3. This PARPA differs from the previous one in that its priorities include greater integration of the national economy and an increase in productivity. In particular, it focuses attention on district-based development, creation of an environment favorable to growth of the nation's productive sector, improvement of the financial system, measures to help small and medium-size companies to flourish in the formal sector, and the development of both the internal revenue collection system and the methods of allocating budgeted funds.
4. This plan links its specific priorities with allocations of funds for the five-year period.
5. Although PARPA II calls for an increase in internal revenues for 2006-09 in real terms, the Mozambican government expects to continue to rely on the contribution of its cooperation partners to finance about 49 percent of the State Budget every year during this period.
6. Owing to the extent of poverty in Mozambique, reducing it challenges both the State and the elements of civil society, and the cooperation partners, to dedicate their efforts. It is vital that there be clear dividing lines between the functions of each of these parties so that coordination and alignment among all of them can be more effective and efficient. It is the responsibility of the Government of Mozambique to coordinate these activities.
7. A summary of the principal vision for PARPA II is presented in Chapter IV (Principal Vision, Objectives, and Essential Actions).
8. PARPA II centers attention on ways to raise the low standard of living of the least favored population groups whose current situation corresponds to "absolute poverty."
9. During the process of planning, executing, monitoring, evaluating and adjusting PARPA II, strategies, programs, and sectoral and cross-sectional programs and plans were also used as basic documents. Regional, African and international agreements, including the Millennium Development Goals (MDG), New Partnership for the Development of Africa (NEPAD) and the Southern African Development Community (SADC), were respected.

10. Because of the importance that the Government of Mozambique attaches to participation by civil society and appropriate use of the contributions from the cooperation partners in the achievement of the objectives defined here, the drafting of PARPA II took into account the opinions of both groups.

11. PARPA is flexible, and is adjusted and updated annually using the Medium-Term Fiscal Framework, the Economic and Social Plan, and the State Budget, which are tools used to implement the Government's Five-Year Plan. What remains constant throughout its life are the two general objectives (Chapter IV, section 2).

12. During the subsequent five years, 2010-2014, specific key components of PARPA will be incorporated into the Government's Five-Year Plan.

13. The combination of the two processes and instruments has the advantage of rationalizing the public planning exercise. This will enable efforts to be channeled toward implementation of the government's plan from the very beginning of its term of office.

14. The new government will easily be able to align the priorities, debated throughout 2009, with the objectives stated in the Electoral Manifesto.

15. Over the long term, the objective on which Mozambican society has reached a consensus is the improvement of the standard of living and welfare of its citizens. Long-term objectives also include the following: (i) a balanced economic and social development; (ii) reduction of absolute poverty; (iii) consolidation of the peace, national unity, and democracy; (iv) widespread application of the rules of justice; (v) improvements in education and health; (vi) encouragement of work, honesty, zeal, and enthusiasm; (vii) the guarantee of individual freedoms and social harmony; (viii) the imposition of laws against criminal acts; the guarantee of sovereignty, and (ix) the guarantee of sovereignty and the strengthening of international cooperation.

16. The government took these objectives into consideration, in both letter and spirit, when it defined its Five-Year Plan for 2005-09 and in the subsequent preparation of this PARPA II.

17. PARPA II is presented with reference to three pillars: governance, human capital, and economic development. The pillars approach enables us to focus attention on the functions of social organization via the State, the development of individual abilities, and the creation of wealth to improve the well-being of the citizens. It also makes it possible to examine the connections among the three functions that are necessary if the central objectives are to be achieved.

18. The *governance* pillar seeks to make the apparatus of the State a means of sparking the development of human capital and the economy. The government will give special attention to improving the quality of policy analysis and design, in order to obtain fully the expected results of their implementation. Officials will be guided by the principles and laws of a government ruled by law, thus ensuring transparency and accountability and combating

the diversion and improper use of public funds and resources. Also included is active enforcement of the laws against criminal acts and corruption.

19. The *human capital* pillar provides continuity to the plans for developing work-related technical and scientific skills, good health and hygiene, and access to basic resources—especially food and water—and reducing the incidence of diseases that affect the most vulnerable population groups, focusing particularly on the battle against HIV-Aids, malaria, and tuberculosis. A special part of the resources in the state budget will be used to finance classic social services that cover a huge proportion of the population, including the poorest.

20. The *economic development* pillar concentrates on conditions basic to the pursuit of productive activity, such as improvement in infrastructures that promote the creation of wealth and ensure the availability of natural resources, a reduction in bureaucratic obstacles, and the enactment of legislation that safeguards citizen rights and encourages gains in productivity, and innovation. It will also give priority to intersectoral connections in order to ensure higher productivity in agriculture and related sectors. Additional priorities are the development of the banking and financial systems so that they may fulfill their duties in retention of savings and active financing of production, particularly production by small and medium-sized companies.

21. The element common to the three pillars is **the building of the Mozambican nation**, consolidating national unity, developing each citizen's human potential, creating a functioning institutional system, and increasing the ability to create national wealth.

22. A fundamental condition for success in the formation of this Nation is ensuring that investments are made in basic infrastructures and maintenance thereof. We need to foster efficient communications from north to south of our territory and between rural and urban areas for people, goods, and information. Improving these communications will facilitate the integration of farmers and the other rural and urban residents.

23. The multisectoral coordination among the different State institutions, organizations in civil society, the business community, and other development partners is the touchstone that will ensure the harmonious and multifaceted development of this country.

24. The integrated and balanced development of this nation is an imperative that is a determining factor and has multifaceted historical, political, social, anthropological—and even economic—implications. The priorities associated with each pillar will necessarily reflect this concept.

25. Since national development is a priority, PARPA II is also mindful of the need for Mozambique to gradually and progressively integrate itself into the community of neighboring countries, the rest of Africa, and the world.

26. After recovering production capacity in agriculture, construction, and services, the trend in economic growth may begin to depend increasingly on productivity gains and the

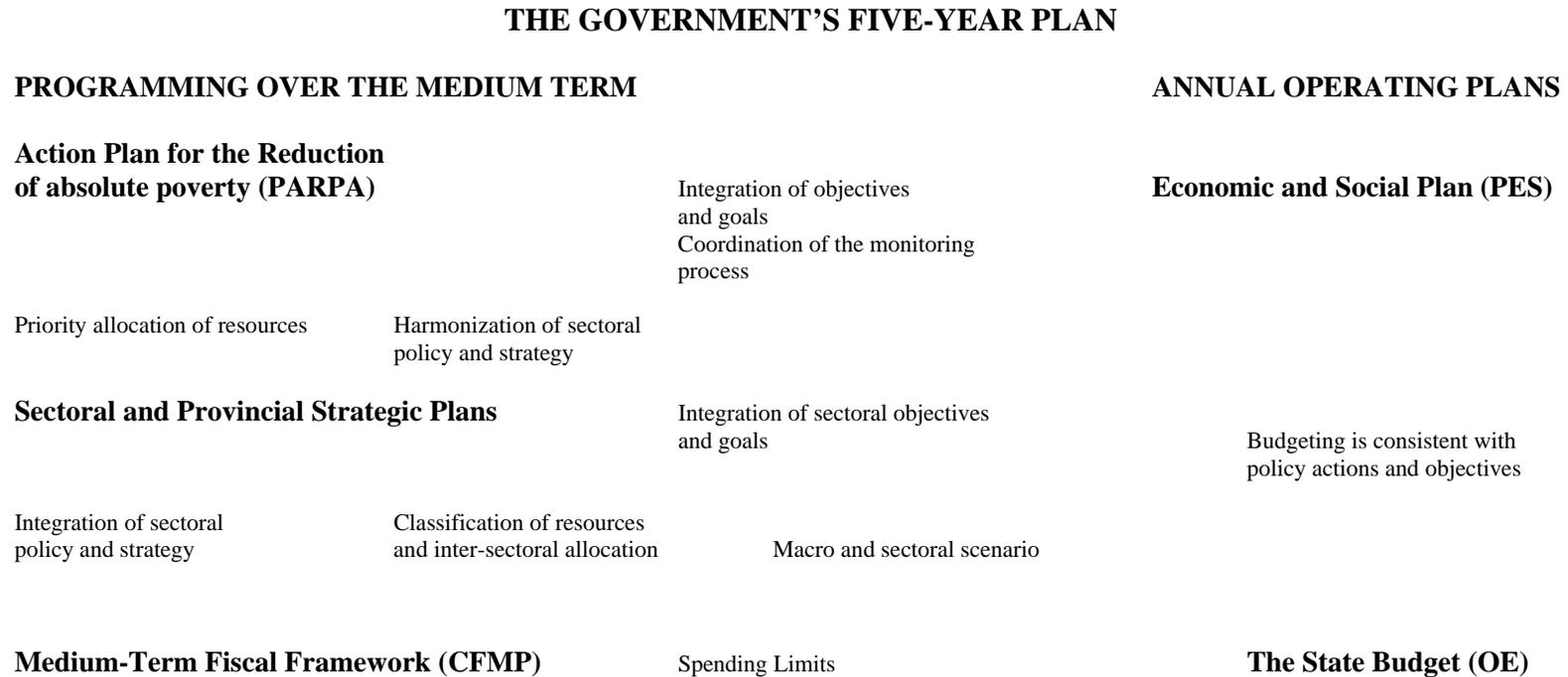
ability to create, retain, and productively use domestic savings. These two factors present an enormous challenge for the coming years.

27. Growth in productivity is another element that connects the three pillars, and it is something that all three are focused on. The governance pillar will help achieve this objective if the quality of services, analyses, government policies, and monitoring improves, along with government's ability to make adjustments. This role of the State needs to be buttressed by political quality and quality leadership, as well as the technical quality of its staff. The benefits to the economy will be felt in terms of a reduction in bureaucracy and an increase in quality, strategic investment in infrastructures, as well as incentives for growth of the private sector. Investments in education and health and sanitation services should be oriented so as to mold citizens into a more effective production force that enjoys a higher standard of living.

28. Chapter II, which follows, explains the methodology used in preparing PARPA II. Chapter III reports on the trend in the indicators of absolute poverty. Chapter IV presents the strategic vision, the objectives and the priority actions. Chapter V discusses the basic macroeconomic and fiscal scenario. The absolute poverty reduction scenarios are presented in Chapter VI. The principal objectives and actions on cross-sectional matters are discussed in Chapter VII, and the objectives and actions are addressed in detail, by pillar, in Chapter VIII. Chapter IX explains the factors that will determine the success of the implementation of PARPA II. Chapter X reports on monitoring and evaluation procedures, and the Annex presents the summarized matrix of the indicators to be used in monitoring and evaluation.

[Chart, page 5 of the original – translation of text w/o arrows and shading]

Figure 1: The Public Planning system: Relationships Among Instruments



II. PARPA REVIEW METHODOLOGY

29. During the **preparatory phase** from January to March 2005, the Government of Mozambique arrived at a common approach to the process of reviewing PARPA with the other government institutions, civil society, and international partners (MPD 2005a).

30. The notion of a strategy of consensus that guided Agenda 2025 was revived, as were aspects of the process used in the preparation of that document. In this context, the following support structures were created: (i) thematic groups and working groups (Table 1) – observing the structure of the Joint Review (PAP, 2005); (ii) the Technical Secretariat, and (iii) the national and provincial Poverty Observatories (MPD 2005b).

31. The working groups were composed of technical personnel from the government, civil society, and international partners. The government and civil society met without the international partners for several sessions to acquaint themselves with the principal issues and to exchange opinions. Representatives of civil society were in regular contact with the Technical Secretariat. The international partners entered the process later. The idea of including the partners in a second phase helped to some degree to ensure the “appropriation” of the process.

32. In the **first phase**, the process of drafting PARPA II, for 2006-09, was begun. That process culminated with the 3rd Poverty Observatory, held on August 4, 2005.

33. Note that the national Poverty Observatories are participative forums that include the government, civil society, and the international partners. Their purpose is to follow the progress of PARPA actions and the level of PARPA performance

34. During the 3rd Poverty Observatory, the major lines of the PARPA II were defined and the initial decisions by the working groups were presented. These reports were compiled by subject matter. The medium term action plan, structured by pillars, was defined this way: (i) governance, (ii) human capital, and (iii) economic development.

35. In addition, the provinces held their own Provincial Poverty Observatories in order to receive contributions to PARPA II from local civil society and the cooperation partners.

36. During the **second phase**, after the 3rd Poverty Observatory, the working groups and thematic groups were assigned to produce the documents and materials needed to facilitate the task of drafting the preliminary version of PARPA II. These basic documents were finalized early in October 2005. The working groups continued their work on the matrices designed by area, following the orientation that came out of the 3rd Poverty Observatory. Then one matrix was developed to be used to plan and calculate the costs of the different activities (Operational Matrix), and another matrix was designed with indicators and goals for the proposed activities, to be used to monitor PARPA II (the Strategic Matrix).

37. The purpose of the 4th Poverty Observatory, held in November 23, 2005, was to study a preliminary version of PARPA II, based on contributions from the various components of the process: (i) reports from the working groups; (ii) contributions from civil society and the international partners; and (iii) reports from the national and provincial Poverty Observatories.

38. Following the 4th Poverty Observatory, the PARPA II was completed and sent to the Council of Ministers and the legislature.

Table 1: PARPA II Working Groups, by Subject

Topic	Working Group
Macroeconomics and Poverty	Macroeconomic growth and stability Poverty analysis and monitoring systems Management of public finances
Governance	Reform of the Public Sector Decentralization Reform of the legal and justice systems
Economic Development	The financial sector The private sector Agriculture Infrastructure: highways, telecommunications, ports and railroads Iron Infrastructure: energy
Human Capital	Health Education Water and sanitation
Cross-sectional topics	Demining Environment Natural Disasters HIV-AIDS Gender Food and Nutritional security Science and Technology Rural Development

Note: This table includes the original working groups. The housing and social action groups were formed later. The private sector subgroup included in its discussion matters related to other areas that were not arranged in specific groups (including tourism, fisheries, mines, industry). *Source:* Government of Mozambique 2005.

39. The next chapter examines the evolution of poverty in Mozambique during the PARPA I period (2001-2005).

III. ABSOLUTE POVERTY - EVOLUTION

(a) The Definition of Poverty

40. Reduction of absolute poverty has been one of the key objectives in the governance programs in various countries. However, the debate on the definition of the concept “poverty” continues. For purposes of policy decisions, poverty was initially considered as the lack of income—money or negotiable goods—necessary to satisfy basic needs. Because this monetarist definition did not cover all the manifestations of poverty, the definition was broadened over time to cover such aspects as a lack of access to education, health care, water, and sanitation, etc. At present, the definition of poverty has also come to include aspects such as isolation, exclusion from society, powerlessness, vulnerability, and others. Box No. 1 presents alternative definitions of poverty that attempt to cover the principal manifestations of poverty, including the definition used for PARPA II.

Box 1: What is poverty?

PARPA I definition: “the inability of individuals to ensure for themselves and their dependents a set of minimum conditions necessary for survival and well-being, according to the society’s standards.”*

PARPA II definition: “*the impossibility, owing to inability and/or lack of opportunity for individuals, families, and communities to have access to the minimum basic conditions, according to the society’s basic standards.*”

Other definitions:

--“lack of income necessary to satisfy basic nutritional and non-nutritional requirements” (*Absolute poverty, in terms of income.*)

-- “lack of sufficient income to satisfy the essential nutritional and non-nutritional needs, according to the average income in the country.” (*Relative poverty*)

--“lack of basic human capabilities, such as illiteracy, poor nutrition, reduced life expectancy, poor maternal health, and incidence of preventable disease. This definition is related to indirect measurement factors, such as access to goods, services, and infrastructures necessary to achieve basic human capacities—sanitation, potable water, education, communications, energy, etc.” (*Human Poverty*)

Note: * Definition adopted on the basis of the *Avaliações da Pobreza* (Poverty Appraisal) studies of 1996-97 and 2002-03.

41. Because poverty is a multidimensional phenomenon, there is no single indicator that can capture all its manifestations. Therefore, to measure the evolution of poverty, we must use several indicators that attempt to capture the principal forms of poverty through multiple approaches.

(b) Methods of Measuring Poverty

42. There are two main methods of monitoring and evaluating poverty: quantitative studies, and qualitative studies. Quantitative studies are based on the averages for a population selected by using large representative samples. For example, the Survey of Family Units (*Inquérito aos Agregados Familiares - IAF*) 2002-03 interviewed 8,700 family units and the Demographic and Health Survey (*Inquérito Demográfico e de Saúde - IDS*) 2003 interviewed 11,500 women between the ages of 15 and 45. The quantitative studies are intended to furnish objective data on the population's standard of living.

43. However, there are problems in obtaining certain kinds of data from these quantitative studies. For example, the qualitative perceptions that people have of the nature and causes of poverty are hard to capture. Qualitative and participative studies can yield information that is difficult to capture using conventional surveys. The disadvantage is that qualitative studies are often based on small, unrepresentative samples that hamper a generalization as to the results.

44. Under normal conditions, the two methods would complement each other pluralistically. Analyses of poverty in Mozambique have not yet achieved this objective--see the section on Monitoring and Evaluation for future plans in this regard. However, a considerable number of quantitative and qualitative studies have been made since 2000, and those studies supplied a wealth of information. The following sections of this chapter discuss quantitative indicators of poverty, the general results of qualitative studies, and selective cross-cutting issues.

(c) Qualitative Indicators

45. There are many quantitative indicators, such as illiteracy, mortality rates, percentage of the population lacking access to potable water, and income. One important measure is based on consumption per family unit. The goal of reducing poverty from 54 percent in 2003 to 45 percent in 2009, mentioned in the first paragraph of this document, refers to a consumption-based indicator. Studies by the Ministry of Planning and Finance (MPF) *et al.* (1998 and 2004) on the status of poverty in this country used consumption per capita—i.e., total consumption by the family unit, divided by the number of its members—as the basic measure of individual well-being. The consumption measure encompasses the total value of items consumed by the family unit, whether they were purchased or produced by the family unit itself, including transfers and the appreciation in value of durable goods owned by the family unit.

46. Given the importance placed on indicators of consumption, it is worth looking more closely at them. However, a principal point of this section of the document is that consumption-based indicators have not been and should not be the only standards to be used to measure poverty. Other indicators will be presented in later sections.

Consumption-based indicators

47. The reason why consumption at the family unit level is used instead of an income-based indicator, for example, is that:

- Consumption is the most appropriate indicator or measure of achieved well-being, while income is a measuring tool for potential well-being, since the income may or may not be spent on consumption; and
- Consumption is the most accurate and most stable indicator of well-being, since it fluctuates less over time.

48. In consumption-based assessments of poverty, the basic minimum conditions were identified on the basis of an absolute poverty line measured in monetary terms that permits the family unit to obtain a basket of goods corresponding to a basic standard of living. Each poverty line was constructed as the sum of the nutritional poverty line established by nutritional standards of approximately 2,150 calories per person per day, plus a modest portion for non-food expenditures, determined on the basis of the portion of the budget spent on non-foods by families whose total consumption is approximately equal to the food-related poverty line. The poverty analysis in 2002-03 was done to facilitate a comparison of the results from that period with the results from 1996-97.

49. *The headcount index of poverty* measures the portion of a population that has been defined as “poor,” i.e., the people whose consumption falls below the poverty line as defined. Two important additional measures of poverty are calculated using the poverty lines: the poverty gap index and the squared poverty gap index. The poverty gap indices are more sensitive, particularly to changes in standards of living among the poor. For example, if a poor person increases his consumption but still stands below the poverty line, we can say that poverty has been reduced because the person has become less poor. The headcount index of poverty does not capture this reduction in poverty, but the other indices will capture it.

50. The evolution of the headcount and poverty gap indices is shown in Table 2. The results indicate that during the two periods examined here, a rapid reduction occurred in these indicators. The headcount index fell from 69.4 percent in 1996-97 to 54.1 percent in 2002-03, a decline of approximately 15.3 percent. We should remember that the objective of PARPA I was to reduce poverty to about 60 percent by 2005, which means that this goal was exceeded by 5 percent. The poverty gap index also declined sharply, from 29.3 percent in 1996-97 to 20.5 percent in 2002-03, a reduction of almost a third. These results mean that (i) the percentage of the population below the poverty line has fallen, and (ii) average consumption by those who remain below the poverty line rose between those two periods.

51. Although high levels of poverty reduction have been achieved, the situation is still critical in this country because 10 million Mozambicans still live in absolute poverty.

Chart 1 shows how those 10 million are distributed among provinces (MPF *et al.* 2004).. The chart indicates that every province has at least 500,000 poor people. It also shows clearly the influence of Nampula and Zambézia provinces in both total population and the impoverished segment.

52. In terms of region, note that poverty declined more in the rural areas than in urban zones—by 16 percent and 10.5 percent, respectively). Zambézia and Tete provinces experienced reductions in poverty greater than 22 percent, while Sofala province reported a reduction of more than 50 percent, taking it from the poorest of the provinces to the one with the lowest poverty. Poverty reductions were found in almost all the provinces of central and northern Mozambique, except for Cabo Delgado, where poverty increased. In the south of the country, the scenario nearly the inverse. Poverty increased in two provinces there—Maputo province and Maputo city. In Inhambane, a marginal reduction—from 82.6 percent to 80.7 percent—was seen, making this the country’s poorest province. Explanations of the trend in poverty, by province, were presented in the Poverty Appraisal Study of 2002-03 (MPF *et al.* 2004).

[Graph on page 11 of the original]

Chart 1: Population and Poverty, by Province (2002-03)

Vertical axis: Population (millions)

Horizontal axis: List of provinces.

Key: Blue: Not poor. Red: poor

Source: Prepared on the basis of IAF 2002-03 (INE 2003).

53. Table 2 shows the evolution of poverty and the confidence intervals in the estimates of poverty incidence for 2002-03. Those confidence intervals exist because estimates are made on a random sample of the population, not total population. We should point out that the results in the provinces have larger confidence intervals in comparison with the national results and the results per zone. Actually, the confidence intervals should be even bigger because of errors not associated with the sample. For example, if there were mistakes in communication between the survey worker and the respondent, these mistakes would enlarge the confidence intervals from the levels shown in Table 2.

54. Inasmuch as poverty is a multidimensional phenomenon, and because of the uncertainty associated with any indicator--especially at the provincial level--it is important to introduce, at this point, other ways of measuring poverty, and to make progress in the future in using multidimensional quantitative analyses.

Table 2: Trend in the Incidence of Poverty, and Confidence Interval (2002-03)

Region	Poverty Headcount Index				Poverty Gap Index			
	Estimate		Confidence Interval (95%) (2002-03)		Estimate		Confidence Interval (95%) (2002-03)	
	1996-97	2002-03	Lower Limit	Upper Limit	1996-97	2002-03	Lower Limit	Upper Limit
Nationwide	69.4	54.1	50.6	57.5	29.3	20.5	18.9	22.2
Urban	62.0	51.5	46.3	56.7	26.7	19.7	17.4	22.0
Rural	71.3	55.3	51.2	59.4	29.9	20.9	18.9	22.9
Niassa	70.6	52.1	41.1	63.2	30.1	15.8	12.5	19.1
Cabo Delgado	57.4	63.2	55.8	70.5	19.8	21.6	18.0	25.3
Nampula	68.9	52.6	43.0	62.3	28.6	19.5	15.0	24.0
Zambézia	68.1	44.6	34.6	54.6	26.0	14.0	9.7	18.3
Tete	82.3	59.8	51.5	68.1	39.0	26.3	21.1	31.5
Manica	62.6	43.6	35.4	51.7	24.2	16.8	11.7	21.8
Sofala	87.9	36.1	29.1	43.1	49.2	10.7	8.1	13.3
Inhambane	82.6	80.7	75.9	85.5	38.6	42.2	37.4	47.0
Gaza	64.6	60.1	53.2	67.1	23.0	20.6	17.4	23.8
Maputo Province	65.6	69.3	63.4	75.2	27.8	31.1	27.1	35.1
Maputo City	47.8	53.6	47.3	59.9	16.5	20.9	17.6	24.1

Source: MPF *et al.* 2004; and Simler and Arndt 2005.

Health-based indicators

55. There has also been a favorable trend in indicators based on health, but they are still high. For example, the mortality rate among children under the age of five fell from 207 per 1000 live births in 1997 to 153 in 2003, driven by a decline in infant mortality from 149 to 101. This indicator showed significant improvement between 1997 and 2003; however, the mortality rate among children under the age of five in 2003 is still close to the average for less developed countries, which stood at 160 in 2001.

56. Table 3 shows estimates of the prevalence of malnutrition in children, by survey, indicator, and age group. Some efforts were made to make the available data suitable for comparison. Following those adjustments, results indicate that the prevalence of malnutrition among children, according to three frequently-used indicators, fell between 1996/97 and 2003. However, in comparison with the gains recorded in consumption, those

improvements in the prevalence of malnutrition among children seem minor and are sometimes not statistically significant.

57. The reasons behind the relatively weak performance of the indicators of the prevalence of malnutrition in periods of rapid economic growth are not well understood. Here are some of the contributing factors: constraints associated with public health conditions such as the quality of sanitation, access to potable water, and the prevalence of diseases such as malaria. Furthermore, nutrition depends not only on the pattern of consumption by the family unit, but also on conditions in the community as a whole.

58. The figures for the headcount index of poverty were based on the potential capability of a family unit to achieve average consumption and did not take into consideration the distribution of food among members of the same family unit. Children between the ages of 6 and 24 months are the most vulnerable to malnutrition, because that is when they start eating solid foods. Improvements in the knowledge and practice of methods of proper feeding for children in that age bracket are important, but do not automatically accompany gains in consumption by the family unit. This situation calls attention to the need to make mothers the central focus of food policy and programs.

Table 3: Estimates of prevalence of malnutrition, by survey*

Indicator and Age Group	1996-97 IAF	1197 IDS	2000-01 QUIBB	2003 IDS
<i>Height/Age</i>				
0-0.9 years	23.69	20.67	18.73	19.23
1-1.9 years	52.21	45.57	46.58	46.29
2-2.9 years	47.10	51.89	48.06	39.79
3-3.9 years	47.66	-	50.07	46.33
4-4.9 years	50.41	-	42.70	41.97
Total 0-3 years	38.66	36.21	36.24	33.94
Total 0-5 years	42.17	-	40.42	38.03
<i>Weight/age</i>				
0-0.9 years	16.43	16.00	16.44	15.23
1-1.9 years	36.27	34.69	31.79	31.42
2-2.9 years	25.78	35.54	31.44	26.86
3-3.9 years	21.48	-	23.00	20.91
4-4.9 years	25.20	-	16.78	17.78
Total 0-3 years	25.36	26.75	26.08	24.01
Total 0-5 years	24.50	-	23.82	22.25
<i>Weight/height</i>				
0-0.9 years	7.61	5.68	8.31	2.98
1-1.9 years	10.33	12.76	8.02	6.89
2-2.9 years	5.90	3.55	6.34	4.95
3-3.9 years	3.52	-	3.01	3.30
4-4.9 years	3.05	-	2.78	1.88
Total 0-3 years	8.14	7.51	7.74	4.88
Total 0-5 years	6.48	-	5.86	4.01

Note: *Percentage of the target population who fall below the line that marks the minimum standard.
Source: Simler and Ibraimo (2005)

Other Indicators

59. Tables 4a and 4b summarize the trend in 35 indicators at the provincial level. A plus sign (+) indicates an improvement, and a minus sign (-) indicates deterioration. According to Table 4b, the country experienced an 88.4 percent improvement in the indicators of well-being that were considered. Greater weight was given to access to private goods and services, such as access to modern lighting, a source of potable water and improved sanitation systems, better housing, and possession of durable goods. The provinces of Tete and Maputo are the ones that exhibited the highest percentage of improvement, mainly because of the favorable developments in the areas of health and access to private and public goods and services, such as improved roads, markets, and means of communication.

Table 4a: Summary of the change in several indicators between 1996/97 and 2002/2003

Indicator	National	Niassa	C.Delgado	Nampula	Zambézia	Tete	Manica	Sofala	Inhambane	Gaza	Maputo Prov.	Maputo City
CONSUMPTION												
Incidence of Poverty	+	+	+	+	+	+	+	+	+	+	-	-
EDUCATION												
Gross Rate of School Attendance EP1**	+	+	+	+	+	+	+	+	+	+	+	+
Net Rate of School Attendance EP1	+	+	+	+	+	+	+	+	+	+	+	+
Access to Literacy Services and Adult Education*		+	+	+	+	+	+	+	+	+	+	
Rate of School Leaving EP1	+	+	+	+	-	+	+	+	-	-	-	-
Rate of Grade Repetition EP1	+	+	+	+	+	+	-	+	+	+	+	+
Gross Rate of Completion EP1	+	+	+	+	+	+	+	+	+	+	+	+
Pupil-Classroom Ratio EP1	-	-	-	-	-	-	+	+	+	+	+	+
Pupil-Teacher Ratio EP1	-	+	-	-	-	-	-	-	+	+	+	+
Access to Schools of the EP1*		-	+	-	+	+	+	+	+	-	+	
Gross Rate of School Attendance EP2	+	+	+	+	+	+	+	+	+	+	+	+
% IMPROVEMENT IN EDUCATION	77.8	81.8	72.7	72.7	81.8	81.8	81.8	90.9	90.9	81.8	81.8	77.8
HEALTH												
Average no of residents per health services unit	+	-	+	+	-	+	-	+	+	+	+	-
Average no. of beds per 1,000 residents	+	-	-	-	-	+	+	-	-	-	-	-
Average no. of residents per health care technician	+	+	-	+	+	+	-	+	+	+	+	-
Access to health care post or center*		-	+	-	+	+	-	+	-	-	+	
Access to physician or health care technician*		-	+	+	-	+	-	-	+	+	+	
Average spending on medications, per resident	+	+	+	+	+	+	+	+	+	+	+	+
Coverage of births in institutions*		+	+	+	+	+	+	-	-	+	+	
Demand met by PF methods	+	+	+	+	+	+	+	+	+	+	+	+
Coverage of full vaccinations of children (1-2 years)	+	-	+	+	+	+	+	+	+	+	+	+
Infant mortality rate	+	-	-	+	+	+	-	+	+	+	+	-
Chronic malnutrition among children ages 1-2	-	+	+	-	-	+	+	-	-	+	-	-
% IMPROVEMENT IN HEALTH	87.5	45.5	81.8	81.8	72.7	90.9	45.4	72.7	72.7	90.9	90.9	50.0

* refers to rural areas, + indicates an improvement, and - indicates a deterioration. ** [Translator Note] EP1 is first-level Primary Education, i.e., grades 1 to 5.

Table 4b: Summary of the change in several indicators between 1996/97 and 2002/2003

Indicator	National	Niassa	C.Delgado	Nampula	Zambézia	Tete	Manica	Sofala	Inhambane	Gaza	Maputo Prov.	Maputo City
PUBLIC GOODS AND SERVICES												
Access to paved roads*		-	-	+	+	+	+	-	-	+	+	
Access to packed earth roads*		+	+	+	+	+	+	+	+	+	+	
Access to markets or open-air markets*		-	+	+	+	+	+	+	+	+	+	
Access to public or semi-public passenger transportation*		+	+	+	+	+	+	+	+	-	+	
Access to public telephones*		-	-	-	+	+	-	+	-	-	+	
Access to rural extension services*		-	-	-	+	+	-	+	+	-	-	
% IMPROVEMENT IN PUBLIC GOODS AND SERVICES		33.3	50.0	66.7	100.0	100.0	66.7	83.3	66.7	50.0	83.3	
PRIVATE GOODS AND SERVICES												
Access to modern lighting	+	+	+	+	+	+	+	+	+	+	+	-
Access to potable water	+	+	+	+	+	+	+	+	+	+	+	-
Possession of modern sanitation system	+	-	+	-	+	+	+	+	-	-	+	+
Possession of cement walls	+	+	+	+	+	+	+	+	-	+	+	+
Use of modern fuel for cooking (gas or electricity)	+	+	+	+	+	+	+	+	+	+	+	+
Possession of a radio	+	+	+	+	+	+	+	+	-	-	+	-
Possession of a bicycle	+	+	+	+	+	+	+	+	+	+	+	+
% IMPROVEMENT IN ACCESS TO PRIVATE GOODS AND SERVICES	100.0	85.7	100.0	85.7	100.0	100.0	100.0	100.0	57.1	71.4	85.7**	58.3**
TOTAL % IMPROVEMENT	88.4	61.6	76.1	76.7	88.6	93.2	73.5	86.7	71.9	73.5	85.7**	58.3**

* refers to rural areas, + indicates an improvement, and - indicates a deterioration.

** [Translator note:] Last two columns are cut off in the original document. Figures here are those that appeared in the November version of this document.

Source: Ibraimo, 2005

60. The City of Maputo is a special case because it improved in only 61.6 percent of the indicators considered. Looking at the ranking of provinces with respect to the highest **level** of access to services and infrastructure, we conclude that the city has always ranked first in comparison to the rest of the country—the information about “level” is not explicit in Table 4b. This modest improvement may reflect the ever-increasing pressures on the city, mainly due to its territorial expansion, accompanied by an increase in demographic load. The increase in mortality among infants and children and chronic malnutrition merits special attention.

61. The results are heterogeneous. No province succeeded in improving all 35 indicators, and no indicator worsened in all provinces. However, in general, the quantitative indicators of consumption, health, and other aspects exhibited a tendency to improve between 1996-97 and 2002-03.

(d) The Causes of Poverty and of the Decline in the Quantitative Measures Shown Here

62. In 1992, Mozambique was known as “the world’s poorest country.” This undesirable situation was the result of a complicated historical heritage that included a period of colonization that put little emphasis on human capital, a failed (in economic terms) socialist experience, and a vicious civil war that lasted more than a decade. This toxic situation was aggravated by the drought of 1991-92, one of the 20th century’s most severe. It would be hard to underestimate the severity of the poverty that existed at that time.

63. Both the economy and society have been profoundly transformed since 1992. The factors identified in PARPA I as contributing to an improved economic and social situation were (among others), peace and the postwar economic recovery, macroeconomic stability, and the transition to a market economy. The poverty reduction strategy in PARPA I concentrated on the principal determinants of economic growth. In making this strategy operational, PARPA I established a vision of the areas where basic actions could be taken to improve the people’s welfare. These areas included peace and social stability, education, health, agriculture and rural development, basic infrastructures, good governance, and macroeconomic and financial management.

64. Between 2001 and 2005, remarkable achievements were realized in all the areas of action listed above. It would be extremely difficult, if not impossible, to formally attribute the reductions in poverty to the contents of the various specific areas of basic action. This is largely because of the interdependencies among the action areas in fostering economic growth and reducing poverty. To cite just one example, it is hard to build schools without building roads. However, the analyses of poverty show, frequently and robustly, that education is a fundamental determinant of well-being. Furthermore, in an economy where 80 percent of the active population (the percentage is higher among the poor active population) works in farming, it is hard to conceive of large-scale reductions in poverty unless there is growth in the agricultural sector.

65. Despite the gains made, and the fact that more than a decade has passed, the historical heritage mentioned above remains the fundamental cause of the high levels of absolute poverty in this country. A shift from a situation where the great majority of the population lives in absolute poverty, to a situation in which where the great majority is not poor requires decades, even when the rates of reduction in poverty are rapid, by international standards. The analyses of poverty indicate that elements of the population who have a high probability of being poor include uneducated people, family units with high rates of dependency, and family units headed by women. (Maximiano 2005; Fox, Van Den Broeck, and Bardasi 2005).

66. The perceptions of the causes of poverty, based on the qualitative research, are discussed in the following section.

(e) Qualitative Studies

67. Because it was recognized that to evaluate poverty, we need to have information that was gathered by using qualitative methods, the first survey of this kind was conducted in 1995 and 1996, covering 18 districts in ten Mozambican provinces. This study was done by the Center for Population Studies at Eduardo Mondlane University (CEP-UEM), working with the former Ministry of Planning and Finance (MPF) and other government and non-governmental organizations. In 2001, another series of Participative Poverty Appraisals (*Diagnósticos Participativos da Pobreza*) was organized by the MPF with assistance from the UEM and UNDP. This survey covered 21 districts in 7 provinces in this country, namely Cabo Delgado, Nampula, Zambézia, Sofala, Tete, Inhambane, and Maputo Province. As a follow-up to these exercises and in order to consolidate their practice, a pilot study was conducted in 2003 in Sofala with assistance from UNICEF and in coordination with the Studies Center of the Department of Geography at the Pedagogical University of Beira. The study covered three districts, on the basis of three communities per district.

68. Lastly, in 2005, the fourth qualitative study was conducted, in coordination with the School of Letters and Social Sciences of Eduardo Mondlane University, in the provinces of Sofala and Inhambane, covering a total of eight districts. The selection of these two provinces had to do with the results obtained in the most recent National Poverty Appraisal, in which it was found that Sofala had cut poverty by more than 50 percent while there was very little change in Inhambane Province, which makes it now Mozambique's poorest province. In comparing these qualitative studies of poverty, we do not see big differences in terms of the results obtained. The main results of these studies are presented below.

69. During the 1995-96 assessment, widespread reference was made to the war as a determining factor underlying the living conditions of those who were the poorest people at that time. "Ignorance" and unfavorable weather were also mentioned. Looking at the 1995-96 and the 2001 and 2003 appraisals, we see a slight change in the causes of poverty. In the latter two cases, the war was not often mentioned as a determining factor in poverty. Nine years had passed since the end of the civil war in Mozambique. The absence of social assistance by the government and other institutions; lack of employment opportunities, i.e., working for other people; limited access to financing; marketing problems; and disability—

physical and mental—keeping people from working are mentioned as determinants of poverty in the period 2001-03. Migration forced by the war—“displaced persons”—and the closing of factories were also pointed out as causes of poverty. Theological or fatalistic issues were mentioned too—it was said that some people are simply born to be rich and others to be poor.

70. Another point that deserves attention is that the most remote communities believe that those who live closer to the administrative offices get more government assistance and have better access to services (education, health, and markets) while those who live at a great distance have been completely abandoned. The results of the most recent qualitative study on poverty resemble those of 2001 and 2003, where the following were specifically mentioned as causes of poverty:

- (a) Environmental issues, such as droughts and floods;
- (b) Human issues, such as a lack of jobs, problems with access roads, exclusion based on partisan leanings, and laziness; and
- (c) Aspects related to government protection of animals were also mentioned, such as the ban on killing animals that destroy crops because those fields are in a game preserve.

71. Definitions of priority problems to be solved to reduce poverty vary, depending on the respondent’s age, gender, economic status and position in the power structure. In decreasing order of importance, the poorest rank their priorities as: transportation, roads, prices, marketing, access to land and water, and installation of motor-driven mills. These are activities that, after all, can make their farming efforts more profitable, improve their terms of exchange or ability to participate in the market, and reduce the need for manual labor, always a limiting factor.

72. In the 2001 diagnoses, the need for access to basic social services was emphasized, particularly the shortage of health posts near where people live, lack of transportation for the sick (ambulances), and insufficient personnel. Problems of corruption, lack of a potable water supply—especially the poor maintenance of the existing infrastructures (such as pumps)—were also reported during this diagnosis. In the 2005 appraisal, in addition to the issues mentioned in both 2001 and 2003, priorities cited included assistance to widows and orphans, an increase in police presence, direct assistance to the poor, and agricultural processing plants.

73. Since most of the Participative Poverty Appraisals/Participative Rural Diagnoses were made before certain social programs were implemented, when we ask who in a community is poor, most people claim to be poor so that they can be included in those socioeconomic programs. The difficulty of identifying the different strata in a community made it hard to design a profile of those who might be considered poor, or not poor. This distinction is very useful in designing an action plan.

74. With respect to perception of poverty, responses varied with the survey site. Some factors that were mentioned as associated with being poor were: material goods, sources of income, and civil relationships/status.

75. According to the communities covered by the 2005 appraisal, in terms of wealth, the population can be divided into three groups—the poor, the rich, and those in the middle. In terms of frequency of survey responses, the poor are those who cannot work owing to physical disability, age, illness, or marital status--widowhood. On other occasions, poverty is linked to the fact that someone works hard, but ultimately earns little due to various factors such as unfavorable weather, or having small farms in areas where the soil is not fertile. Poverty is also related to superstition, and family poverty seen as a kind of predestination. However, physical poverty was also mentioned as the lack of essential goods, sufficient food, clothing, or lack of any alternative source of income.

76. During these four studies mentioned above, the aspects most often mentioned as characterizing the social status of poverty or wealth, in the order as presented, were such things as possession of cattle; employment, a bicycle, or a car; possession of clothing and its quality; having a house and the condition thereof; having money, access to credit, and saleable goods; ownership of a shop or market stall; access to foods in quality and quantity. Looking at poverty within communities instead of from the individual standpoint, we concluded that the symptoms and causes of poverty are a lack of basic infrastructures such as roads, markets, and transportation, poor crop yields, and the absence of assistance institutions.

(f) The Volatility of Poverty

77. The dominant impression we get from the available quantitative data is that living conditions for this country's population have been improving since the mid-1990s. This is observable in several indicators, including poverty indices based on consumption, education, health, infant mortality, and access to services. However, progress has not been uniform; it varies markedly, depending on region and kind of indicator. The question we might ask is why this lack of uniformity, both in regional terms and among indicator categories? For indicators related to government services, differences in the distribution of funds and the efficiency with which they are put to use explains some of the variation in performance.

78. The underlying regional variations in economic potential (which depend to a considerable extent on the availability of infrastructures) may also play a dominant role. Therefore, the evidence also points to a high degree of between-year variation in many of the indicators used. In other words, if we were omniscient and could observe the exact value of the series of the important living condition indicators over time, we would probably observe a substantial variation in them during that lengthy period.

79. There are many forces behind these variations. Particularly in rural areas, the enormous variability in living conditions reflects the significant year-to-year fluctuations that are typical of farming on the dry, non-irrigated lands that are the primary source of

employment for most Mozambicans (Table 5). The effects of meteorological changes are exacerbated by both internal and external economic factors such as exchange rates and the prices of oil, cotton, cashew nuts, and corn. For example, factors that probably contribute to the apparent poor performance in poverty reduction as measured by consumption indicators in southern Mozambique include: low rainfall in the South during the crop year prior to the survey; the effects of major floods in that same zone two years prior to the survey; and the substantial depreciation of the *metical* against the South African *rand* during the survey period.

80. In short, the trend in poverty (or in living conditions), whatever measuring stick is used, very probably would not be monotonous. Even when very strong positive trends are present, living conditions can easily deteriorate during a short time period, particularly when we are looking at limited geographic areas or a certain indicator. It is also important to remember that humans are not omniscient and that the availability of quantitative data sometimes results in inaccurate indicators of living conditions. Panel or longitudinal data are intended, essentially, to understand the interaction between chronic and transitory poverty. The 2005 Agricultural Survey Project (*Trabalho de Inquérito Agrícola – TIA*) was the first large-scale panel study to be conducted in Mozambique and will furnish important information in this area, as will the data from subsequent panels.

81. Certainly, large fluctuations in living standards pose much more than a measurement challenge. Such fluctuations increase family unit vulnerability, inasmuch as families that manage to generate [wealth] and escape poverty run the risk of becoming poor again. Therefore, the important objective is not only to achieve a rising trend in the living conditions of the poor, but also to boost the ability of those families to withstand shocks and maintain an adequate and relatively stable standard of living.

82. We can supplement the dominant impression of the improvement in living conditions with the following observations:

- (a) Poverty persists throughout the country and is severe. Regardless of the measuring tool used, every region will be found to have a significant number of poor people.
- (b) The influence of the population of Zambézia and Nampula indicates that the performance of those two provinces is crucial to any nationwide indicator. Poor performance in those two provinces will very probably result in poorly-performing national indicators. (Regional disparities are discussed in greater detail below).
- (c) The underlying variation in the indicators, combined with limits on accuracy in the measurements of these indicators and the time lag in availability of information, indicate that care must be taken in distributing resources, particularly in doing so on the basis of a single indicator.

discriminated against in terms of access to family resources (Nhate *et al.* 2005). Inadequate access to resources, especially education-related resources, limits their ability to emerge from poverty.

Gender Inequality

87. Gender inequality represents an obstacle to this country's economic growth. In general, family units where the woman is discriminated against tend to be poorer. Improving the education of women increases the efficiency of family unit decisions regarding production, consumption, and savings.

88. Analyses of the incidence of poverty according to sex of head of family were made, as were estimates of the distribution of the labor force by sex and income level. These estimates show that families headed by women have a higher incidence of poverty—62.5 percent compared with 51.9 percent for families headed by men. The determinants of poverty indicate that high rates of poverty among families headed by women are related to low educational levels, widowhood and high rates of dependency, and incomes too low to meet family needs.

89. With respect to labor force indicators, three indicators related to poverty merit separate mention:

- (a) The female population is concentrated in rural areas and is employed in the subsistence sector;
- (b) Levels of schooling among women are very low compared with those among men; and
- (c) Women are heavily represented in the labor force, despite the burden of domestic tasks.

90. Tables 5 and 6 clearly illustrate these facts. Women account for about 55 percent of the labor force, if we use headcount as the basis. That female labor force is heavily concentrated in agriculture: 90 percent of economically active women work in farming, compared with two thirds of the men. In other words, for every 100 men working in agriculture, there are 164 women in that same field. And so participation by women in other sectors is minor in comparison with the role of men. For example, women represent 3, 4 and 25 percent of the labor force in the fields of construction, transportation, and government, respectively.

91. It is interesting to note at the bottom of Table 5 that the extent of participation in the labor force is slightly higher for women than for men (82 percent compared with 79 percent). This is due to the fact that more men than women between the ages of 15 and 20 are attending school, despite the important gains made in the education of women in recent years.

Table 5: Participation in the Occupied Labor Force, by Sector and Gender

Occupied Labor Force			
	All Workers	Women	Men
Agriculture	5,707,058	3,546,205	2,160,880
Mining	28,005	4,563	23,442
Manufacturing	56,563	5,468	51,095
Construction	156,333	4,813	151,721
Transportation	76,757	3,059	73,699
Commerce	538,599	219,109	319,490
Services	375,046	131,018	244,019
Government	233,962	57,737	176,225
Participation*	7,172,541	3,971,972	3,200,569
PIA** (Population of Active-Age)	8,902,220	4,842,658	4,059,562
Percentage by Row (%)			
	All Workers	Women	Men
Agriculture	100	62.1	37.9
Mining	100	16.3	83.7
Manufacturing	100	9.7	90.3
Construction	100	3.1	96.9
Transportation	100	4.0	96.0
Commerce	100	40.7	59.3
Services	100	34.9	65.1
Government	100	24.7	75.3
Participation*	100	55.4	44.6
PIA**	100	54.4	45.6
Percentage by Column (% of Part.)			
	All Workers	Women	Men
Agriculture	79.6	89.3	67.5
Mining	0.4	0.1	0.7
Manufacturing	0.8	0.1	1.6
Construction	2.2	0.1	4.7
Transportation	1.1	0.1	2.3
Commerce	7.5	5.5	10.0
Services	5.2	3.3	7.6
Government	3.3	1.5	5.5
Participation*	100.0	100.0	100.0
Rate of Participation*	80.6	82.0	78.8

Note: *Only those who are occupied. The rate of participation was calculated as a proportion of the occupied population with respect to the population of active age. If the unemployed are included, total participation would be about 3 percentage points higher.

**PIA is the population of active age, i.e., those age 15 to 60.

Source: Prepared on the basis of IAF 2002-03 (INE 2003).

Table 6: Occupied Labor Force by Highest Level of Education Completed, and by Gender

Occupied Labor Force			
	All Workers	Women	Men
EP1 [grades 1-5] or less	6,508,417	3,791,438	2,716,980
EP2 [grades 6&7] – ESG2 [2 nd cycle secondary]*	578,161	160,779	417,382
Higher than ESG2	85,962	19,755	66,207
Total	7,172,541	3,971,972	3,200,569
Percentage by Row (%)			
	All Workers	Women	Men
EP1 or less	100	58.3	41.7
EP2 – ESG2*	100	27.8	72.2
Higher than ESG2	100	23.0	77.0
Total	100	55.4	44.6
Percentage by Column (% of Part.)			
	All Workers	Women	Men
EP1 or less	90.7	95.5	84.9
EP2 – ESG2*	8.1	4.0	13.0
Higher than ESG2	1.2	0.5	2.1
Total	100.0	100.0	100.0

Note: *This group also includes technical education and teacher training courses.

Source: Prepared on the basis of IAF 2002-03 (INE 2003).

92. The cumulative effects of a history of relatively low levels of schooling for girls are clearly shown in Table 6, where almost 96 percent of the women who work did not attend school through, or advance past, EP1. This compared with 85 percent of the men. Crossing Tables 5 and 6 with each other shows that 88 percent of the female labor force is unskilled, and is concentrated in agriculture.

93. In this regard, the link between gender and poverty is one of the leading concerns in the context of the reduction of absolute poverty. However, that very link raises questions about the best focus to adopt in order to reduce poverty among women. On the one hand, it is clear that achieving higher levels of schooling is fundamental and will also make it easier for women to enter non-farm sectors that, frequently, would earn her higher pay. However, in the next several years, the majority of them will continue to be unskilled and associated with the agricultural sector. Therefore, we must simultaneously identify mechanism by which they can boost their income to such an extent they [missing word] the poverty situation and improve their quality of life. Two initiatives are fundamental here:

- (a) Development and dissemination of improved farming technologies, particularly for food crops that involve an important contingent of female labor; and

(b) Provision of goods and services that can alleviate the burden of domestic tasks on women (such as reducing the distance they must travel to get water and health services, and rural electrification) and that would increase the time they have available to spend in other productive activities.

Regional Disparities and Inequality

94. One of the questions raised about PARPA II was the need to address regional disparities in poverty and well-being. Both the consumption-based poverty measuring stick and the methods of measuring well-being that are not related to income vary considerably among the provinces, and between rural and urban areas. The 2002-03 IAF showed a significant reduction in poverty in northern and central Mozambique, but no change in the South, which makes this the poorest region in terms of consumption-based indicators (MPF *et al.* 2004). This situation is partly attributable to bad weather in the South during this period (first the floods, then the drought), together with volatility in the exchange rates that has an impact because of the strong connections between Mozambique's economy and that of its neighbors.

95. On the other hand, poverty measurement tools unrelated to income exhibit a contrary panorama. In general, public services are much more available in the South than in other parts of this country, and this difference is shown by several indicators. Literacy and educational levels are higher in the South, especially when compared with the provinces of the North. This is the result of discrepancies in educational opportunities among regions and the tendency for better-educated people to migrate to areas where employment opportunities are more attractive. People in the northern and central provinces also have poor access to health care services and higher rates of infant and maternal mortality, high levels of malnutrition, and low rates of vaccination. Transportation and market services in central and northern parts of the country are unreliable, which restricts the benefits to be gained from a favorable agricultural environment. While difficulties in access to markets slow the flow of production and contribute to keeping prices low for the buyer, those difficulties reduce farmers' earnings and discourage production.

96. There is some evidence that these regional disparities are narrowing both in terms of income-related poverty and on the basis of other indicators. Ibraimo (2005) shows that in recent years there has been considerable convergence—i.e., reduction in regional disparities—in many of the indicators of well-being that are not related to income. Similarly, James *et al.* (2005) shows that the inequalities in consumption that exist in Mozambique occur more often *within* each region than *between* regions, and that inequality between regions has declined somewhat since 1997. However, despite this convergence, regional disequilibria are still characteristic of poverty in Mozambique and still deserve specific attention in PARPA II.

97. As for the distribution of consumption among the wealthiest and poorest social strata, the trend indicated by the Gini coefficient, which was 0.40 in 1997 and 0.42 in 2003, is statistically insignificant (Table 7). Most provinces experienced a small increase in the

inequality estimate, although this was not significant except in Maputo City. In this province, the poor do not benefit from economic growth as much as the rich do. Because inequality in this country has not increased significantly in the past five years, we can say that the base for economic growth has expanded. Although historically a trend toward an increase in inequality is not unusual to several countries that are experiencing a phase of rapid growth, this indicator should continue to be monitored because a worsening of inequality may sow the seeds for destabilization.

Table 7: Changes in Inequality Over Time

AREA	Average Consumption (proportion of the poverty line)	Gini*		GE (1)*	
		1996-97	2002-03	1996-97	2002-03
Nationwide	1.28	0.40	0.42	0.31	0.37
Rural	1.15	0.37	0.37	0.26	0.27
Rural	1.53	0.47	0.48	0.44	0.50
North	1.22	0.38	0.39	0.29	0.35
Central	1.40	0.37	0.39	0.27	0.31
South	1.15	0.43	0.47	0.37	0.50
Niassa	1.29	0.35	0.36	0.22	0.26
Cabo Delgado	1.27	0.37	0.44	0.27	0.62
Nampula	1.18	0.39	0.36	0.30	0.24
Zambézia	1.35	0.32	0.35	0.20	0.23
Tete	1.06	0.35	0.40	0.21	0.30
Manica	1.41	0.41	0.40	0.36	0.30
Sofala	1.81	0.40	0.43	0.32	0.41
Inhambane	0.77	0.38	0.44	0.31	0.40
Gaza	1.24	0.38	0.41	0.27	0.38
Maputo ¹	1.01	0.42	0.43	0.35	0.36
Maputo City	1.69	0.44	0.52	0.41	0.60

Note: *The Gini and GE(1) (Generalized Entropy ratio) sum up the dispersion of a distribution. "Zero" is interpreted as an absence of inequality.

Source: James *et al.* 2005

Translator's Note: Footnote text missing.

IV. VISION, OBJECTIVES, AND ESSENTIAL ACTIONS

(a) The Vision

98. The objective of constructing a prosperous Mozambican Nation is still valid. It guides and motivates the State to promote an increase in productivity.

99. It is important to maintain high average annual rates of economic growth similar to those of previous years by adopting a comprehensive and inclusive model in order to improve living conditions, the well-being of our citizens, and to reduce poverty. This section describes the basic conditions for achieving these objectives, and the general lines of PARPA II.

100. Consolidation of peace and democracy, social stability, public safety, and the guarantee of individual freedoms are basic conditions for the growth of this economy and a reduction in absolute poverty.

101. The State will continue to invest in providing public goods and services in order to reduce poverty via transfers of resources (redistribution), similar to what happened during PARPA I, but giving relatively more attention (compared with PARPA I) to local, endogenous economic development, while keeping in mind this country's integration into the African continent and the rest of the world.

102. The level of poverty prevailing in this country in the early 1990s, the success in achieving peace, and the transition to a democratic regime and market economy created an opportunity for Mozambique to receive financing in the form of donations and concessional credit from the international community. The government made an explicit commitment to adopt a strategy to reduce poverty during 2001-05. This strategy involved giving priority to the development of human capital and good governance practices, ensuring macroeconomic stability, investing in basic infrastructures, and contributing to the development of agriculture and the rural economy.

103. PARPA II 2006-09 maintains the objective of reducing poverty by redistributing resources, an approach that benefits the poorest and least favored population groups. However, PARPA II must become more consistent and sustainable if it is to raise the living standard and increase the well-being of Mozambicans in such a way that their own efforts, together with national savings, acquire a preponderant role.

104. Consequently, PARPA II lays out the additional objectives of improving the monitoring of economic development, playing a more active role in regulating private sector activity and the mechanisms of competition, and continuing to allow room for public-private partnerships in the creation of a favorable environment for business. Using macro- and microeconomic connections, the State will make it easier for the private sector to fulfill its function of energizing the real and financial sectors of the economy, not only for the big companies, but primarily for small and medium-size units in the rural areas that are engaged in agricultural production, agroindustry, and other economic sectors.

105. The State will gradually increase its tax revenues as a proportion of GDP until 2009, reaching 15 percent in that year. This objective should be achieved without increasing the tax burden on the formal sector, by expanding the tax base, curbing tax evasion, and reducing tax incentives.

106. Institutions in civil society, having participated in the poverty reduction actions during PARPA I, continue to be stakeholders and important partners for PARPA II. External aid and cooperation with the government's cooperation partners are still important in the battle against absolute poverty.

107. The strategy of promoting economic growth and reducing poverty is organized around three pillars: governance, human capital, and economic development, and integrating the cross-cutting topics.

108. Following are the government's priorities and central objectives, by pillar.

(b) Priorities

109. The government's Five-Year Plan for 2005-09 defined some key general objectives that are presented here in detail and arranged by pillar. The respective central priorities are also identified.

i. General

Objectives

- Reduction in the levels of absolute poverty; and
- Promotion of rapid, yet sustainable and comprehensive, economic growth.

Priorities

- Carry out policies and use instruments to promote an average annual real growth in national per capita income;
- Maintain close coordination with the international community in order to permit continuation of the flows of aid to this country, particularly to the State Budget;
- Ensure redistribution of income to the population, particularly the poorest strata, by providing social services and performing other relevant and classical State functions;
- Continue to monitor the trend in poverty levels; and
- Improve the monitoring of trends in the economy, including productivity, using better and more appropriate statistical indicators, and employing them at the opportune time.

ii. Governance

Objectives

- Consolidation of national unity, peace, justice, and democracy;
- Confrontation of corruption, excessive bureaucracy, and crime;
- Strengthening sovereignty and international cooperation; and
- The harmonious development of this country.

Priorities

- Ensure the separation of powers: executive, legislative, and judicial;
- Keep open the channels and the spirit of communications among the different political forces;
- Rationalize the functions of the government bodies in order to meet planned objectives, improve intersectoral coordination, and avoid redundancy;
- Decentralize government functions down to the district level, thus entailing budgetary repercussions, in order to facilitate local development;
- Review the salary and incentives structure and adopt the practice of outsourcing—contract outside the staffing pattern—in order to ensure that positions that require advance technical skills are filled by Mozambicans, and that creation of these positions reflects established priority policies.
- Guarantee protection of property rights; rationalize and regulate land use. Work with civil society and the private sector to find ways to expeditiously solve contract disputes in the business world, while respecting the laws that are in force;
- Prepare a plan for dealing with vulnerability to natural disasters, or events of human origin such as droughts, floods, plagues, epidemics (e.g. earthquakes [sic]), increases in petroleum prices, drastic deterioration in the terms of trade, and sharp fluctuations in exchange rates;
- Ensure the effectiveness of government inspection authorities and the agencies that audit performance in the financial and property areas;
- Combat crime;
- Integrate into activity programs and plans the key international commitments relating to integration into the continental sub-region and the international community,

keeping in mind that the well-being of Mozambican producers and consumers must not be allowed to deteriorate as a result of these agreements; and

- Work to see that investments and State Budget resources are distributed nationwide in a balanced fashion.

iii. Human Capital

Objectives

- Expand and improve the levels of education;
- Improve and expand access to health care;
- Improve and expand access to potable water and adequate sanitation;
- Promote and consolidate self-esteem in the minds of the citizens; and
- Increase awareness of the importance of a culture that values work, enthusiasm, honesty, and accountability; and
- Help young Mozambicans to realize their potential and creative and entrepreneurial abilities, and express their voluntarist spirit.

Priorities

- Expand access to education and improve its efficiency, paying particular attention to women and girls, children with special educational needs, orphans, and children from rural areas;
- Encourage the personnel who emerge from the various levels of the educational system to respond to the needs of the business community and the market, making use of science and appropriate modern technology;
- Carry out scientific activity and technological innovation and application, taking into consideration its practical application and usefulness in production;
- Expand the coverage of health care services;
- Reduce mortality among mothers and infants;
- Curb the incidence of HIV/AIDS; reduce deaths from malaria and tuberculosis;
- Improve the extent of coverage of water supply and sanitation services;

- Help create equality of opportunity among women and men, without discrimination—either positive or negative—giving preference to harmony between social progress and local tradition;
- Include in the educational curriculum, beginning at the elementary school level, topics on morals, the culture of work, and individual responsibility;
- Promote the strengthening of the youth association movement as a strategy for organizing and increasing participation by young people in society;
- Develop and consolidate social networks of support for the least favored citizens, orphans, the elderly, the disabled, the mutilated, and the chronically ill;
- Integrate the system that supports citizens who are malnourished and suffering from hunger crises, by developing the food production system; and
- Ensure maintenance of environmental equilibrium throughout Mozambique, including areas where new projects, regardless of their nature, are being carried out.

iv. Economic Development

Objectives

- Rural development;
- Foster the development of the national business community; and
- Create an environment favorable to investment.

Priorities

- Stimulate the structural transformation of agriculture, which involves increasing that sector's productivity and integrating it into the rural sector, the rest of the economy, and competition on world markets;
- Make the north-south corridor a focal point for national development, featuring multisectoral and territorial links, in order to meet overall objectives and the objectives of the three pillars;
- Draft a national policy for sustainable energy and continue to invest in electrification projects nationwide, especially in rural areas;
- Help achieve and maintain macroeconomic stability through competent management of public finance and of the operations of the Bank of Mozambique;

- Gradually increase tax revenues as a proportion of GDP until 2009, to attain a level of 15 percent in that year. Revisit the current rates in the basic laws on the VAT, IRPC (Corporate Income Tax) and IRPS (Individual Income Tax), without exacerbating the tax burden;
- Ensure that the State acts in a timely fashion to honor its commitment to pay for services and goods purchased on the market;
- Define a strategy for guiding, systematizing, and orderly handling the flows of foreign aid and external credit into the public sector, and find sustainable ways to manage the public debt;
- Encourage an increase in national savings and a sustainable increase in credit and micro-credit to the economy, in real terms;
- Define an international trade policy and a strategy for regional economic integration in Southern Africa and in the principal world markets that is favorable, in aggregate terms, to Mozambican producers and consumers;
- Promote expansion of the agroindustrial system, labor-intensive manufacturing, and export-oriented local industries, particularly small and medium-scale units and those that make a high relative contribution to national income and job creation;
- Guarantee the sustainable use of natural resources and implement transparent mechanisms for the management and rational exploitation of those resources;
- Promote, regulate, and monitor the development of tourism, ensuring that this sector makes a sustainable net contribution to the State Budget over the medium and long term;
- Implement a program for construction of excavated reservoirs; rainwater collection systems; and small, medium, and large dams in order to satisfy the needs for water for human consumption, livestock, irrigation, fisheries, industry, tourism, electricity production—among other uses—to mitigate, in a planned manner, the negative effects of droughts and floods, with a view to ensuring sustainable management of the country's water resources.

V. BASIC MACROECONOMIC AND FISCAL SCENARIO

(a) Medium-Term Budgetary Programming

110. The central purpose of this chapter is to present a scenario that could serve as basis for the macroeconomic and fiscal framework of PARPA II by quantifying its strategy and identifying opportunity options/costs. The scenario gives forecasts for 2005-09, and 2014.

111. The *basic scenario* presents an **optimistic** goal. It is much more than a restrictive and conservative vision, and is intended to spur reforms. The scenario presents a macroeconomic and fiscal picture that is consistent with the scope of the PARPA II goals.

112. The scenario covers the real, external, fiscal, and monetary sectors, since they are all interconnected. In the fiscal sector, the 2005 figures come from the report on Execution of the State Budget, while the State Budget is the source of the 2006 figures. It should be noted that the 2005 State Budget Execution Report represents a preliminary estimate, since information on the execution of investment expenditure is still incomplete.

The Real Sector

113. The basic scenario projects economic rates of growth averaging 7 percent until 2009, and 6.5 percent in 2010-14 (Table 7 [sic – Table 8]). Agriculture, commerce, and transportation play an important role in growth by helping to integrate the nation's economy.

Table 8. Projections of GDP, Inflation, and Population (2005-09, 2014)

	2005	2006	2007	2008	2009	2014
Real GDP *	68,581	73,999	79,179	84,721	90,652	124,130
% annual change	7.7	7.9	7.0	7.0	7.0	6.5
(per capita in MT million)	3.5	3.7	3.9	4.1	4.2	5.2
Real GDP w/o Large Projects*	62,646	67,941	72,537	78,055	83,299	116,504
% annual change	7.0	7.7	6.2	7.0	6.3	6.9
(per capita in MT million)	3.2	3.4	3.6	3.7	3.9	4.8
Nominal GDP	153,041	180,831	208,970	236,408	266,372	469,904
% annual change	14.6	18.2	15.6	13.1	12.8	11.8
(per capita in MT million)	7.9	9.1	10.3	11.3	12.5	19.5
Rate of inflation (end of period)	11.2	7.0	6.0	5.5	5.4	5.0
Rate of inflation (annual average)	6.4	9.5	8.0	5.7	5.4	5.0
GDP Deflator (2006 = 100)	91.3	100.0	108.0	114.2	120.4	154.1
% annual change	6.4	9.5	8.0	5.7	5.4	5.0
Population (million)	19.4	19.9	20.3	20.8	21.3	24.0
Population growth (%)	2.4	2.4	2.4	2.4	2.4	2.4

* Note that "real" means constant 1996 prices (because this is the base used by the INE – National Statistics Institute).

Note: Here and in the tables that follow, the figures for 2005 were obtained from the December 2005 Report on Budgetary Execution. In this preliminary report, the degree to which disbursements for externally-financed projects are included is still

very incomplete. And so the amount of external financing is, in fact, much greater than the figures shown. The big increase from 2005 to 2006 reflects this problem. The actual increase is much smaller.

114. Big projects play only a minimum role—the only change is the startup of the Moma Heavy Sands Project in 2006-07. Therefore, the growth rates are not based these kinds of undertakings.

115. Note that the main impact of these kinds of undertakings on GDP is limited to a broadening of the basis of production (i.e., the size of GDP) during the first years of the project's production. After the optimum level of production has been achieved, their contribution to the rate of real growth remains relatively low.

116. We should emphasize that certain important assumptions underlie these forecasts of growth, specifically:

- Stability and peace, both internally and internationally;
- Exploitation of the economy's potential in agriculture, agro-industry, natural resources and tourism;
- Continuity of public sector reforms, thus improving the business environment and access to credit, particularly rural credit;
- A better banking system and greater sophistication in the financial system;
- An additional effort to provide and maintain infrastructures;
- Support for small and medium-scale companies;
- Inflows of foreign capital in the form of aid and investment;
- A deepening of external economic relations, particularly with the Southern African Development Community (SADC).

117. As an example of an improvement in the collection of public revenues from the use of natural resources, the document entitled Country Economic Memorandum: Mozambique estimates potential public revenues at US\$67 and US\$215 million in 2005 and 2015, respectively, compared with US\$30 million in 2003, at constant prices (World Bank 2005a). As a percentage of tax revenues, these figures represent 5.3 percent and 11 percent in 2003 and 2005, respectively. This favorable trend of revenues in 2003 and 2005 will be possible if the best mechanisms for charging fees for the use of natural resources are implemented without any changes in the current legal situation. Government priorities for improving the revenue-collection mechanisms are discussed in Chapter VIII.

118. Potential exogenous risks for the Mozambican economy are (i) reduction in demand for exports; (ii) increases in the prices of specific imported commodities such as oil; (iii) a drastic drop in foreign aid; (vi [sic – iv]) weather-related shocks; and (vii [sic – v]) macroeconomic shocks.

The External Sector

119. The trends in the external sector are extremely important, inasmuch as the Mozambican economy [sentence incomplete – sic]. Mozambique is heavily dependent on external flows of funds, has a flexible exchange rate, and a relatively high level of imports, equivalent to 28 percent of GDP (excluding imports for megaprojects), while exports stood at 7,3 percent of GDP (excluding megaprojects) in 2005.

120. Projections for the external sector (Table 8 [sic – Table 9]) take an optimistic view of exports, while excluding production by large projects. The fundamental assumption is that the general growth of the economy rests on the sustainable expansion and improved competitiveness of export industries. This is crucial to the maintenance of desired levels of international reserves.

121. Therefore, we emphasize the importance of properly appreciating the role of the country's export sectors and avoiding actions that could harm them. In this case, monitoring focuses primarily on small and medium-size Mozambican exporters. This is an additional argument in favor of the objective of maintaining macroeconomic stability and reducing volatility in the exchange rate.

122. Parallel to these developments, we assume stability in the (global) balance of trade and a gradual and prudent strengthening of the net international reserves position.

123. Foreign aid will continue to be extremely important for financing the deficit in current account and ensuring stability of the economy vis à vis the rest of the world.

Table 9. Projections of Foreign Relations Indicators (2005-09, 2014)

(in US\$ million)	2005	2006	2007	2008	2009	2014
Exports	1,745	1,803	2,016	2,156	2,269	3,236
annual % change	20.2	3.3	11.9	6.9	5.2	7.7
% of GDP	26.3	26.0	27.6	26.7	25.5	26.7
Mega-projects	1,263	1,215	1,332	1,365	1,393	1,809
Other	483	588	684	790	876	1,427
annual % change	19.7	21.8	16.4	15.5	10.8	10.0
Imports	2,242	2,643	2,595	2,723	2,899	3,802
annual % change	27.8	17.9	-1.8	4.9	6.5	5.1
% of GDP	33.8	38.1	35.5	33.8	32.6	31.3
Mega Projects	384	430	402	401	410	568
Other	1,858	2,213	2,193	2,322	2,489	3,234
annual % change	26.0	19.1	-0.9	5.9	7.2	5.0
Balance of Trade	-497	-840	-579	-567	-630	-566
Balance of Trade (not incl. mega-projects)	-1,375	-1,625	-1,509	-1,531	-1,613	-1,807
% of GDP	-20.7	-23.4	-20.6	-19.0	-18.2	-14.9
Current Account (balance)	-761	-1,091	-910	-894	-985	-700
Net International Reserves (change)						
Index (2006 = 100)	141.4	100.0	102.9	104.6	90.3	119.1
as months of imports (of goods)	5.0	3.0	3.2	3.1	2.5	2.5

The Monetary Sector

124. In order to fulfill the goals of this sector, it is assumed that the objectives in the fiscal and external sectors will be achieved, since trends in monetary indicators are inherently linked to developments in these other sectors.

125. Expansion of the monetary base needs to be controlled in order to keep inflation rates low. The goals proposed here were based on projections of the inflation rate and the real growth rate during the period.

126. Projections for the external sector suggest that international reserves held by the Bank of Mozambique [sic - will improve?] gradually until 2014, from 2006 onward. If it proves to be impossible to achieve strong growth in exports while controlling imports, there may be mounting pressure on the exchange rate.

127. In terms of credit to the government, it is expected that deposits by the government will show a net increase until 2009. In other words, in net terms, the government will not receive credit from the banking system (Table 9). Instead, the increase in its deposits will contribute to an average 15 percent per annum increase in credit to the economy. This trend is also consistent with the strengthening of the primary deficit and support for monetary policy. Note that a failure of the government to exercise fiscal control could undermine the desired expansion of credit to the private sector.

Table 10. Projections of Monetary Indicators (2005-09, 2014)

(millions of <i>contos</i>)	2005	2006	2007	2008	2009	2014
Net external assets	34,316	27,307	27,927	27,993	24,319	22,973
Net internal assets	9,125	22,839	28,949	36,212	48,090	94,920
Internal credit	13,477	11,849	14,548	17,437	20,890	46,288
Credit to the government (net)	-7,014	-11,921	-12,787	-13,998	-15,260	-19,128
Credit to the economy	20,491	23,770	27,335	31,435	36,150	65,416
Other assets and liabilities	-4,352	10,990	14,401	18,774	27,200	48,632
Money and quasi-money (M3)	-43,441	-50,146	-56,876	-64,205	-72,409	-117,893
Currency in circulation	-6,110	-6,770	-7,509	-8,477	-9,560	-15,565
Deposits	-37,331	-43,377	-49,367	-55,728	-62,849	-102,328
Balance	0.0	0.0	0.0	0.0	0.0	0.0

(b) The Financial Envelope, 2006-09, 2014

128. The financial envelope defines the total volume of financing available to the government. It is consistent with other macroeconomic goals and the above forecasts of the behavior of the economy during the period.

129. The central objective is to continue mobilizing domestic funds, thereby increasing the sustainability of public finance over the long term.

130. In global terms, the basic scenario (Table 101 [sic – Table 10]) projects an annual average rate of growth slightly above 10 percent in total real funds available between 2005 and 2009. This increase comes mainly from collections by the government—a significant increase in total State revenues is forecast, from 14.0 percent of GDP in 2005 (in 2006 prices) to 16.2 percent in 2009. Note that the forecast increase in external resources in 2006 is due to the inclusion of off-budget items (resources that were previously not included in the State Budget) in 2006, and the low preliminary estimates for 2005.

131. This is due not only to the pace of the growth of the economy but, and especially, to the tax reforms and other public sector efforts mentioned in Chapters I and IV. However, it is recognized that these funds must be mobilized in a way that does not jeopardize growth of the private sector or undermine the incentives to pursue economic activities in the formal sector.

132. During PARPA II and until 2014, steps are expected to be taken to achieve greater integration with the economies of Southern Africa. The fiscal implications of these changes are being analyzed (a reduction in customs tariffs could lower Customs authority revenues, but it may also boost the total pre-tax value of imports, and so it is difficult to estimate the net effect on State revenues). Therefore, the forecast for the financial envelope used a conservative position with respect to the growth in revenues derived from foreign trade—it is assumed that revenues from foreign trade rise in tandem with total value of imports.

Table 11. The Financial Envelope, at Constant 2006 Prices (2005-09, 2014)

(millions of <i>contos</i>)	2005	2006	2007	2008	2009	2014
1. Total Resources	41,503	52,881	56,641	59,066	61,635	75,717
State Revenues (incl. privatizations)	24,057	27,017	29,510	32,633	35,842	50,578
External Resources *	17,446	25,864	27,132	26,433	25,793	25,139
Donations	11,731	16,757	17,277	17,213	17,034	16,770
For projects	5,407	10,510	10,995	10,800	10,486	10,122
Other	6,323	6,246	6,281	6,414	6,548	6,648
Credits	5,716	9,107	9,855	9,220	8,759	8,370
For projects	3,447	4,711	5,072	4,925	4,782	4,616
Other	2,268	4,396	4,783	4,294	3,977	3,753
2. Net internal credit **	-524	-1,332	-802	-1,061	-1,049	0
3. Resource envelope [= 1 + 2]	40,979	51,548	55,839	58,006	60,586	75,717
as % of GDP						
Total Resources	24.8	29.2	29.3	28.5	27.8	24.8
State revenues	14.4	14.9	15.3	15.8	16.2	16.6
External Resources	10.4	14.3	14.0	12.8	11.6	8.2
Donations	7.0	9.3	8.9	8.3	7.7	5.5
Credits	3.4	5.0	5.1	4.5	4.0	2.7
Net internal credit	-0.3	-0.7	-0.4	-0.5	-0.5	0.0
as % of Resource Envelope						
Total Resources	101.3	102.6	101.4	101.8	101.7	100.0
State revenues	58.7	52.4	52.8	56.3	59.2	66.8
External Resources	42.6	50.2	48.6	45.6	42.6	33.2
Donations	28.6	32.5	30.9	29.7	28.1	22.1
Credits	13.9	17.7	17.6	15.9	14.5	11.1
Net internal credit	-1.3	-2.6	-1.4	-1.8	-1.7	0.0

* The increase in external resources between 2005 and 2006 is due to incomplete information on 2005 execution, as well as to the inclusion of 2006 off-budget resources.

** For 2005, includes "other revenues and expenditures" equal to 326 mde (expenditure).

133. The basic scenario depicted in Table 11 reflects the heavy influence of external aid in State financial resources. Under this scenario, it is anticipated that the value of external funds available to finance State expenditure programs will remain approximately constant, in dollar terms, from 2006 onward (Table 11). Note that the forecast increase in external resources in 2006 (over 2005) is due to the greater coverage of the State budget, i.e., the inclusion of several external resources that were previously off-budget. Although this forecast is relatively conservative, it represents a prudent and moderate basis for guiding the expenditure programs; in other words, it is believed that this level of external assistance is viable over the medium term.

134. Under this scenario, it is anticipated that the value of external funds available to finance State expenditure programs will remain approximately constant, in dollar terms, from 2006 onward.

Table 12. Principal External Resources, in US\$ Millions (2005-09, 2014)

(US\$ million)	2005	2006	2007	2008	2009	2014
Principal External Resources	639.5	899.2	928.4	944.6	956.7	967.2
Support of the Budget	294.0	309.7	320.7	332.1	344.2	356.4
Donations	231.5	219.7	230.7	242.1	254.2	266.3
Credits	62.4	90.0	90.0	90.0	90.0	89.8
Project Financing*	345.5	589.5	607.7	612.5	612.5	611.2
Donations	207.8	406.8	415.9	420.6	420.6	419.7
Credits	137.7	182.7	191.8	191.8	191.8	191.4

*Including the Common Funds within the scope of the sectoral strategic programs

135. The projection as to the volume of external aid in the State Budget is neither a ceiling nor a fixed limit. The country remains open to additional flows of foreign aid, provided such assistance is aligned with the government's activities and plans. The next section of this document discusses the possibility of a considerable increase in external funds and the fiscal implications of such an increase.

136. One implication of this scenario is that the size of the financial envelope in terms of GDP does not grow during the period (Table 121 [sic – Table 12]). This trend was based on the forecast about external resources and on the anticipated considerable decline in internal credit to the government. In fact, in line with the objective of ensuring fiscal balance and prudence, it is predicted that the State will begin to record a budget surplus between now and 2009 that is associated with greater mobilization of internal funds, control of the government's current expenses, and an anticipated reduction in its financial operations.

137. The scenario underlines the fact that a real increase in tax revenues is key to achieving consistency between economic development and tax and budget policies.

(c) Additional Funds in the State Budget 2006-2009, 2014

138. The **Basic Scenario** represents a prudent and consistent framework for guiding the drafting of the government's expenditure programs during the medium term. However, this framework is not set in stone but is open to changes that are consistent with the actual execution of the economy, with new information, or with changes in relevant policies or goals.

139. In this section, we consider two important factors that may result in an upward revision of the value of the financial envelope. These are: (i) supplementary forgiveness of the State's external debt; and (ii) a sustained rise in the volume of external aid provided to this country.

140. The budgetary implications of these possibilities are estimated in Table 13, in the form of different scenarios. To facilitate comparison among these scenarios, they are expressed in terms of an index of the principal components of expenditure. Therefore, for

each component of expenditure in 2006, the index found in the basic scenario in Table 13 is equal to 100.

141. **The Debt Forgiveness Scenario.** Initiatives designed to forgive the external debt of the underdeveloped nations have proliferated worldwide. It is acknowledged that Mozambique should benefit from this sort of bold action. However, as PARPA II is being drafted, the details of such forgiveness as it may apply to this country are not yet clear, nor is the timing. Therefore, the basic scenario does not include any specific assumption as to a substantial increase in support for external debt service.

142. Despite the lack of concrete figures, it is possible to make a rough estimate of the budgetary impact of additional levels of external debt service assistance. The *pessimistic scenario* (Table 13) assumes that an additional external debt forgiveness program means a fresh allocation (or redistribution) to investment expenses of 15 percent of the expenditures related to debt service (interest and amortization), beginning in 2006. The *optimistic scenario* assumes a 30 percent redistribution in 2006, rising to 70 percent in 2008 and 2009. For the sake of simplicity, all scenarios assume that total resources released will be allocated to investment expenses. Note also that debt forgiveness does not represent an inflow of additional funds to the State Budget—total expenditure does not change.

143. These two scenarios show a significant fact—from the *budgetary* standpoint, debt forgiveness programs will not have a considerable impact in either the short or medium term. However, this does not mean that such programs are not important. Rather, they have a gradual effect (over the long term) and a positive effect on the capital account of the balance of payments that is not captured in this exercise.

Table 13: Scenarios Related to Additional Available Funds (2005-2009)

	2005	2006	2007	2008	2009
Scenario: basic					
Current expenditure	86.1	100.0	108.2	113.0	117.7
Investment expenditure	66.1	100.0	108.3	114.4	121.8
Financial operations	117.5	100.0	110.2	94.7	85.6
Total expenditure	79.5	100.0	108.3	112.5	117.5
Scenario: debt forgiveness (pessimistic)					
Value of funds freed up (mde)	0.0	144.4	137.4	136.8	139.1
Investment expenditure change vs. "base" (%)	66.1	100.7	108.9	115.0	122.4
	0.0	0.7	0.6	0.5	0.5
Scenario: debt forgiveness (optimistic)					
Value of funds freed up (mde)	0.0	433.2	687.2	957.9	973.6
Investment expenditure change vs. "base" (%)	66.1	102.0	111.4	118.8	126.2
	0.0	2.0	2.9	3.8	3.7
Scenario: increase in external aid					
Simulated increase in US\$ million	0	0	75	150	200
Investment expenditure change vs. "base" (%)	66.1	100.0	117.2	132.4	145.7
as % of GDP	0.0	0.0	8.3	15.7	19.7
Total Expenditure change vs. "base" (%)	8.6	12.0	13.2	13.9	14.3
	79.5	100.0	112.1	120.1	127.7
as % of GDP	0.0	0.0	3.5	6.7	8.6
	24.5	28.5	29.9	29.9	29.7

Note: The scenarios refer to a real index for each component of expenditure, valued at constant 2006 prices. The actual figures for the basic scenario are presented in Table 14.

144. **Increase in external assistance scenario.** Along with evaluation of data on supplementary assistance with debt service, there is discussion about increases in the volume of external aid to this country. Aside from the issue of the availability and quantity of additional aid, the government needs to reflect on the advantages and disadvantages of such an increase. Two interrelated questions arise in this context, specifically: (i) the government's ability to absorb and manage more aid; and (ii) the danger that distortions may develop that are related to an increase in the aid.

145. And so the last scenario in Table 13 calculates (in real terms) the impact of a gradual entry of additional external assistance on total investment and overall expenditure—assistance beyond the value in the basic scenario. For example, Table 13 simulates an increase of US\$75 million in 2007 that rises to US\$150 million in 2009. This scenario shows that such additional funds would finance a higher rate of investment (e.g. 14.3 percent compared with 12.0 percent of the GDP forecast for 2009 in the basic scenario) and, consequently, an increase in the weight of total expenditure as percentage of GDP.

146. As for the problem of absorption, the government recognizes that when foreign aid is used effectively, it has spurred the efforts to reduce absolute poverty and achieve economic growth. It is also obvious that the country has not yet attained a level of sustainable economic growth that would require a substantial cut in the volume of assistance in the short or medium term.

147. **Basic Principles for Application of Additional External Funds.** In light of the possibility of a significant increase in external funding, the government has begun a process of careful reflection in order to lay down some *basic principles to guide the use of extraordinary external resources*.¹ The key reason why those principles need to be defined is that flows of this type of funding will not continue indefinitely and so it would not be prudent to include those funds in the medium-term planning process. Clearly, they require a specific approach.

148. Two principles for allocating those resources have emerged from preliminary discussions. Priority in the allocation of high volumes of special external funding will be given to:

- (a) Investments that need significant startup funding but can be sustained by lower funding during the implementation phase; and
- (b) Interventions that stimulate the productive sector of the country's economy.

149. Two concerns are associated with an inflow of high volumes of external funds: *Dutch disease* and the ability of the nation's economy to absorb the funds.² The focus on the production sector (b) will help address both concerns.

150. Lastly, note that these principles seek to prevent an incremental expansion in all headings of the expenditures scenario that is presented in the next section. An incremental expansion in all categories of expenditure would make implementation of those programs unsustainable after the extraordinary funding runs out.

151. Meanwhile, the government insists that despite the possibility of additional flows of funding, it would prefer external aid that flows smoothly and with appropriate predictability (see Chapter IX, section 4).

(d) Budgetary Accommodation of the PARPA

152. Budgetary accommodation of PARPA II translates into the overall financial program that will support execution of the actions by the State called for in that document.

¹ For example, aid flows coming from initiatives such as those adopted by G-8 heads of state at the Gleneagles summit in 2005, or from the *Millennium Challenge Account*.

² *Dutch disease*, a term used to describe the disappearance of exporter industries owing to an appreciation in the value of non-tradable goods and services relative to tradable goods (manufactured goods and agriculture).

153. This program is based on the Medium-Term Fiscal Scenario, a tool that the government updates annually and uses to chart the course of its financial program, as well as to prepare the annual budget.

154. The portion of the resources that are available in the State Budget for 2006-2009 is shown in the section on the financial envelope. Table 14 provides an overall summary of the fiscal program that illustrates both the trend in expenses and the financial constraints.

Table 14. Summary of the Government Fiscal Program (2005-09, 2014), at constant 2006 prices

(millions of <i>contos</i>)*	2005	2006	2007	2008	2009	2014
1. Total Resources	41,503	52,881	56,641	59,066	61,635	75,717
1.1 State revenues (+ privatizations)	24,057	27,017	29,510	32,633	35,842	50,578
1.2 External Resources	17,446	25,864	27,132	26,433	25,793	25,139
2. Total Expenditures	40,979	51,548	55,839	58,006	60,586	75,717
2.1 Current expense	23,031	26,735	28,918	30,215	31,468	40,251
2.2 Investment expense	14,394	21,788	23,587	24,925	26,528	33,661
2.3 Financial operations *	3,555	3,026	3,334	2,866	2,590	1,805
3. Net internal credit [= 2 – 1] **	-524	-1,332	-802	-1,061	-1,049	0
<i>Memorandum Items:</i>						
Current deficit [= 1.1 – 2.1]	1,027	282	592	2,418	4,374	10,326
Total deficit [= 1.1 – 2]	-16,922	-24,532	-26,330	-25,373	-24,744	-25,139
Total deficit (% GDP)	-10.1	-13.6	-13.6	-12.3	-11.2	-8.2
Internal Primary Balance ***	-3,997	-4,681	-4,644	-4,555	-4,874	-7,055
Internal Primary Balance (% GDP)	-2.6	-2.6	-2.2	-1.9	-1.8	-1.5

* Excludes internal debt amortization, which is part of the net internal credit.

** For 2005, includes “other revenues and expenditures” equal to 326 mde (expenditure).

*** The internal primary balance measures the difference between total internal resources and internal spending, which includes expenditures financed through direct budget support.

155. Clearly, the main objective of this medium-term budgetary program is maintenance of fiscal responsibility in order to ensure macroeconomic stability and facilitate the success of this plan of action. Consolidation of the government’s fiscal position during the period is evidenced by the negative figures on internal credit to the government (excluding transactions with the Bank of Mozambique) and in the decline of the total deficit and the primary balance in terms of GDP during the years until 2009.

Table 15. Program of Expenditures (2005-09, 2014), at Constant 2006 Prices.

(millions of <i>contos</i>)	2005	2006	2007	2008	2009	2014
Total Expenditure	40,979	51,548	55,839	58,006	60,586	75,717
Current expense	23,031	26,735	28,918	30,215	31,468	40,251
Personnel expenses	11,707	13,345	14,580	15,601	16,693	22,870
Goods and services	4,826	5,587	5,901	6,315	6,757	9,026
Charges on the debt	1,367	1,568	2,237	2,174	1,955	915
Current transfers	4,174	4,726	4,755	4,584	4,420	5,336
Other	956	1,509	1,444	1,541	1,644	2,104
Investment expense *	14,394	21,788	23,587	24,925	26,528	33,661
Internal component	5,349	6,566	7,520	9,199	11,260	18,296
External component	9,044	15,221	16,068	15,725	15,268	15,364
Financial operations **	3,555	3,026	3,334	2,866	2,590	1,805
as % of GDP						
Total expenditure	24.5	28.5	28.9	28.0	27.3	24.8
Current expense	13.7	14.8	14.9	14.6	14.2	13.2
Personnel expenses	7.0	7.4	7.5	7.5	7.5	7.5
Goods and services	2.9	3.1	3.1	3.1	3.1	3.0
Current transfers	2.5	2.6	2.5	2.2	2.0	1.8
Investment expense	8.6	12.0	12.2	12.0	12.0	11.0
Internal component	3.2	3.6	3.9	4.4	5.1	6.0
External component	5.4	8.4	8.3	7.6	6.9	5.0
Financial operations	2.1	1.7	1.7	1.4	1.2	0.6
as % of total expenditure						
Current expense	56.2	51.9	51.8	52.1	51.9	53.2
Personnel expenses	28.6	25.9	26.1	26.9	27.6	30.2
Goods and services	11.8	10.8	10.6	10.9	11.2	11.9
Current transfers	3.3	3.0	4.0	3.7	3.2	1.2
Investment expense	35.1	42.3	42.2	43.0	43.8	44.5
Internal component	13.1	12.7	13.5	15.9	18.6	24.2
External component	22.1	29.5	28.8	27.1	25.2	20.3
Financial operations	8.7	5.9	6.0	4.9	4.3	2.4

* Investment expense includes project expenditure, being current and capital expenditure.

** Excludes internal debt amortization, which is part of the next internal credit.

156. Given these constraints, it would not be realistic to make radical changes in the structure of expenditure. Table 16 indicates minor changes that could be made between now and 2009 in the major line items.

157. In terms of investment, it is expected that the volume of external financing will decline in terms of GDP, beginning in 2006. Even so, effective control of current spending and an increase in State revenues would permit an increase in the internal component of investment spending, thereby ensuring that total investment would stand at greater than 11 percent of GDP.

158. With respect to sectoral allocation of expenditures, Table 16 estimates the total amount of resources that could be assigned to the various sectors. This figure represents total funds actually available to finance sector expenditure programs, particularly for the battle against absolute poverty. In each year, the figure is equal to total internal and external resources, minus financial expense and other commitments that cannot be included in expenditures by the sectors.

Table 16: Resources that can be Allocated to the Sectors, at Constant 2006 Prices.

(millions of <i>contos</i>)	2005	2006	2007	2008	2009	2010
Total Resources	41,503	52,881	56,641	59,066	61,635	61,782
- Financial Operations *	-3,555	-3,026	-3,334	-2,866	-2,590	-2,445
- Active	-2,751	-2,094	-2,441	-2,024	-1,777	-1,643
- External debt amortization	-804	-932	-893	-842	-814	-802
- Charges on the debt	-1,367	-1,568	-2,237	-2,174	-1,955	-1,842
- Miscellaneous transfers	-3,935	-4,117	-3,929	-3,810	-3,696	-3,588
+ Net internal credit	-524	-1,332	-802	-1,061	-1,049	-897
= Resources that could be Allocated to the Sectors	32,123	42,839	46,339	49,156	52,345	53,010
as percent of total resources	77.4	81.0	81.8	83.2	84.9	85.8
as percent of GDP	19.2	23.7	23.9	23.7	23.6	22.4

(e) Approach, and Procedure for Estimating Costs

159. The intent of PARPA II is to contribute to realization of the objectives of the government's Five-Year Plan. Along these lines, the section on costs presents a table showing how resources would be allocated by sector and sub-sector (called "programs"). It covers **all** the expenditures by the State, regardless of the source of the funds (internal or external) or the type of expense (operating or investment). The allocation of resources to the sectors is compatible with the achievement of the priorities and actions of PARPA II.

160. During the preparation of this document, questions were raised as to the best approach to take in estimating cost: one option involved adding up the expenditures necessary to achieve the MDG [Millennium Development Goals] and the needs for additional financing ("aspirational costing"). The other approach was a presentation of a plan for allocating funding that is predictable within the current context, thereby assuring the maximum possible impact with regard to the MDG. We opted for the second alternative: an expenditure structure compatible with the objectives and goals of PARPA and within the predictable financial resource envelope.

161. The possibility for significant growth in the volume of external funding, and the implications of that increase, are explored at the end of this chapter.

162. Projections were made at constant 2006 prices, i.e., the same basis as the 2006 State Budget, and taking into account, albeit broadly, the projects and activities now under way. Also considered were some large projects, such as the bridge over the Zambezi river, or

specific activities such as the Population Census planned for 2007, the installation of provincial legislatures, and elections.

163. As presently designed, this projection does not draw a distinction between “internal sources” and “external sources” or between “operating expenses” and “investment expenses.” External financing is allocated according to Government priorities and then follows the strategy of using general Treasury funds (internal revenues and support to the budget) to offset the distortions of a not-fully-aligned allocation of the external financing received. The expenditures structure described below is a desirable one for total financing. And so the projection serves not only to guide the appropriation of general funds but also to direct the use of external funds.

164. Investment expense is not separated from operating expense because, in actual practice, what is designated in the State Budget as “investment expense” are expenditures that are organized by project, while “operating expenses” refers to general expenses. The presence of a Project in the State Budget makes it possible to follow the course of allocated funds on down through a specific use. Furthermore, it protects the funds assigned to that Project from being diverted to other uses. Hence it is possible to find, under “investment expense,” both current and capital expenditures. This is why the distribution of total expense into “general” (operating) and “specific” (investment) is an operational decision that will be made in the annual budgeting process.

165. Another important aspect is that the projection itself does not take geography into account. The distribution of the funds by sector and program is done purely by sector and subject area. The distribution of those sums by territorial levels is done during the preparation of the CFMP [Medium-Term Fiscal Framework], and takes into account the decentralization policy and the constraints present in the capacity for implementation.

166. The projection shows the trend in sector expenses at constant 2006 prices, the same basis as used for preparation of the 2006 State Budget. It includes the impact of new hirings, but does not reflect changes in wages and salaries. There are two factors to remember here: (i) first, as the economy grows, there will be some adjustments in real wages on the salary chart; and (ii) second, as part of the efforts to professionalize the civil service, the percentage of personnel who have a stronger educational background and a higher salary will gradually increase. To take this effect into consideration, a cumulative figure of 3 percent was deducted from the amount to be distributed to the sectors in order to take into account the fact that the average salary will rise due to promotions, progressions, and a slight increase in real wages from 2007 until 2010.

167. The result of this exercise is presented below. It is important to keep in mind the character and limitations of this projection. It describes a desirable trend, but it was established without explicitly including all the projects now in progress or the posting of external funds and project financing agreements under way. It indicates the trend in resource application over the medium term. Annual appropriations will fluctuate above or below the

trends presented here, depending on existing commitments and the structure of external financing.

168. A detailed layout of the allocation of expenses will be one of the results of the CFMP that defines the structure of expenditures for 2007 and the next two years (2008 and 2009). At that point, works in progress and existing commitments to those who are financing the projects will be taken into consideration. The CFMP establishes a nearly-definite allocation of expenses for the next three years, according to the orientations in PARPA II, taking historical constraints into account.

(f) Funds Allocation by Sectors

169. The appropriation of the funds was guided by assumptions derived from the strategy described in this document. Following is an explanation of the principal assumptions:

170. Public services and the infrastructure necessary to a comprehensive and well-balanced economic growth should receive more attention and more funding in the coming years. Heavy investment in social welfare in the past has contributed to relatively skimpy appropriations for infrastructures. The economic sectors need more attention: agriculture—especially irrigation, research, extension services, and small-scale fishing. The same is true of the tourism and transportation fund, including weather forecasting. The waters sector will see growth—first to compensate for the low rate of execution of its budget in the past, and second, because of the need to rehabilitate certain dams that were left off previous lists.³

171. The roads and highways sector will continue to merit attention. In the coming years, construction of certain strategic bridges and the rebuilding of National Highway No. 1 to better integrate the North, Central, and South regions—already under way—will require significant amounts of money to complete. At the same time, proper attention will be paid to achieving balance between primary and secondary highways and their access roads—neighborhood roads—that will help integrate the rural and regional economies and tie the sites of farm production to the towns and cities that constitute the local market.

172. Other areas in which a substantial increase in funding is anticipated in order to meet goals related to economic growth are: (i) energy, which should contribute by supplying quality electric power to districts that have industrial potential; (ii) the National Tourism Funds; export promotion; and (iii) higher education (universities and polytechnic institutes) and vocational/technical education.

³ Neither purchase of the Cahora-Bassa dam (HCB) from Portugal nor the construction of an additional dam along the Zambezi River (Mphanda Nkuwa) were included in this projection.

173. Health and Social Action will continue to receive increased funding during the year, in real terms, to permit a rise in expenditures that slightly exceeds population growth. The focus in these sectors will be on efficiency and good management and on inter-sectoral allocation of resources. And so it is anticipated that the Health sector will experience growth higher than the average for the basic services sector. Social Action will see an increase, particularly in actions intended to mitigate the effects of AIDS.

174. Particular attention is reserved for Education, where significant growth in funds allocated to primary school (EP1 and EP2) and the first part of secondary education up to 10th grade (ESGI) is predicted. This is to ensure that the increase in the number of students does not cause a deterioration in quality. The goal is to achieve a gradual improvement in the teacher/student ratio and a better balance among regions. There is a potential for improving the quality of instruction without incurring additional costs, through more efficient organization. It is obvious that an expansion accompanied by improved quality is not feasible without an increase in funding.

175. Furthermore, there are some sectors where allocations need to increase to keep pace with population growth. These include the Courts, Law Enforcement, Industry, Commerce, and Tourism (except for the institutions mentioned above), Fisheries and Mineral Resources, and Planning and Finance.

176. The allocation of resources to sectors that perform general administrative functions will not change significantly. Prominent here are Foreign Affairs and embassies; Defense; the units associated with the offices of the President of the Republic, the Prime Minister, and the Governors; the Assembly of the Republic, and Statistical Services. The 2007 census was treated separately, as were the 2007-2009 elections, since these are special, non-recurring expenditures. Adjustments of activities to the PARPA strategy will be made by redistributing funds within the respective institutions.

177. The current level of spending will be maintained (in real terms) for Housing, the Environment, and Women's Issues. There will be readjustments in the internal distribution as needed. With regard to Women's Issues and the Environment, we should note that these sectors are important parts of the PARPA strategy. However, in order to fulfill the goals defined for these sectors within PARPA II, what is most needed is a redefinition of internal priorities.

Limitations of these projections

- (a) In many cases, unit cost of the products was not calculated.
- (b) Projects now under way and works already assigned funding were not taken into account in detail.
- (c) Funds projection assumes a regular flow, without large fluctuations between years. In reality, fluctuations result from the various phases of projects implementation.
- (d) Still to be solved is the problem of an apparent scarcity of internal resources to pay VAT tax and to cover joint participation in projects financed from abroad in which the external financing does not include the tax burden. Depending on the solution found, the figures may be changed significantly by the impact of the taxes.
- (e) The subdivision of expenditures by programs is not sufficiently developed, since such a subdivision does not exist

	in the current budget and books of account.
(f)	The projection does not discriminate between internal and external financing. Because of inertia in the current structure of external financing, owing to projects under way and medium-term commitments, it will be quite a challenge to allocate the external funds in a way that corresponds to the desired structure.
(g)	The figures attributed under the 2006 State Budget served as starting point. These were increased in some cases to take into account certain external financing that was known, but had not been recorded in the budget. This adjustment is, of course, a raw estimate. The affected sectors are HIV/AIDS, Education, Health, and Highways (bridge over the Zambezi River).
(h)	In some cases, the figures from the 2006 State Budget may have been under-estimated because the proposals submitted by the sectors were reduced in order to ensure consistency between the State Budget and macro-financial programming. It was not possible to determine, in detail, the real value of the investments financed under the existing projects, even when they were recorded in the budget.

178. The evolution of expenditures by large groups of sectors that results from this effort is presented below, in Chart 3. All the projections that follow are expressed in constant 2006 prices and include both internal and external financing.

Chart 3: Structure of Sectoral Expenses by Area

[translation of items in key, reading from top to bottom]

- The State (Office of the President, Legislature, Embassies, Defense, INE, CNE/STAE [Technical Secretariat for Electoral Administration/National Elections Commission])
- General and technical education
- Higher education, technology
- Health and AIDS
- Roads and Highways
- Waters
- The legal structure
- Agriculture, MIC, Natural Resources, Tourism

Other

Table 17: Structure of Sectoral Expenditures (excluding general expenses) 2006-2010

	2006*	2007	2008	2009	2010
The State (Office of the President, Legislature, Embassies, Defense, INE, CNE/STAE)	9.9%	11.6%	9.8%	10.3%	8.6%
General and technical education	18.9%	18.0%	19.0%	19.8%	21.2%
Higher education, technology	3.1%	3.4%	3.8%	3.8%	3.9%
Health and AIDS	19.0%	18.1%	18.1%	18.0%	18.3%
Roads and Highways	12.5%	13.4%	13.8%	13.6%	13.9%
Waters	5.3%	5.3%	5.9%	5.8%	5.5%
The Legal Structure	8.1%	7.6%	7.4%	7.3%	7.3%
Agriculture, MIC [Ministry of Industry & Commerce], Natural Resources, Tourism	7.2%	7.6%	7.6%	7.3%	7.2%
Other	16.0%	15.0%	14.7%	14.2%	14.1%

Total (in millions of <i>contos</i>)	44,216	46,467	48,039	50,752	52,837
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*Figures include the estimated value of off-budget items, on the order of US\$35 million, and special financing for elections and the census on the order of US\$ 30 million.

179. The “non-allocated” line [sic] requires some explanation. The starting point for the projections is the 2006 State Budget, but some foreign aid projects were added that were known, but not captured in the budgeted expenditures. However, the macro projections call for only about US\$35 million in which the posted external support will increase between 2006 and 2007 because of improvements in budget coverage. Hence the deficit.

180. In 2007, programmed expenditure exceeds the resources shown in the macro table because of two specific activities: the population census, and provincial elections. In projecting revenue and other receipts, a regular flow in each year is assumed, except for fluctuations occurring for specific reasons such as the end of certain large projects, or special events such as elections and the census that are normally covered by special external financing. And so the 2007 deficit gap will probably be closed by special contributions from some cooperation partners.

181. The changes in the structure can be seen clearly in the comparison of the 2006 and 2009 structures presented in the following pie charts.

Chart 4: Structure of Expenditures in 2006 and 2009

*[translation of items in key, reading from top to bottom - same key for **both** pie charts – 2006 and 2009]*

- The State (Office of the President, Legislature, Embassies, Defense, INE, CNE/STAE)
- General and technical education
- Higher education, technology
- Health and AIDS
- Roads and Highways
- Waters
- The Legal Structure
- Agriculture, MIC, Natural Resources, Tourism
- Other

182. Following are some charts that show how expenses have evolved by components or programs within the areas listed in the previous charts; 100 percent represents total expenditure by the respective area.

Chart 5: Roads and Highways: Distribution of Expenditures by Program

[translation of items in key, reading from top to bottom]

- Primary roads
- Secondary roads
- Neighborhood and regional roads
- Bridge construction and rehabilitation
- General expenses
- Public works at the provincial level (includes access roads)

Chart 6: Waters: Distribution of Expenditures by Program and Component

[translation of items in key, reading from top to bottom]

- General expenses
- Rural water supply
- Rural sanitation
- Urban water supply
- Urban sanitation
- Water resources

Chart 7: Agriculture: Distribution of Expenditures by Program

[translation of items in key, reading from top to bottom]

- General costs
- Fishery
- Rural extension services
- Support for production
- Research
- Irrigation
- Forests and wildlife
- Farmland management

Chart 8: Health and HIV/AIDS: Distribution of Expenditures by Program

[translation of items in key, reading from top to bottom]

- Levels 1 and 2 (excluding wages and salaries)
- Level 3 (excluding wages and salaries)
- Level 1-3 Personnel and DPS [Provincial Health Directorates]
- Level 4

- Medicines
- Equipment
- Training
- HIV/AIDS
- Overhead, general expenses

Chart 9: Education: Distribution of Expenditures by Program

[translation of items in key, reading from top to bottom]

- General education (primary—EP and the first part of secondary education—ES2)
- Second part of secondary and technical education
- Teacher training
- Adult education
- General expenses, HIV/AIDS

Chart 10: “The State”: Distribution of Expenditures by Component

[translation of items in key, reading from top to bottom]

- Offices of the President, Governors, and Prime Minister
- Legislatures, constitutional conventions
- Defense
- MAE [Ministry of State Administration], STAE, CNE
- INE
- MINEC [Ministry of Foreign Affairs & Cooperation], Embassies

Note: The fluctuations in the percentages mainly reflect sums allocated to the census and the elections.

Chart 11: The Legal Structure: Distribution of Expenditures by Component

[translation of items in key, reading from top to bottom]

- Interior
- Ministry of Justice, prisons
- Courts

VI. SCENARIOS FOR ABSOLUTE POVERTY REDUCTION

183. The living conditions of the poor are influenced by economic growth. In recent years, Mozambique's economy has grown at about 6 percent per annum, and between 1997 and 2003 a 15.3 percent reduction occurred in the incidence of poverty (see Table 2). Evidence in other developing countries similar to Mozambique indicates that countries that experienced sustainable economic growth for at least a decade experienced reductions in poverty levels. (Table 18). Situations where economic growth was not accompanied by a reduction in poverty are very closely associated with the extent to which income is unequally distributed in that country.

Table 18. Economic Growth and Poverty in Africa

Country	Period	No. of Yrs.	Growth*	Poverty**
Mauritania	1987-1996	9	0.4	-1.67
Senegal	1986-1997	11	0.0	-1.68
Mali	1986-1996	9	0.5	-0.76
Ghana	1988-1998	10	2.0	-1.86
Uganda	1993-2003	10	3.2	-3.90
Kenya	1989-1998	9	-0.2	-0.94
Tanzania	1992-1999	7	0.0	0.53
Botswana	1984-1994	10	4.8	-4.50
Zambia	1992-2001	9	-4.0	0.62
Zimbabwe	1988-1999	11	0.5	-0.59
Mozambique	1996-2003	7	6.3	-2.60

Note: *Annual average change in real per capita GDP (national currency, constant prices).

** Average annual change in incidence of poverty (headcount index).

Source: Growth figure: IMF, World Economic Outlook. Poverty figure: Booyesen *et al.* (2005)

184. Table 19 illustrates the impact of the incidence of poverty under different scenarios using different projections of economic growth and the associated distributive effects. It updates and revises the analysis presented in Chapter 3 and in Table 3.10 of the study entitled *Pobreza e Bem Estar em Moçambique—Primeira Avaliação Nacional, MPF*. The calculations were based on data from the 1997-98 Survey of Family Units (*Inquérito aos Agregados Familiares—IAF*), using consumption levels adjusted as of 2001 data, obtained from National Statistics Institute—INE estimates on the growth in spending on private consumption as of 1999, and estimates by the MPF-DNPO for 2000 and 2001. The adjustment assumes a 2.3 percent increase in population during this period, and a neutral distribution of that growth—keeping in mind that the agricultural sector grew at approximately the same pace as real GDP.

185. Considering a scenario based on an annual rise of 5 percent in per capita consumption, with a neutral effect on income distribution, the incidence of absolute poverty (headcount index) would decline from 54.1 percent of the population in 2003 to 36.4 percent in 2009. For the average poor family unit, as defined by the 2002-03 IAF, real consumption

per capita would climb by 44 percent by 2009. On the contrary, a low rate of real per capita consumption growth, say 2 percent per annum, would still leave about 47.2 percent of the population below the poverty line in 2009. In this slow-growth scenario, the results would remain unacceptable even if we consider the possibility of a *pro-poor* growth structure, i.e., a situation according to which per capita consumption by the poor would rise 1.25 times as fast as consumption by the non-poor. Therefore, slow growth means slow progress in reducing poverty for any of the assumptions on distribution adopted in the mentioned scenarios.

186. Assuming neutral distribution of income and a real per capita growth in consumption between 2 and 3 percent, the headcount index would be 45 percent in 2009.

Table 19. Relationship between Economic Growth and Poverty Reduction

Scenarios for Increase in Real Consumption per capita	Incidence of Poverty (%t of Population who are Poor)			Av. Cons. by Poor Fam. Unit* (Av. per person per day, % of the poverty line)			Av. Consumption by Poor Families (Index: 1997 = 100)		
	1997	2003	2009	1997	2003	2009	1997	2003	2009
A. Various scenarios, neutral distribution**									
2%	69.40%	54.10%	47.23%	57.80%	62.06%	69.89%	100	107.37%	120.92%
3%	69.40%	54.10%	43.46%	57.80%	62.06%	74.10%	100	107.37%	138.20%
4%	69.40%	54.10%	40.00%	57.80%	62.06%	78.53%	100	107.37%	135.87%
5%	69.40%	54.10%	36.43%	57.80%	62.06%	83.17%	100	107.37%	143.89%
B. Scenario with 5 % growth									
(a) Distribution improves for the poor	69.40%	54.10%	34.13%	57.80%	62.06%	86.77%	100	107.37%	150.12%
(b) Distribution slightly deteriorates for the poor	69.40%	54.10%	38.66%	57.80%	62.06%	79.88%	100	107.37%	138.20%
(c) Distribution significantly deteriorates for the poor	69.40%	54.10%	43.44%	57.80%	62.06%	74.21%	100	107.37%	128.39%
(d) Distribution seriously deteriorates for the poor	69.40%	54.10%	46.59%	57.80%	62.06%	70.59%	100	107.37%	122.13%
C. Scenario with 2% growth									
(a) Distribution improves for the poor	69.40%	54.10%	45.86%	57.80%	62.06%	71.24%	100	107.37%	123.25%
(b) Distribution slightly deteriorates for the poor	69.40%	54.10%	48.29%	57.80%	62.06%	68.67%	100	107.37%	118.81%
(c) Distribution significantly deteriorates for the poor	69.40%	54.10%	49.85%	57.80%	62.06%	66.57%	100	107.37%	115.17%
(d) Distribution seriously deteriorates for the poor	69.40%	54.10%	50.99%	57.80%	62.06%	65.22%	100	107.37%	112.84%

Note: *Average consumption is equivalent to family income divided by number of family members, adjusted for differences in regional prices and regional sampling ratios. The figures presented show changes in the average consumption by families who were below the poverty line in the 2002/03 IAF survey, as percentage of the poverty line at constant 2002/03 prices (MT 8,472,614 person/day).

**Neutral distribution” means that income distribution remains stable, which implies that consumption levels rise in equal proportions for all income groups.

(a) Pro-Poor: Consumption by the poor rises 25% more than consumption by the non-poor.

(b) Slightly Anti-Poor: Consumption by the non-poor rises by 25% more than consumption by the poor.

(c) Significantly Anti-Poor: Rise in consumption by the non-poor is double that of the poor.

(d) Seriously Anti-Poor: Rise in consumption by the non-poor is triple that of the poor.

Source: MPD calculations.

VII. CROSS-CUTTING TOPICS

187. These topics are considered as cross-cutting since they cannot be considered in isolation, because the action plan requires concerted and well-integrated action by a multitude of actors. Addressing these factors is crucial to the success of the entire growth and poverty reduction strategy. Failure to consider these cross-cutting issues may limit the success of the strategies and programs designed for other sectors. In order to implement an action plan to reduce poverty, it is important to discuss and deal with the basic factors that hinder the development of this country.

188. PARPA II identifies eight cross-cutting topics:

- (a) Gender;
- (b) HIV/AIDS;
- (c) Environment;
- (d) Food and nutritional security;
- (e) Science and technology;
- (f) Rural development;
- (g) Natural disasters;
- (h) De-mining.

189. These issues cut across the different sectors and the country's social and economic reality. They are also interrelated, inasmuch as the issues of one of the topics are important and affect the way in which the other cross-cutting topics are addressed, and vice versa. Therefore, an integrated approach by PARPA II to the cross-cutting topics will enable us to maximize the synergies resulting from the involvement and the commonality of the vision and objectives of the different sectors, which impacts program planning, policy formulation, and implementation.

190. All the cross-cutting topics have been addressed on each of the pillars. However, the need to make them more visible in light of their importance for the success of PARPA II suggests that we should now identify the key objectives of each.

1. Gender

191. About 52 percent of Mozambicans are women, 72.2 percent of whom live in rural areas; 23.2 percent are heads of families. However, there are a number of economic and social well-being issues that need to be considered in order to improve the living conditions of this population group. Despite huge improvements in education, the proportion of girls in primary education and subsequent levels needs to be improved, especially in the provinces where this proportion is still lower than the national average. Within the adult population, the illiteracy rate is higher for women (71.3 percent) than for men (43 percent). We also know about women's vulnerability to HIV/AIDS as a result of incidents of sexual violence.

192. Articles 35 and 36 of the 2004 Constitution of Mozambique establish the principle of equal rights before the law for both men and women. The 2005-09 Five-Year Plan also makes achievement of gender equality a major objective, and specifically recognizes that the empowerment of women is a decisive factor in the eradication of poverty. This creates an important framework within which, throughout the process of economic and social development of this country, we can focus on greater equity in access to resources, increased participation in the economy, access to the benefits of development and participation in decision-making bodies. However, given the inequalities in education (levels EP2, ESG2, and above), three-fourths of the investment by the State benefits boys, while only one-fourth benefits girls.

193. Empowerment of women becomes a decisive factor in both the eradication of poverty and the battle against the spread of HIV/AIDS. It is especially necessary to protect young women, in order to reduce transmission to children. It must be emphasized that women are the most effective agents for improving the socioeconomic well-being of communities. When their status is improved, women may become the most efficient and effective long-term investment.

194. The priority actions designed to promote equality of opportunity between women and men and to empower women--actions addressed in a cross-cutting manner by the different pillars, areas, and categories—include the following:

(a) The approval and implementation of gender policy and its strategy, including the institutionalization of gender units in all sectors at the central and provincial government levels, and training people in the effective integration, implementation, and monitoring of gender issues in sectoral plans and budgets;

(b) Integration of the gender perspective into national development policies, programs, and projects;

(c) Revision of all legislation that is discriminatory toward women and adoption of new legislation, particularly against domestic violence, and the creation of conditions for their enforcement, including the training of intervention personnel, and dissemination of their availability;

(d) Expansion of agricultural extension services in order to provide better support to the transfer of technologies, particularly in rural areas;

(e) Integration of women into strategies for the development of small and medium-scale companies, including access to suitable credit and expansion of the labor-intensive fields of industry;

(f) Identification of gaps in the gathering and analysis of data that is broken down by sex, in order to design and initiate the implementation of a strategy aimed at filling those gaps in systematic fashion;

(g) Promotion of gender balance in leadership positions, and fostering the increased ability of women to assume those positions;

(h) Implementation of actions intended to reduce the prevalence of HIV/AIDS among women and girls, including promotion of the role of men in this context;

(i) Intensification of efforts to reduce gender disparities in basic, middle-level, and higher technical education;

(j) Improvement of the coverage of water supplies and sanitation services in rural zones so that women and girls will not need to travel so far to get water, thereby giving girls a better opportunity to attend school, and women more chances to become involved in productive activities.

195. All sectors are responsible for integrating the gender component into their planning and budgets. However, in an effort to strengthen this integration, the Women and Social Action sector serves as coordinator to support not only the integration of gender into overall policies such as PARPA and the PES/OE [Economic and Social Plan/State Budget], but also in the activities planned by the sectors. To this end, it is vital to equip the institutions in this sector with the necessary technical and financial means.

2. HIV/AIDS

196. Because of its devastating scale and its impact, HIV/AIDS represents a national emergency and one of the most terrible challenges to human life, dignity, and the effective enjoyment of human rights. It blunts the impact of efforts made to achieve economic and social development because of its effect on population size and the well-being of family units. It harms the economy because of the loss of economically active members, the increase in the number of economically and socially vulnerable persons such as orphans and the elderly, and because of the loss of manpower, which raises the costs of production.

197. This pandemic affects all population groups—rich and poor, old and young—regardless of sex or race. It is estimated that more than 1.4 million Mozambicans are infected, corresponding to a prevalence rate of 16 percent. Every day there are 500 new HIV/AIDS infections. Women, both adults and children but especially girls, have been the most vulnerable to HIV/AIDS. This is reflected in the fact that the percentage of women among infected individuals age 15-24 is three times that of men. Statistics for 2004 indicate that 800,000 of the infected population are women. Furthermore, it is estimated that 36.8 percent of men, 57 percent of women, and 6.2 percent of children are living with HIV/AIDS, which has severe implications for their economic and social well-being. The burden falls more heavily on women because of the increased costs of caring for the home.

198. High poverty rates contribute to the rapid spread of HIV/AIDS, and vice versa. Indeed, poverty can be identified as one of the most important factors contributing to the rapid spread

of this epidemic. The poor are more vulnerable to the impact of HIV for several reasons: (i) they have little access to health care services; and (ii) as they search for ways to make a living, they tend to migrate more than other groups and this increases the likelihood that they will have more sexual partners. Women may face extra risks when they get involved in sexual activities in order to support themselves. Moreover, the poor have less access to information, which can limit their ability to make decisions and choices about sexual behavior. Therefore, the poor are more exposed to risky activities as part of their survival strategy.

199. The main objective with respect to HIV/AIDS is to halt its spread. Based on the Second HIV/AIDS National Strategic Plan (PEN II, 2005-09), the intention is to focus on certain selected results in the following five areas: prevention, stigma and discrimination, treatment, mitigation of the impact, and coordination of the national response. Actors in PEN are the Ministry of Health, the entire public and private sector, and the NGOs that work to curb the spread of the pandemic and who work with the people who are directly or indirectly affected, with coordination by the National Council to Combat AIDS.

200. The fundamental objectives in this area are to: (i) cut the number of new infections from the present 500 per day to fewer than 350 within five years, and to fewer than 150 in ten years; (ii) make the battle against HIV/AIDS a national emergency; (iii) diminish the stigma and discrimination associated with HIV/AIDS; (iv) prolong and improve the quality of life of persons infected with HIV and those ill with AIDS; (v) reduce the consequences of HIV/AIDS for individuals, families, communities, and companies, as well as the global impact; (vi) increase scientific knowledge about HIV/AIDS, its consequences, and the best practices for combating it; (vii) improve planning and coordination capacity and decentralize the decision-making and resource management mechanisms; (viii) promote actions that lighten the burden of household tasks on women; and (ix) undertake actions to combat the feminization of HIV/AIDS.

201. It is anticipated that the proportion of the State Budget that is allocated to specific areas of the HIV/AIDS program that will take actions in the topic areas mentioned above will be increased. The increased funds will be used specifically to assist sectors in: (i) mitigation of the impact of HIV/AIDS in terms of human capacity; (ii) expansion of the geographic coverage of the response, particularly for the less privileged zones where prevention and treatment services are not available; and (iii) dealing with the rising crisis posed by orphans.

3. The Environment

202. Most of Mozambique's population depends on natural resources for subsistence and income. PARPA II, in light of that reality, recognizes that attaining its objectives depends heavily on how those natural resources are managed and preserved, and on the relationship between their use and exploitation and benefits for the poor.

203. The facts suggest a close relationship between poverty and the environment. Unplanned increases in population density contribute to more accelerated deterioration. Poor family units

tend to depend for their daily livelihood on activities that directly impact the environment, such as: building houses and planting crops in zones where erosion is likely; continued use of plants and woody materials for construction, food preparation, and producing of household utensils; improper drainage and sanitation; recourse to burning to clear land for crops; improper handling and disposal of solid and organic waste.

204. In urban zones where population is more dense, environmental deterioration may help exacerbate the health and well-being of families. Endemic diseases such as malaria and cholera are a direct consequence of faulty drainage, sanitation, solid waste management and water supply systems. Improving these conditions of environmental deterioration requires proper planning or reclassification of urban land areas, particularly land title registration and land use zoning, as well as proper access, drainage and water supply infrastructures. An integrated development of Mozambican territory could curb the proliferation of informal communities on the periphery of urban centers, which pose a serious threat to public health, social well-being, and biodiversity.

205. The major environmental priorities in Mozambique focus mainly on the following: (i) cleaning up the environment; (ii) territorial zoning; (iii) prevention of soil degradation; (iv) natural resource management, including control over burning; (v) legal and institutional aspects, i.e., environmental education, compliance with law, and development of institutional capabilities; and (vi) reduction of air, water, and soil pollution; and (ii) prevention and reduction of the effects of natural disasters.

206. Also deserving of attention are issues connected with environmental governance; the responsibilities of the business community in terms of environmental and social matters; the recognition of the relationship between the environment and poverty, with a focus on environmental education, the role of health care sectors, agricultural and rural development, energy, industry, tourism, mines, fisheries, management of marine and coastal zones, technology, vulnerability, and natural disasters.

207. Education and the identification of alternative sources of income for the poorest families may help relieve the pressure that poverty puts on the environment. Gradual introduction and dissemination of alternative technologies for construction, cultivation and fertilization of soils, improved sanitation, and renewable sources of energy may also make a significant contribution to the goal of a sustainable environment.

208. Protection of natural resources and their sustainable use to ensure more abundant production of better foods requires that steps be taken to ban pollution of the waters and protect the fertility of soils, and that arrangements be made for orderly fishing and forest conservation.

209. The purpose of a cross-sectional approach to environmental issues is to ensure that all actors in the development process, including the State, properly play their role in preserving the environment, both urban and rural.

4. Food and Nutritional Security

210. Everyone has the human right to a standard of living that assures him/her health and well-being. Regular, predictable access to food is a fundamental right of all people and a basic premise for their welfare. Food and nutritional security requires that all people have, at all times, physical and economic access to a sufficient quantity of safe, nutritive foodstuffs that are acceptable within a given cultural context in order to meet their nutritional needs and their food preferences, so that they can lead an active and healthy life. The four components of food and nutritional security are availability, stability of supply, access, and use of the foods.

211. Food security should not be interpreted in a restrictive sense that measures it in terms of a minimum package of calories, proteins, and other specific nutrients. The concept also refers to food safety (non-contamination), quality, variety, sustainability of the production practices, and respect for traditional cultures as they relate to food.

212. The objective of this cross-cutting topic is to ensure that the conditions are present that are needed to produce nutritive and healthy foods, or for people to earn the means to acquire such foods (have access to appropriate food). To that end, activities must be promoted that are designed to improve the population's access to the resources and means necessary to ensure their survival. To protect those who cannot support themselves, safety nets or other assistance mechanisms should be established and maintained. Because of the interdependence and interrelationship between food and nutritional security and all the other areas of development, a holistic approach is justified.

213. The National Strategy on Food and Nutritional Security (*Estratégia Nacional de Segurança Alimentar e Nutricional*—ENSAN) has basically four dimensions:

(a) sufficient availability of food in a given region to supply the needs of the people of that region;

(b) sufficient purchasing power or production by family units themselves to have physical and/or economic access to enough food, in quality and quantity, to satisfy their nutritional requirements at all times;

(c) sufficient capability of the human body to make biological use of the foods, to absorb the foods ingested (good health); and

(d) sufficient knowledge and proper eating habits on the part of the family unit in its use of the available foods.

214. SAN [Food and Nutritional Security] is still a burning issue in Mozambique. Statistics show that indices of chronic malnutrition are still extremely high, at 41 percent of children under the age of 5. This is an alarming percentage, because it means that approximately 1.3 million children are chronically undernourished.

215. Although the extent of poverty fell from 69.4 percent to 54.1 percent between 1997 and 2003, the extent of malnutrition, in terms of percentage of underweight children under the age of five, is still high. Rates did not improve significantly between 2001 and 2003 (down 2.3 percent). Rural areas saw a decline of 3.6 percent, while in urban areas there was a 0.4 percent increase.

216. There is, therefore, a very close relationship between poverty reduction, food and nutritional security, rural development, and sustainable economic growth. In this regard, relief of poverty is essential if the country is to achieve food security, because hunger is both the cause and the result of poverty. Poverty is eradicated when hunger is eliminated; thus sustainable economic growth is assured.

217. The overall objective of SAN for PARPA II (until 2009) reads: “Between 1990 and 2009, the percentage of the Mozambican population that suffers hunger and chronic malnutrition (transitory and structural food and nutritional insecurity) reduced by 30 percent.

218. There are three main challenges in the overall SAN context: (a) Reduce the high levels of chronic and acute malnutrition in this country, because they seriously impair the current and future human capital of Mozambique; (b) Set up a comprehensive multisectoral and interinstitutional intervention in all three dimensions of SAN and direct it toward vulnerable target groups in order to achieve and maintain food and nutritional security in this country; and (c) Make SAN a central element in the battle against absolute poverty in Mozambique.

219. Implementation of SAN objectives is included in actions that cover all sectors of the State, but primarily agriculture, health, education, and the provision of infrastructures (roads, energy, and water).

5. Science and Technology

220. The essential role of Science and Technology (S&T) in the preparation and promotion of economic growth through innovation is well known. A specific example of the role of technologies is the use of TICs [Information and Communications Technologies]. These have been having an impact worldwide. Furthermore, significant results are being achieved in the use of TICs to reduce poverty, although the full extent of their potential is not yet understood. What has been understood better is that the broader area of S&T has a crucial role to play in poverty reduction. Through S&T, new knowledge can be generated to provide solutions for many aspects of poverty, and the (existing or new) knowledge can be applied to intractable problems that cause or perpetuate poverty. A failure to build S&T into a poverty reduction strategy will as a minimum impair its performance—if not utterly ruin its effectiveness.

221. There are two key features of S&T that deserve strategic recognition, along with the operational effect they have within any poverty reduction strategy so that advantage is taken of the potential of S&T. First, the cross-cutting nature of S&T (including TICs) must be recognized. S&T should not be seen as a sector in itself, but as a center for the exchange of

solutions for all sectors where the battle against poverty is being waged, from health to education, housing, and job creation.

222. Second, and related to the first characteristic, S&T (including TICs) needs to be popularized within each sector or pillar. If the potential contribution of S&T is to be understood, it is not enough that it be considered merely as a belated reflection within one sector, or one extension, as funds or other constraints permit. S&T must be considered as one of the building blocks for any building, essential to the poverty reduction strategy within each sector.

223. In order that S&T can play a strategic role, a fully developed national S&T system must be established. For example, such a system will include policy directives and strategies by public and private institutions that can generate knowledge (i.e., scientific research) that will transform that knowledge into products, services, and solutions (i.e., the results of innovations), that will develop human resources (for example, the education sector), that directs and coordinates the system (i.e., the MCT [Ministry of Science and Technology]) and also the roles, relationships, and connections among the intervening parties within the S&T system that must be established and properly maintained to permit the system to function in the required ways.

224. An essential ingredient in the performance of the S&T system now in progress is development of appropriate human resources. It is essential that there be an expanding flow of qualified scientists, engineers, technical personnel and IT experts into the system. And so funds must be made available to enable people to acquire scientific and technological knowledge and expertise, on a sustainable basis.

225. Lastly, efficient and effective performance of the S&T system will be facilitated and improved by appropriate levels of funding, along with the necessary vehicles, coordination, and control mechanisms. For example, such vehicles will include flows of funds that are earmarked for S&T in sectors that have already been identified. A National Research Fund (*Fundo Nacional de Pesquisa*) will give funds for the following:

- Research, on a competitive basis;
- Promotion of innovation that leads to new products, the provision of services, and development of solutions;
- Support for the S&T infrastructure;
- S&T research projects identified by the government as necessary to the achievement of national objectives.

226. Coordination and control mechanisms will include, for example, a National Research Agenda, evaluation and coordination of sector research plans by the MCT, and coordination meetings with financing agencies.

227. So that Mozambican strategy can use S&T and TICs to reduce poverty (and also for economic development), it is discussed fully in a document entitled *Estratégia de Inovação da Ciência e Tecnologia de Mozambique – MSTIS*. [Strategy for Innovation in Science and Technology in Mozambique).

228. The vision for science, technology, and innovation for 2015, as laid down in the MSTIS, is:

“The omnipresent and equitable availability and the use of science, technology, innovation, and TICs as a right of all Mozambicans to accelerate the reduction in poverty, create wealth, and improve their social well-being.”

229. The Mission is:

“To promote the furnishing of scientific and technological solutions to priority sectors as defined in national development programs such as PARPA and Agenda 2025, for the benefit of Mozambican society.”

230. The basic objectives of the strategy are to:

- (a) Construct and improve the policy instruments, institutions, and infrastructures of the national S&T system;
- (b) Establish policies on financing, and mechanisms for research and innovation;
- (c) Promote human resources development at all levels in the fields of science, technology, and innovation;
- (d) Inculcate a culture of innovation into Mozambican society;
- (e) Promote innovation in the existence and use of S&T approaches by poor and less favored communities;
- (f) Promote innovation in the industrial and public sectors;
- (g) Improve leadership and administration of the S&T system;
- (h) Review, evaluate, and improve the performance of the S&T system.

6. Rural Development

231. Rural development in Mozambique is intended to ensure the active, direct involvement of poor rural families in the rapid growth of the Mozambican economy and guarantee that the agrarian economy contributes directly to a reduction of poverty in Mozambique. Most of Mozambique's poor live in rural areas.

232. There are at least five [sic] determining factors underlying rural development:

(a) A crucial axis of development is extremely close interdependency among rural communities, urban centers, and the world market into which a national economy open to the outside world is inserted. In other words, the economic and social development of rural areas is not synonymous with agricultural development; the standard of living of rural families depends on the complex relationship between family farm production and salaried work, both agricultural and non-agricultural;

(b) The poor rural population will be able to break the vicious cycle of poverty only if it can contribute to and benefit from that national economic growth;

(c) the pace of rural development depends directly on the size of the investment that is dedicated to developing rural capital—particularly: human, financial, commercial, intellectual, and social capital;

(d) Government investment should give priority to developing rural production capacity, infrastructures, infrastructures, and basic institutional services.

233. Rural development occupies a prominent position on the agendas for the economic and social development of this country, because in 2003, 64.3 percent of the Mozambican population was rural. In those regions, poverty is in some way associated with insufficient development of agriculture, rural infrastructures, and markets. Furthermore, the availability of financial institutions is still inadequate, and great vulnerability persists.

234. Various activities have been carried out nationwide—whether by the State, the private sector, organizations of civil society, rural communities and other actors—all with an eye to development. However, greater harmonization among the actions aimed at rural development is needed if it is to be integrated and sustainable.

235. Major challenges with respect to rural development are: (i) definition of rural development policies and strategies; (ii) strengthening of the role of government agencies in coordinating intersectoral actions in the area of rural development; (iii) promotion of financial services suited to local initiative; (iv) encouragement for people to join locally-based and/or community organizations, and to foster horizontal communication among them; (v) development of rural markets; and (vi) greater community participation.

236. The PQG emphasizes that rural development, translated into social and economic development and a resulting rise in well-being in rural areas, is the mainstay of the overall social and economic development of this country. But it states that “the social and economic transformation required for rural development is critically dependent on innovation, as well as on a significant increase in productivity overall, but particularly in agriculture.”

237. Taking into consideration the government’s Five-Year Plan, Agenda 2025, the following objectives for rural development are to be incorporated into PARPA II: (i) promote policies that would curb the exodus from rural areas caused by a shortage of local opportunities for pursuing commercial activities that could enable rural families to improve the standard of living of their members; (ii) help maintain rapid and comprehensive economic growth, and see that, during the midterm, growth receives a larger contribution from the rural economy; (iii) change the prevailing pattern of capital accumulation in the nation’s economy; (iv) break the vicious cycle of rural human poverty by improving the productivity, competitiveness, efficiency and quality of human capital in the rural areas by providing direct, explicit, and massive support to small and medium-sized companies that are able to transform the countryside.

238. Investment in infrastructures must include not only physical infrastructures, but also—and especially—the creation of institutional infrastructures (legal, administrative, executive), without which this country’s immense unproductive capital is unlikely to be converted into productive capital.

7. Natural Disasters

239. Natural hazards are considered to be disasters only when they impact human activities. Threats from nature do not affect everyone equally. Their disastrous consequences are proportional to the vulnerability of communities and territories. That is why 90 percent of disaster victims live in developing countries, in poverty, under conditions that lead them to form communities in hazardous areas likely to be hit by floods, earthquakes, etc. The risks they assume are greater when environmental, technological, and urban planning practices aggravate problem.

240. The worldwide increase in disaster occurrence, especially in countries like Mozambique, threatens to destroy human wealth, and life itself. But disasters are not inevitable. That is why disaster prevention is such an important aspect of development. By preventing disasters, we can make communities and territories less vulnerable to the various threats. However, it is not easy to promote a culture of prevention, because the costs of prevention must be paid now in order to produce effects in the future.

241. Disasters occur when a force or energy is unleashed that has destructive potential (threat) and encounters a weak response or an inability to deal with its effects (vulnerability). It is vulnerability that determines the intensity of the disaster, i.e., the extent to which lives are lost.

242. Natural disasters resulting from climate changes and seismic activities can aggravate a situation of absolute poverty because of their destructive impact on the human dimension and socioeconomic infrastructures. Mozambique's geographic location makes it vulnerable to weather anomalies.

243. In order to respond appropriately to natural disasters, it is important to understand the threats and the vulnerabilities and capabilities of the affected communities in order to be able to mitigate and respond to the negative impacts of a disaster.

244. The primary objectives in managing threats of natural disasters are: (i) to reduce the number of human victims and the amount of property loss; (ii) to consolidate a culture of prevention; and (iii) to give the country the means of prevention and mitigation.

245. The government's action plan for reducing the impact of disasters includes giving this country the means for prevention, i.e., advance warning systems for the kinds of disasters that are most frequent in Mozambique—namely floods and cyclones—as well as identifying and mapping the zones that are at risk. Appropriate response mechanisms (information for the affected population groups, evacuation, search and rescue) are also included.

246. Other actions would require strengthening institutional, regional, and international coordination, installation of hydro-meteorological networks in the most vulnerable basins for nearly real-time measurement and transmission of information, the construction of hydraulic infrastructures such as defense dikes and dams, as well as intensifying civilian training and education in subjects associated with weather-related events.

8. De-mining

247. In the context of the government's efforts to reduce poverty, de-mining becomes a strategically crucial activity, because it has a direct impact on the key priority areas—and in others, too. When mines are present, it is impossible to implement development projects or programs such as the opening of schools or local health clinics, building of roads and access routes, erecting of power transmission lines and/or commercial, tourist, or industrial infrastructures.

248. Land mines still restrict poverty reduction efforts in Mozambique, especially implementation of development programs in rural areas. It is believed that 70 percent of those mined areas are in Cabo Delgado, Nampula, Zambézia, Inhambane, and Maputo provinces. Tete and Gaza are also affected.

249. Even after intensive de-mining done shortly after the end of the war in 1992, there still remain areas of the country where such devices have accumulated. They pose a hazard to human safety and hamper the expansion of business activities.

250. Two fundamental objectives in terms of de-mining, according to the government's Five-Year Plan (PQG), include making sure that mines are cleared in the affected regions in order to

(i) prevent and reduce the loss of human life and (ii) allow implementation of economic projects, resettlement, and greater mobility of population groups.

251. Continuing the de-mining efforts will not only enable people to travel more freely; it will also make more land available for their use.

VIII DEVELOPMENT STRATEGY, BY PILLAR

1. Governance

Introduction

252. Governance is an extremely important element in the reduction of absolute poverty. Poverty is not just a lack of material resources, but a lack of access to services. It also means exclusion from decision-making, lack of participation, greater exposure to abuses by civil servants (including corruption), less protection from crime, and an absence of appreciation in property values.

253. For all these reasons, proper functioning of State institutions and the State's ability to bring services to the citizens, inclusion of forms of participative democracy in public administration, and a respect for the value of traditional instruments for conflict resolution are extremely important in reducing poverty. Assuming that the State is not the only actor in public management, its management gains shape when authority is shared in this process.

254. The Governance Pillar is organized around these assumptions. It is inspired, in large measure, by the actions already under way and considered crucial in the context of PARPA I.

Vision and Challenges

255. In the context of Agenda 2025 and the New Partnership for Africa's Development – NEPAD – two instruments that have established themselves as pillars in the definition of the vision of PARPA II-- the guidelines for the country have been established in the area of Governance.

256. However, as indicated in Agenda 2025, although the current political system-- characterized by a representative democracy that involves only the political parties--represents major national progress, it is not completely satisfactory. It is essential to guarantee that mechanisms of democratization are present within the political parties and to develop participative democracy so as to ensure representation of the various interest groups in civil society. This way, citizens can become the principal agents in the building of a democracy.

257. Under PARPA II, this vision becomes a reality with the inclusion of specific strategic interventions in the area of the legislature, a strengthening of local government bodies, and development of municipal government. The multiplicity of systems for administering justice makes it important to rethink juridical and judiciary organization in Mozambique.

258. The exercise of a pluralistic democracy is still a new phenomenon in Mozambique. Consolidation of this situation will require a tremendous ability to develop and manage public policies, to consolidate efficient governance that is decentralized and transparent and respects institutional memory, in a context in which the building of an institutional culture is a challenge yet to be faced.

259. In the area of government institutions, it has been found that far-reaching changes will be necessary to make the public institutions more operational and to improve the quality of government personnel and the services they provide. And so a deeper public sector reform is vital, one that supports the growth of the business community and other institutions of civil society, and helps remove impediments to investment and citizen services.

260. The vision set forth here suggests that the following categories of requisites regarding good governance are key: (i) good governance accompanied by a fight against corruption; (ii) decentralization and de-concentration; and (iii) the rule of law, fiscal probity, and prevention of tax evasion and other forms of fraud against the Treasury. In the chapter on decentralization and de-concentration, we will discuss the challenge that the State faces because districts are being defined as a budgetary planning unit, as well as the relationship between this vision and functional restructuring at the central and provincial levels.

261. Another challenge refers to the relationship between the districts and the municipal authorities in a scenario under which it is expected that the coming years will bring a gradual expansion of municipalized spaces in this country.

262. Also pertinent are the priorities for Democratic Governance in Mozambique in the near future. These include the legislature, human rights, civil society, and the media—as well as other components that are already distributed between the areas of Public Sector Reform and Reform of the Justice System. This identification of priorities is, therefore, consistent with the series of strategic interventions—in the areas of the legislature and media—proposed for PARPA II.

263. However, these aspects are part of the objective of improving governance and other important aspects of the functioning of State institutions and their relationship with the private sector and civil society, in general. Indeed, interventions related to the creation of district and community courts, the strengthening of the legislative function of the Assembly of the Republic, as well as the means of responding to and protecting citizens who report acts of corruption by civil servants are important measures in terms of human rights protection.

264. Furthermore, new developments on the world scene pose new challenges in the areas of the rule of law, justice, and civil society—particularly terrorism, money-laundering and illegal immigration. They cannot be completely ignored, given their unfortunate effects on foreign investment.

265. Lastly, and in the realm of long-term challenges with respect to good governance faced by both the government and Mozambican society, it is essential to keep in mind certain cross-cutting subjects that must always be considered in all the planning, implementation, and program evaluation exercises under PARPA II. Prominent among these are (i) gender; (ii) HIV/AIDS; (iii) food and nutritional security; (iv) environment; and (v) information technology and communications.

266. With respect to gender in the context of good governance, the government believes the gender issue is crucial to the implementation of PARPA II in order to improve access by women to services provided by government, as well as the participation, advancement, and status of women in the public administration, including state-owned companies. Furthermore, it is vital that women take part in the decentralized planning process at the provincial and district levels.

267. Another priority under the heading of the revision of the Penal Code and the Code of Criminal Procedure is the inclusion of domestic violence in an appropriate and effective manner, to guarantee full protection from this kind of crime and ensure that women and men have access to the system of administration of justice.

268. At the same time, it would seem to be essential for the government to take an inclusive attitude on questions related to HIV/AIDS and governance at various levels, particularly the need to make sure that the rights of individuals affected by HIV/AIDS are respected--especially government workers and those in the private sector--as well as the rights of children, the disabled, and the elderly.

269. These prerogatives mentioned above also extend--and in the general context of "The Human Right to Adequate Food" in a systematic alignment with good governance--to the rights of citizens. The integration of "The Human Right to Adequate Food" is guaranteed to be integrated into the legislative process now under way, with a view to promoting Food and Nutritional Security.

270. In the field of rural development, the social and economic transformation, and subsequent increase in well-being in rural areas, constitutes one of the greatest challenges for the coming years. Actions oriented toward accelerated and sustainable development of rural areas and the proliferation of initiatives intended to create wealth in the countryside are seen as of priority importance, as a means of reversing the trend in the incidence of poverty in these zones.

271. The following challenges stand out: (i) reinforcing the role of government agencies in coordinating rural development actions by institutionalizing the mechanisms for continued dialogue and compromise among the development partners and promoting decision-making fora that involve the principal actors; and (ii) strengthening locally and/or community-based organizations and promoting horizontal communications through programs that seek to furnish access to socio-cultural and socioeconomic information and exchanges and carry out actions aimed at creating sustainable locally-based associations and organizations.

272. In the area of the environment, it is important to ensure efficiency and responsibility on the part of the agents of the central and local governments in implementing the poverty reduction action plan. The empowerment of local communities and their institutions through their involvement in managing human resources is also crucial to the success of poverty-reduction efforts.

273. The government believes that a partnership with civil society to encourage the adoption of principles of environmental management that promote the inclusion of poor communities in the design, implementation, and monitoring of environmental programs is important at both the central and regional level, as well as at the local level.

274. Information and communications technologies (TICs) are considered to be priority elements in support of good governance. The government believes that TICs could make administrative actions more dynamic and afford efficient methods for facilitating and accelerating change and achieving the goals set for national programs, such as Public Sector Reform and Legal and Justice Reform. It is important to make certain that women have access to information technology, to identify barriers to their access, and to implement strategies for surmounting those barriers.

275. Furthermore, it is necessary to study the loopholes in the present body of legislation (rights and penalties) as regards citizen safety, record-keeping (finances, health, safety), and management of cyber-crime.

276. The efforts undertaken in legal reform in the direction of including a gender perspective in certain laws are the result of the enactment of the new Constitution of Mozambique and the Family Law. Coupled with the drafting of the Law Against Acts of Domestic Violence, and the revision of the Penal Code, the Inheritance Law, and the Labor Law, all of which are going on in this country, this development demonstrates the willingness that exists to ensure legal equality in gender relationships.

277. Continuation of efforts to consolidate the rule of law by implementing a system of fair and expeditious justice is crucial. Some key aspects to be considered include: (i) proceeding with the expansion of citizen protection services; (ii) strengthen actions aimed at curbing the traffic in minor children; (iii) expanding and consolidating community courts as a supplement to conventional courts; (iv) strengthen actions to protect children, such as the registration of births; and (v) integrating aspects related to HIV/AIDS, gender, and natural resources and environmental management into local planning as part of the decentralization process.

278. The battle against corruption is one of the major objectives in PARPA II. It is a fact that corruption has a devastating impact on the well-being of the population, inasmuch as it inhibits investment, which is so necessary to create suitable living conditions. At the same time it impairs the timely provision of quality services. Corruption erodes the social fabric, destabilizes institutions, saps society's trust in State agencies, threatens national unity, and delays economic development, which is the key to our struggle against poverty.

279. For these and other reasons, the government believes that corruption must be fought as energetically as possible, with all available weapons. A battle against corruption must be launched in all sectors and at all levels of government. Actions must seek to identify both those who are corrupted and those who corrupt, followed by prosecution of those involved. The battle

against corruption must involve not only the offices that participate in criminal justice administration, but civil society which, quite commonly, sees and directly feels its toxic effects.

280. In this regard, the government believes that promotion of general and professional ethics would improve the quality of public services and strengthen democratic participation by citizens at all levels of government, a participation that is crucial for effective exercise of good governance.

Objectives and Actions

281. As follow-up to the vision and challenges outlined here, and in order to make good governance, justice, and the rule of law a reality in this country, the government hereby makes the following priority objectives and actions part of the PARPA II framework.

i. Public Sector Reform

282. General objective: Improve the quality of the public services provided to the citizens.

283. Specific objective: Restructure and decentralize government agencies in order to promote efficiency and efficacy in the provision of public services.

- Action: Finish the functional analysis and drafting of restructuring plans for all ministries and for provincial and district governments.

284. Specific objective: Strengthen the institutional capabilities of local government.

- Actions:
 - (a) Approve and implement the decentralization strategy and plan;
 - (b) Develop human resource skills at the district level;
 - (c) Establish the capabilities of the infrastructure at the district level;
 - (d) Develop planning and monitoring systems at the district level;
 - (e) Strengthen the financial management skills of local government institutions;
 - (f) Approve and implement the national decentralized planning and finance strategy, including its geographical and environmental dimension;
 - (g) Complete the diagnosis of the creation of new local government in light of Art. 5 of Law 2/97;

- (h) Consolidate and expand the number of local governments;
- (i) Approve and implement the local administration and urban development strategy and policy; and
- (j) Make administrative and financial inspection of the Public Administration operational.

285. Specific objective: Reformulate the procedures by which services are provided, in order to make them simpler, more accessible, and satisfactory in terms of the client's needs.

- Actions:
 - (a) Establish one-stop service windows to serve the public in the major urban centers and review/consolidate those that already exist in order to improve their organization and functioning;
 - (b) Implement improvements in the efficiency of administrative procedures for the services most important to the public (at the central and local levels);
 - (c) Connect all public institutions (from the district up to the central levels) to the government's electronic network;
 - (d) Make information about all public services available in electronic format on the Internet;
 - (e) Review and implement the policy on public document management;
 - (f) Improve the handling of complaints/suggestions at all public institutions.

286. Specific objective: Strengthen policy management procedures at the sectoral and inter-sectoral levels to make them consistent, effective, and efficient.

- Actions:
 - (a) Strengthen the systems and capabilities for policies management in all ministries and local governments;
 - (b) Strengthen policy analysis capabilities in the municipal legislative bodies;
 - (c) Strengthen the institutions and procedures for coordination of inter-sectoral public policies; and
 - (d) Ensure that public policies respond appropriately to cross-cutting issues.

287. Specific objective: Train government employees to manage the public administration efficiently and effectively.

- (a) Strengthen the organizational and managerial abilities of government institutions personnel;
- (b) Continue the training of government employees; and
- (c) Consolidate and develop the System for Training in Public Administration (*Sistema de Formação em Administração Pública*–SIFAP).

288. Specific objective: Improve human resources management.

Actions:

- (a) Review, approve, and implement wage and salary policy at all public institutions;
- (b) Review the pensions system for government employees;
- (c) Implement the system and structure of career ladders at all public institutions;
- (d) Develop and implement a single personnel information and management system throughout government service;
- (e) Develop a system for managing the performance and rewarding merit in government employment;
- (f) Disseminate, apply, and monitor the revised General Statute on State Employees (*Estatuto Geral dos Funcionários do Estado*) at all public institutions;
- (g) Adopt new human resources management policies in public institutions in response to problems raised by HIV/AIDS and gender issues.

289. Specific objective: improve public planning and budgeting procedures so that they are better integrated and more effective and efficient.

Actions:

- (a) Approve and implement the National District Planning and Finance Strategy (*Estratégia Nacional de Planificação e Finanças Distritais*). (Integrate geographical aspects, including natural resources management, into district planning);
- (b) Develop a technical staff to handle fiscal transfers to local agencies of the State;

(c) Extend the SISTAFE [State Financial Administration System] and e-SISTAFE to cover all public institutions;

(d) Integrate “off-budget” funds into the SISTAFE (Make the Central Tax Collection Authority operational);

(e) Strengthen the planning, monitoring and evaluation skills in all public institutions;

(f) Complete the harmonization/integration of the Medium Term Fiscal Framework (CFMP), the Economic and Social Plan (PES), and PARPA into the planning process;

(g) Define and approve a legal framework for the national planning system;

(h) Strengthen a planning system that is integrated from the district to the central level;

(i) Improve efficiency in the tax collection system;

(j) Establish an Accountants’ Association; and

(k) Strengthen the systems used to manage State property.

290. Specific objective: Make the public sector more transparent and less infested with corruption, by applying more effective and inclusive mechanisms of accountability and oversight.

Actions:

a) Disseminate and implement the regulations of the Anti-Corruption Law;

(b) Reinforce institutional internal inspection skills as part of the battle against corruption in public institutions;

(c) Draft, adopt, and implement legislation on access to information;

(d) Strengthen the Anti-Corruption Office in the Office of the Prosecutor General of the Republic;

(e) Strengthen the ability of the Assembly of the Republic and municipal legislatures to monitor the performance by the central government and city councils, respectively;

(f) Conduct regular surveys on governance and corruption;

(g) Strengthen legislation pertaining to government employee integrity, and the corresponding implementing mechanisms;

(g) Implement the anti-corruption strategy;

(h) Strengthen the ability of citizens, civil society and the private sector to monitor the performance of the government and to denounce acts of corruption;

(i) Strengthen the ability of citizens, civil society, and the private sector to monitor government performance and to denounce acts of corruption; and

(j) Strengthen the internal control systems (audits and inspections) in place at government institutions.

ii. Reform of the Justice System, the Rule of Law, and the Public Order

The areas of Justice and the Rule of Law

291. General objective: to consolidate a justice system that is accessible, transparent, and inclusive.

292. Specific objective: Improve access to the justice system.

- Actions:

(a) Reinforce and consolidate the independence of the courts;

(b) Increases court productivity;

(c) Strengthen the capability of the judicial inspection offices and of the Office of the Public Prosecutor in terms of inspectors, support personnel, and equipment; and

(d) Improve access to the justice system via hearings, the prosecutor line, the “green line” and the implementation of information and communications technologies;

293. Specific objective: make legislation better suited to the proper functioning of the administration of justice.

- Actions:

(a) Approve and implement the Law on the System of Administration of Justice, which includes the Organic Law on Judicial Tribunals;

(b) Review the statutes applicable to judicial magistrates and to court employees;

- (c) Review the Organic Law on the Office of the Public Prosecutor and the respective statute on magistrates;
- (d) Revise the legislation that regulates the activities of the Administrative Tribunal (TA) as well as its Organic Law (in light of the 2004 Constitution);
- (e) Draft and approve the statutes on the magistrates who serve on the administrative, tax, and customs courts;
- (f) Draft the Law of the Superior Council of the Administrative Magistracy;
- (g) Revise the legislation now in force; and;
- (h) Harmonize the Anti-Corruption Law with regional and international laws, particularly the SADC [Southern African Development Community] protocol.

294. Specific objective: increase efficiency and expeditiousness in the provision of services by the justice system;

- Actions:
 - (a) Define the long-term vision and development strategy for the sector;
 - (b) Update the strategic plans and the respective operational plans in view of the vision for the sector;
 - (c) Ensure the training and continuing education of magistrates, offices of the courts, the staff of the secretarial offices, and other justice administration personnel;
 - (d) Build and rehabilitate infrastructures for use for court operations;
 - (e) Set up district and community courts and see that they begin to function;
 - (f) Build and rehabilitate infrastructures for use by prosecutors' offices;
 - (g) Set up district prosecutors' offices and see that they begin to function;
 - (h) Introduce modern methods of management, monitoring, and evaluation at courts and prosecutors' offices;
 - (i) Introduce new financial management tools (SISTAFE);
 - (j) Consolidate the commissions that monitor the rule of law; and
 - (k) Modernize the registration and notary services;

295. Specific objective: guarantee legal assistance and protection for the most vulnerable citizens.

- Actions:
 - (a) Reform the court assistance system and the Judiciary;
 - (b) Increase the oversight by magistrates in the Office of the Public Prosecutor as regards police stations and jails;
 - (c) Improve the legal and institutional framework for protection of children;
 - (d) Develop minimum standards for the care of children who are in the custody of institutions such as orphanages and transit centers; and
 - (e) Survey and provide legal assistance to persons who are living with HIV/AIDS, and to orphans and other vulnerable children.

296. Specific objective: reform the prison system and ensure that inmates are treated in a manner consistent with international principles of human rights;

- Actions:
 - (a) Reform and unify the prison system;
 - (b) Improve living conditions in the prison system;
 - (c) Ensure that prison personnel are trained and re-trained;
 - (d) Build and rehabilitate prison infrastructures; and
 - (e) Increase educational and vocational training initiatives directed at inmates.

297. Specific objective: bolster the fight against corruption.

- Actions
 - (a) Reinforce and expand the provincial anti-corruption offices;
 - (b) Build the building intended to be used by the Central Anti-Corruption Office (*Gabinete Central de Combate a Corrupção – GCCC*);
 - (c) Build the buildings intended for the regional offices of the GCCC;
 - (d) Build residences for magistrates;

- (e) Approve and implement the national anti-corruption strategy as it applies to the justice system;
- (f) Draft reports and opinions on the General State Account (*Conta Geral do Estado – CGE*); and
- (g) Conduct audits.

Law and Order, Public Safety

298. General objective: Ensure law and order in order to provide the citizens with permanent tranquility and to protect their property and assets.

- Actions
- Increase the police presence and reorient patrolling by policemen in the streets;
- Prevent traffic accidents and their consequences by increasing police visibility and by educating drivers.

299. Specific objective: Reinforce crime prevention and measures to combat crime.

- (a) Formulate a national law and order policy;
- (b) Continue the reform of the Criminal Investigation Police;
- (c) Improve the quality of the service rendered by the Criminal Investigation Police;
- (d) Equip the crime labs; and
- (e) Set up a National Crime Observatory.

300. Specific objective: promote an improvement in relations between the police and the community.

- Actions:
 - (a) Develop a strategy for combating corruption within the police force;
 - (b) Consolidate mechanisms to protect and assist victims of domestic violence;
 - (c) Create counseling centers to protect victims of domestic violence; and
 - (d) Increase the number of local precincts trained to assist women and children who are victims of violence.

301. Specific objective: improve the standard of performance by the police forces.

- Actions:
 - (a) Implement the Strategic Plan for the Police;
 - (b) Draft the organic statute for the Ministry of Interior (MINT) and the respective regulations;
 - (c) Organize technical and professional training courses for the agents of law and order;
 - (d) Ensure effective compliance with the health care system, medications plan, and guaranteed social assistance available to members of the police force;
 - (e) Build police stations and subordinate police units, as well as improving the existing physical, infrastructure, and equipment conditions;
 - (f) Strengthen and equip the Special Forces and the Reserve;
 - (g) Expand and modernize the Fire Departments; and
 - (h) Institutionalize and put into operation the HIV/AIDS Prevention and Combat Office (*Núcleo de Prevenção e Combate ao HIV/SIDA*).

302. Specific objective: establish modern methodology to evaluate the material needs of the various sectors, and create a Police database.

- Actions:
 - (a) Improve the budget management performance of the PRM [Police of the Republic of Mozambique]; and
 - (b) Establish mechanisms for gathering and processing data that is broken down by sex.

Other Arenas

Peace, Political and Social Stability

303. The Government considers maintenance of peace and political and social stability to be crucial to the pursuit of the central objective of reducing poverty. It has chosen dialogue, respect for differences of opinion, compromise, and negotiation as practices always to be followed by all segments of society--practices that can encourage people not to act in such as

way as to disturb the stability of the governing authorities and the institutions that support government actions.

304. The supremacy of law, the guarantee of permanent order and tranquility for citizens, and transparency in the management of the public trust above and beyond partisan political interests, principles adopted during PARPA I and reaffirmed in Agenda 2025, will become increasingly consolidated, in the spirit of good governance.

305. In this regard, priority will be given to consolidating the role of the State and civil society as guarantors of national unity, peace, and political and social stability. There will be an increase in consensus in the society, as well as fellowship, dialog and tolerance among citizens of different ages, races, ethnolinguistic groups, sexes, political parties, and social, economic, and religious organizations.

306. Furthermore, preventing conflicts of various types by resorting to mechanisms based on local custom and rules will be broadly encouraged by the government in close partnership with civil society.

307. Experience has shown that peace, democracy, and development are inseparable. The democratic process we are now experiencing will be sustainable only if it can assure citizens the stability needed for them to exercise their citizenship and pursue their plans for their lives.

Social Justice

308. A just society entails, among other elements, equality of rights and opportunities for all citizens without distinction as to race, ethnolinguistic group, sex, or culture. The government considers the reduction of social and regional inequalities and the establishment of equity in gender relationships in all spheres of society as vital to good governance. The evolution of social relationships should be harmonious and respectful of both the interests of the modern world and interests that are based on the equilibrium of social-cultural traditions.

The Rule of Law, Safety

309. The State governed by Law that is now under construction requires all segments of society to respect the law. It needs an efficient administration of justice, and competent authorities must see that people and property are be protected, as is their right. These are prerequisites for the exercise of good governance.

310. Therefore, respect for and familiarity with the legal order and an interactivity between the judicial and community tribunals and between police officials and community authorities can help resolve conflicts and allow the rule of law to prevail. These will be encouraged by the government.

311. The government believes that the battle against crime must be a continuous and participative process in which positive, safe, and sustainable results will be possible only if we

are capable of sharing responsibilities on a coordinated front comprised of law enforcement personnel and society at large.

312. In this context, the organs of sovereignty, the political parties, the public and private institutions, religious confessions, community leaders and society in general must devote themselves to this common effort that is aimed at eliminating insecurity and the absence of tranquility. Entities that administer justice, in their role as interpreters and enforcers of the laws, as well as the police, as guarantors of public order and tranquility, are vital nerve centers and bear increased responsibility in this global undertaking.

Information and Communications

313. The government is aware that the right to information is basic to the exercise of citizenship and participation in the construction of a democratic State. Because democratic governance involves public debate and decision-making that is open to interest groups, as well as the free circulation of ideas and opinions, objective and impartial information is crucial. Therefore, the government believes that communications and access to information—for example, information about government accounts—as well as a regular dialogue with local governments and civil society about the contents of the State budget will promote transparency and strengthen good governance.

314. This strategy for action will be consolidated in contexts where significant steps have already been made—for example, local participative institutions and the Poverty Observatories, and encouraged in areas where these are still absent.

2. Human Capital

315. Human capability is a fundamental asset for use in application to the initiative and actions of citizens and all of society's institutions. That capability must be steadily and constantly enhanced, thereby strengthening human rights, especially the rights of children. The essential and inescapable areas that merit action to this end are education, health, water and sanitation, social action, HIV/AIDS, housing, and cross-cutting topics. Policies that redistribute income and wealth operate through those areas. They increase the immediate well-being of the population. They help lay the foundation for an increase in the efficiency of working people. They enhance the ability to accomplish and to act, and they guarantee sustainability over the long run.

316. The relationship between education and poverty is significant. As was stated in Chapter III, poverty is multidimensional. And so education acts directly and indirectly to reduce poverty—directly, because education is a basic human right and part of human development. The training of citizens in a quality education system that is available to all, oriented toward problem resolution, contributes directly to human development by increasing the ability of our people, especially the less favored, to find solutions to their principal concerns. Access to a quality education gives everyone more opportunities for active participation in the full life of a

society. Indirectly, education contributes to poverty reduction because it is essential to accelerate economic growth. It expands the quality and quantity of human capital in the production process, as well as the nation's ability to make full use of new technologies.

317. The cultural component is an indispensable part of the integral formation of individuals, in the fostering development and reducing poverty. It is not only a tool for promoting a patriotic spirit, an exaltation of Mozambican identity, of reproduction of the civil and moral values of the society. Culture helps elevate the quality of life for the population. Cultural diversity and creative activity in family and industrial contexts are important alternatives for earning the income that people need in order to support themselves. Similarly, cultural tourism represents a sustainable opportunity to improve living conditions in the communities. The emergence and advancement of the "culture industry" (books, audiovisuals, live shows, etc.) create specialized kinds of employment and also contribute to that end.

318. By the same token, health also contributes to human development, and directly and indirectly to a reduction in poverty. As a constitutional right, health is a fundamental component in the reduction of absolute poverty and is therefore considered to be a priority sector for PARPA focus. Furthermore, the sustainable development of this country demands a healthy population with a high capacity to produce. The vicious cycle in which poverty is a direct cause of a number of diseases that can, on different occasions, accentuate the status of an individual as "poor," must gradually be eliminated.

319. Water is a key strategic resource, vital to sustain life. It promotes development and the maintenance of our environment. Among its merits is that it contributes to the availability and mobility of factors. It makes work feasible. It makes it possible to innovate and carry out the structural changes required over the medium and long terms. It guarantees the functioning and expansion of markets. The lack of clean drinking water and appropriate sanitary services are the leading causes of water-borne diseases like cholera, malaria, and diarrhea. The presence of a proper water supply and sanitation services at schools is one of the pre-requisites for the education of girls, and consequently the improvement of a family's health as girls assume the role of expectant mothers. It boosts school attendance and retention of students.

320. HIV/AIDS could reverse the progress made so far in the battle against absolute poverty. Poverty in its various forms and manifestations, by making persons and communities vulnerable, creates conditions that favor the spread of the HIV/AIDS epidemic. Some of the determinants of poverty, such as gender inequality, the degree to which people suffer from hunger, malnutrition, low educational level, and inadequate access to health care services are associated with the conditions that facilitate the spread of the epidemic (Second National Strategic Plan - PEN II). Furthermore, HIV/AIDS, by impacting persons of productive age, not only reduces productivity—because it leads to morbidity and death—it also erodes the personal savings of families and sends them into poverty and vulnerability.

321. The development process, considered as an indispensable condition for the guarantee of equal rights for everyone, can be global, complete, and effective only if it includes all segments

of the population. Therefore, the Women and Social Action sector (MMAS) assumes responsibility for ensuring social assistance and integration of the less favored population groups who are vulnerable because of special conditions (physical, psychological, or social), and guaranteeing their participation in the process of developing a country in a sustainable manner.

322. There is a visible relationship between the components of the development of human capital and the empowerment of women. Education as a liberating factor gives women the basic technological skills needed to boost on-the-job productivity. It also gives women the information they need to maintain a safe lifestyle from both the health standpoint and in terms of their interaction with society. For example, a study by Handa et al. (1998) indicates that for each additional adult woman who has an EP2 education, per capita consumption is increased by 21 percent in urban areas and 34 percent in rural areas. Furthermore, a child whose mother is literate exhibits *z-scores* 0.304 standard deviations higher than a child whose mother is illiterate. As regards access to health care services, it is estimated that when it takes more than two hours to travel to a health care unit, the likelihood that a women will use that facility for childbirth (which is safer) declines by 0.3 percent. There has been a greater incidence of HIV/AIDS among women, which affects not only their survival and well-being but that of their entire family, with a heavier impact on children. In terms of access to water and better housing, not only do these reduce the probability of the development of respiratory and intestinal ailments, they free women to use their time in education or other productive activities. In this regard, the failure to invest in human capital and to include issues related to gender inequality is unjust and inefficient. It leads to costs not only for women, but also for children and many men. It curbs the development of human abilities, less relaxation, less well-being. The gender aspect is crucial in each of the areas of the human capital pillar.

323. Housing is of critical importance to an improvement in living conditions and the strengthening of the development of human capital. Access to quality housing is especially important for good public health, and it has a strong tie to the provision of basic services such as water, sanitation, and electricity.

Vision and Challenges

i. Education and Culture

324. Education is one of the key sectors in the government's strategy to combat absolute poverty. Only a well-educated and competent population can effectively participate in the full life of our society. The benefits of education, especially the education of girls, extend beyond the individual; they have an enormous multiplier effect on the entire society--in the social and economic realms, and on citizen participation in the political life of the community. Every level of education has value for social and economic development. That is why the government should develop not only primary school education but post-primary and higher education in order to better the quality of human resources and increase personal income.

325. Social issues occupy a central position in government actions aimed at reducing poverty. Public sector action in the social area has a direct effect in redistributing income and wealth. The development of human capabilities is promoted—these are a fundamental asset in all aspects of the life of a society, and something for which there is an “unlimited” demand from individuals and institutions (public, private, including families, companies, associations, religious institutions, NGOs, and clubs). Education occupies a position of honor in this context, because it acts directly on the creation and expansion of human capabilities/skills, which also make a decisive contribution to an inclusive and comprehensive economic growth.

326. Education of women is particularly important because it makes it possible, first, to create incentives for them to take a broader view of changes in society, especially about their role in the development process. Then they are able to improve the standard of living for the entire society by helping increase production in the countryside, reduce infant mortality, and improve nutrition for families—especially the children. Education for women also helps prevent a number of diseases, especially HIV/AIDS, and contributes to the dissemination, in the community, of desirable values. Gender equality, as an engine of a more efficient development strategy, is possible only when men acquire understanding and awareness through an education that levels out inequalities.

327. Education plays a vital role in sustaining the present indices of economic growth. Note that in recent years, this country has grown at a remarkable pace (about 6 percent per annum). However, this growth has not yet been felt in terms of an increase in our population’s human development. Therefore, it is urgent to ensure that the recruitment of well-qualified teachers and literacy workers in sufficient numbers is funded, in order to ensure that the millennium goals are achieved with the desired level of quality. Investment in education should be directed toward the least favored regions, and oriented in the direction of promoting education for all. Investment in education must also serve persons with disabilities so that people may take a more active part in reducing poverty. If social investment is to have a greater impact, efforts must continue to be made to ensure the internal efficiency of the sector and the effectiveness of outside assistance.

328. Education is referred to here in the sense of a broad-based and complex system that involves both formal and informal elements. Managing the educational system means acting on vital subsystems, including: adult literacy and education; primary education, general secondary education; technical education (elementary vocational, basic technical; intermediate technical); teacher training, higher education, and vocational training. Despite their relative autonomy, these subsystems interact with each other and so require, over the medium and long term, treatment from a systemic standpoint (bird’s eye view) and a balanced budget.

329. The cultural dimension is fundamental to the success and sustainability of all development programs, since people are their departure and arrival point. This aspect is complemented by the fact that culture itself increasingly assumes a privileged place as a factor in development, job creation, and formation of citizens. Since culture is a supreme, common value, its transmission to new generations is a priority.

330. The affirmation of Mozambican identity and national unity requires an awareness of this country's greatness and cultural diversity. Therefore, the strategies seek to ensure better access to the values and products of Mozambican culture, the promotion of knowledge, and dissemination of that culture on the national and international planes. This makes it essential to encourage research institutions and those that promote culture to create an economic and legal environment that favors the development of cultural industries and the involvement of civil society in a true appreciation for Mozambican culture.

331. Partnership with civil society, religious organizations, NGOs, school boards, the private sector and the cooperation partners—as well as others—is essential to the implementation, financing, and joint monitoring of education programs within PARPA.

332. As a means of ensuring the pursuit of the objectives designed for education and culture, we must consider the objectives of the cross-cutting topics in this area:

333. *Gender:* Assure gender equity at the EP1 level by improving the access, continued attendance, and safety of boys and girls in school. Concerted action should be taken by different actors to reduce the indices of sexual abuse at school; curb school-leaving, particularly by girls, owing to improper water and sanitation; create conditions for recruiting female teachers and women into the system of instruction and administration, especially in rural areas, thereby reducing the disparities that now exist; conduct campaigns to raise the awareness of parents and members of the community in general through the media and school boards to reduce truancy and convince girls, orphans, and vulnerable children to stay in school.

334. *HIV/AIDS:* Implement the Strategy for Combating HIV/AIDS (*Estratégia de Combate ao HIV/AIDS*) by improving the planning process so that the potential impact of HIV/AIDS is taken into account during the planning processes, particularly as regards attention to be paid to mortality and absence of teachers who are ill. Accelerate the implementation and improve the quality of national programs directed toward sexual and reproductive health and the prevention of STDs/HIV/AIDS, ensuring that they are oriented to local contexts by involving young people and the local communities. Combat stigmatization in order to protect the rights of infected and affected individuals by eliminating discrimination in employment and guaranteeing support for school attendance by orphans and vulnerable children.

335. *Information and Technology Sciences (CIT):* Promote a culture of science at all levels of education by studying ways in which basic TIC skills could be addressed in the curriculum. Promote the use of CIT in the central registry, and disseminate information and knowledge to schools (students and professors). Promote the use of CIT to facilitate teacher training. Promote experimentation with technologies appropriate for education. Connect education and technological development with the activities of the private sector. Promote the creation of funds to support technological development for different providers of education. Promote the implementation of educational-pedagogical and technological media in order to assist students who are engaged in distance learning. Promote the use of CIT in the design, production, and

implementation of distance learning programs and develop systems to control the quality of instruction.

336. *Improve Food and Nutritional Security (SAN):* In order to help achieve the sectoral objectives adopted by the MEC (Ministry of Education and Culture) itself, particularly improvement in the rate of school attendance, reduction of gender disparities and improvement of the quality of instruction, the sector should prepare and include in its strategy certain aspects of SAN so as to guide its partners rather than limiting itself to executive functions. Education has an enormous potential for contributing to a nationwide network of social and SAN security (for example: school orchards, inclusion of SAN in the curriculum, supplying food aid using local products to disadvantaged children and families, etc.) The MEC should have a school feeding policy: food aid that, preferably, would use local, non-imported foods, would include SAN content in training, and would encourage school orchards and micro-nutrient programs. As part of the various incentives and mechanisms to improve access to school for all children, MEC ought to have the obligation to feed the more disadvantaged children and thereby ensure their attendance. The sector also plays a central role in the implementation of the Human Right to Adequate Food.

337. From the physiological standpoint, Food and Nutritional Security is a key element in the prevention of HIV/AIDS. A well-nourished human body is less vulnerable to infection. Furthermore, families who are secure in terms of food and nutrition are not as exposed to behaviors by which they risk contracting HIV/AIDS (prostitution, for example). The connection between food and nutritional security goes both ways: HIV and AIDS can increase vulnerability to food and nutritional insecurity, and the latter situation may help increase the susceptibility of individuals to new HIV infections and/or their rapid progression to AIDS. The HIV/AIDS epidemic and food and nutritional insecurity have a widespread impact inasmuch as they threaten the level of economic development that this country has achieved in recent years.

338. *De-Mining:* The introduction of de-mining into plans for expanding the school system assures that surveys and de-mining will be included in the interventions when mined zones—or zones suspected of being mined—are involved. It is important that funds be appropriated to the de-mining component for interventions in mined zones—or zones suspected of being mined. The sector should consider the possibility of including civic education as to the danger of mines at schools located in affected zones or zones suspected of being mined.

339. *The Environment:* In order to ensure an expanded and effective contribution by all citizens to the sustainable socioeconomic development of this country in both urban and rural areas, it is vital that citizens be educated and informed about our wealth of natural resources, the importance of supporting a conservation ethic for the sake of a better quality of life for all, and their constitutional rights and obligations with respect to the environment. For obvious reasons, environmental education is fundamentally important to the reduction of poverty. It attempts to help citizens become aware and concerned about the environment in which they live and with the associated problems. An increase in public knowledge on a variety of local

environmental topics will result in better support and involvement in the search for solutions. Informed participation by all citizens is vital to the success of any development program.

340. Beyond basic issues related to people's hygiene and the preservation of the environment, water is vitally important to ecological balance, on the one hand, and to the pursuit of various socioeconomic activities, on the other. Mozambique's territory is crisscrossed by a series of rivers whose sources are in the neighboring countries. This makes our country extremely vulnerable with respect to this resource. We can see that it is vitally important that steps be taken toward sustainable management of hydric resources at the internal and regional levels, thus safeguarding the quality and quantity needed to supply rural residents and their activities.

341. Environmental problems resulting from insufficient access to water and poor water quality that stem from an absence of adequate sanitation and waste disposal services, among other factors, are the cause of the most serious diseases, including malaria, cholera, and other diarrheal diseases that affect the poorer communities, especially their women and children, disproportionately. These diseases impair people's productive capacity, their ability to generate the wealth necessary to improve their quality of life and well-being. Therefore, attention to issues of environmental health in order to reduce the focal points of disease associated with that health must continue to be one of the top priorities of the plan to reduce poverty.

342. The challenge facing education is to strengthen the quality and efficiency of the sector, thereby increasing the supply of educational opportunities. In primary education, the implementation of a new basic curriculum, teacher training, and the distribution of educational materials will be key to reducing the rate of school abandonment and grade repetitions, consequently lowering the unit cost per graduate. Low-cost construction that involves communities and their equipment will make it possible to afford the space necessary to educate all school-age children and to ensure that both girls and boys enter first grade at age six. Secondary and technical education facilities must get ready to serve an ever-increasing number of primary school graduates. They must also benefit from a curriculum reform that makes the course of studies more relevant to life, the labor market, and lifelong learning. Financing for education must increase proportionately in order to meet the challenges of Education for All, as well as the needs associated with the growth of other levels of education. Meanwhile, timely disbursement of funds and their balanced distribution through the subsystems of education will be crucial to carrying out the programmed actions and ensuring the attainment of the goals set for this sector.

343. In the realm of culture, the challenge is to consolidate a Mozambican identity, self-esteem, a love for this country and its culture, as well as to make culture a tool for raising the quality of education and instruction and a source of wealth. This will require promotion of cultural diversity through research and publications, exchanges, education about preserving the cultural heritage, establishment and strengthening of cultural institutions and infrastructures, and protection of those who practice and express aspects of our culture and of the cultural industry itself.

ii. Health

344. The direct relationship between people's poverty and their state of health has been amply documented. Sustainable development requires a healthy and highly productive population. It is in this context that the Ministry of Health has an important role to play, both in combating the causes of poverty and in relieving its consequences.

345. The health of the Mozambican population is still dominated by communicable diseases, namely malaria, tuberculosis, parasitosis, acute respiratory infections, diarrhea, etc. The HIV/AIDS pandemic (which posts a risk to economic growth and our long-term survival as a nation) is spreading rapidly and already poses an enormous challenge to the health care system that, as we can already see, must bear an additional and heavy burden of diseases attributable to HIV/AIDS. Furthermore, non-communicable diseases such as cardiovascular disease, diabetes, and even traffic accidents are gradually becoming more prevalent. This situation is aggravated by the limited ability of the health care system to respond. Coverage of health care services is estimated to be less than 40 percent (IAF 2003).⁴

346. Therefore, the central objective of the health component of PARPA II is improvement of the state of health of the general public, particularly the poor. In order to guarantee that the most disadvantaged strata and vulnerable groups are reached by the planned interventions, sector strategy must be based on a specific approach to poverty reduction that seeks to increase access and respond directly to the growing needs of the population. It is in this context that the Ministry of Health will continue to expand the health care network, bringing it closer to the communities, thereby reducing the theoretical radius within which those units work and the average number of residents per Health Unit (*Unidade Sanitária*).

347. That means, first, that siting of facilities must be done on the basis of equity, which makes it possible to channel funds directly to the poorest and most vulnerable population groups. Second, this approach must translate into an expansion of the health care network to underserved areas, so as to increase the physical access by the population to health care services.

⁴ This indicator is based on the percent of the population who have easy access to one health facility, i.e., resides no further away than 30 minutes' travel.

348. In terms of the provision of services, primary health care⁵ is still the priority. Its gradual integration is essential to ensure efficiency in the use of resources and provision of quality services. In this context, priority programs in the health care sector play a key role because they give special attention to the most vulnerable groups, particularly, women, children, young students, adolescents and orphans, with special attention to the poorest of these. The priority programs also care for those suffering from diseases to which the poor are most vulnerable, namely malaria, tuberculosis, leprosy, HIV/AIDS, parasitosis, and epidemic diseases that may strike during emergency situations: cholera, dysentery, and meningitis.

349. At the same time, and to permit providing services of acceptable quality, all Health Units in Mozambique must gradually be adapted in terms of basic infrastructure, starting with a reliable supply of water and electricity. Given the scarcity of funds, generating light using solar energy is a sector priority.

350. The SNS [National Health Service] must be considered as a whole. Its role as a standard for basic specialized care needs to be strengthened, which will require assigning the proper kinds of personnel and equipping the Health Units with the tools they need according to the typical patient load at each level of care. Furthermore, strengthening the SNS will also involve improving management and organization at all levels of service in order to permit complete and efficient implementation of sector programs, thus raising the quality of the services rendered.

351. With respect to human resources, the training component will be strengthened and steps will be taken to assign and keep staff in the least favored areas by establishing a package of comprehensive and sustainable incentives.

352. Gender will also receive particular attention, not only as regards the promotion of the rights of women in the health care sector, but also with respect to specific interventions that are needed in order to eliminate existing barriers and promote gender equity in access to services.

353. Lastly, success in the implementation of sector strategy will depend largely on achieving consistency among different interventions at various levels. Here, active participation by the community in promoting and safeguarding the health of its members is essential. At the same time, the dynamic partnership with all the parties involved—including practitioners of

⁵ Maternal and child health, and family planning. Vaccination against the most important infectious diseases. Prevention and control of the leading endemic diseases. Promotion of sanitation and the supply of potable water of reliable quality in the necessary quantities. Education about the most frequent health problems and ways to prevent and control them. Promotion of good nutrition and a guarantee of food quality. Clinical diagnosis and treatment of the most common infections. Distribution of essential medications. Collection and processing of basic statistical, epidemiological, and demographic data.

traditional medicine, NGOs, and cooperation partners—will continue to be encouraged and strengthened in the coming years.

iii. Water and Sanitation

354. Access to potable water and suitable sanitary services are pre-requisites for an increase in people's productivity and an improvement in their quality of life. Water is vital to the achievement of the other millennium development objectives, such as poverty reduction, education, health, and gender equality. Water plays an important and unique role in the well-being of people everywhere.

355. Access to potable water has a multiplier effect on health. The lack of clean drinking water and appropriate sanitary services are the leading causes of water-borne diseases like cholera, malaria, and diarrhea. Establishing the practice of washing hands after using the latrine and before meals can cut diarrheal ailments by about 40 percent. Recent studies indicate that access to potable water can delay the emergence of opportunistic diseases (like diarrheas) among people who are living with HIV/AIDS and make treatment with anti-retrovirals more effective. As a result of the inadequate coverage by basic services in Mozambique, infant mortality rates are high for children under the age of five (192 per thousand). Malaria, diarrhea, and cholera were the principal diseases contributing to these mortality rates (INE 2004).

356. The presence of an adequate water supply and sanitary services at schools is a pre-requisite for the education of girls and, consequently, for the improvement of family health in their role as future mothers. This factor also helps increase school attendance and student retention.

357. The following are the primary challenges and priorities: (i) strengthening the planning skills in the sector (provincial master plans) and the ability to provide suitable, sustainable services; (ii) training of the principal persons involved in this sector; (iii) reinforcing decentralization and de-concentration, including the recruitment of qualified professionals in the various areas and at all levels, but with greater focus on the districts; (iv) assuring the sustainability of the water supply and sanitation infrastructures by focusing on districts/communities; (v) promoting integrated water supply and sanitation projects in order to maximize impacts; (vi) reinforcing education in the areas of water, health, and hygiene in communities to convince them to adopt safe hygiene practices; (vii) assuring implementation of a utility rates policy that makes it possible to recover costs; (viii) establish and improve reliable systems for monitoring and evaluating (national and provincial databases) water supply and sanitation services; and (ix) ensuring the availability of water for crops and rural development.

358. The vulnerability of this country can be reduced by: (i) mitigating and managing the threat of extreme events (floods and droughts); (ii) expanding and modernizing the country's network of hydro-meteorological stations; (iii) mobilizing financing for construction of hydraulic works.

359. The challenges facing the water supply sector are: (i) reinforcement of the current capacity to provide adequate services; (ii) training the key people involved in this sector; (iii) ensuring the sustainability of the water supply and sanitation infrastructures; (iv) promoting projects that integrate water supply with sanitation ; (v) strengthening education in the areas of water, health, and hygiene in communities and ensuring that water is available for farm production and rural development; (vi) reducing this country's vulnerability by mitigating and managing the threat of extreme events (cyclones and floods); (vii) expanding and modernizing the country's network of hydro-meteorological stations; (viii) mobilizing financing for construction of hydraulic works; and (ix) ensuring the implementation of a utility rates policy that makes it possible to recover costs.

iv. HIV/AIDS

360. In the area of HIV/AIDS, the big challenge is to make subject seen nationwide as an urgent problem by providing an effective and sustainable multisectoral response that not only helps stanch new infections but prolongs the life expectancy of people who are living with HIV/AIDS, by providing appropriate care and treatment and improving their socio-sanitary conditions. This challenge requires a recognition that HIV/AIDS is a bar to the development and adoption of sectoral strategies on which there is agreement, including the creation and viabilization of a favorable juridical and legal environment a response to the pandemic that is increasingly well coordinated and based on the socio-cultural realities of this country.

361. In particular, it is anticipated that in Mozambique, the number of orphans and other children whose vulnerability is caused directly by HIV/AIDS will increase considerably, since Mozambique is moving closer to "dead man's curve." A comprehensive framework should be established to meet the specific needs of this most vulnerable group.

362. If we simulate a decline in the daily number of new HIV infections from about 600-650 under the basic scenario to 350 or fewer in 2009 and 100 or fewer in 2014 (the scenario that postulates a reduction in daily infections with HIV), the average annual rate of population growth would increase by 0.02 and 0.26 percentage points, respectively, in the five-year periods 2005-09 and 2010-14. This simulation was performed using the Threshold 21 (T21) model adopted by the Millennium Institute (2005).

v. Youth and Sports

363. Recognition of the aspirations of young people, as well as the need to engage them actively in all areas of this country's economic life, makes it necessary to arm them with the kind of knowledge that enables them to acquire life skills. They then become active individuals, promoters of initiatives designed to reduce the impact of poverty, and catalysts for participation in the development of the national economy and consolidation of democracy in Mozambique. Indeed, this country's harmonious and sustainable development comes from the coexistence of many different values, such as the culture of peace, mutual understanding, unity in diversity, peaceful coexistence of citizens, and a spirit of sacrifice and tolerance. Hence the need for those

values to be cultivated and safeguarded within the new generations who are the guarantee of their continuity.

364. Sports contributes to social cohesiveness, reinforces national unity, and is a catalyst of national development, helping to **enhance the self-esteem of the Mozambican people**. The government's objective with respect to physical education and sports consists in encouraging all citizens to participate in sports by expanding all kinds of sports opportunities.

365. The primary challenge in the area of Youth and Sports is to energize and support initiatives directed toward promoting the development of the personalities of young people, as well as a creative spirit, and a desire to be of service to the community. Conditions must be created under which youth can be integrated into an active life, through vocational training, promotion of self-employment, expansion and improvement of the implementation of income-generating programs, prevention of HIV/AIDS, and the formation of young people's associations as an effective way to organize the youth of this country.

366. With regard to sports, the objective is to make sports an integrating factor—part of the “glue” in the development of a society—by encouraging mass participation in sports and strengthening sports-related associations. To that end, support is needed for innovative approaches in education and training, carried out via local sports initiatives.

vi. Women and Social Action

367. The development process, considered as an indispensable condition for the guarantee of equal rights for everyone, can be global, complete, and effective only if it includes all segments of the population. Therefore, the Women and Social Action sector (MMAS) assumes responsibility for ensuring social assistance and integration of the less favored population groups who are vulnerable because of special conditions (physical, psychological, or social), and guaranteeing their participation in the process of developing a country in a sustainable manner.

368. MMAS plays a dominant role in poverty reduction efforts because of its responsibilities in the integration of the least favored population groups and the reduction of inefficiencies in the allocation of resources to those groups.

369. Hence the need to reinforce the ability of MMAS to intervene ever more dynamically, so as to encourage participation by the public and private sectors and the organizations and/or associations of civil society in the reduction of both poverty and the exclusion of disadvantaged population groups in all their dimensions: economic, human, socio-cultural, political, and in terms of social protection from a gender perspective.

370. Note that the gender perspective is not concerned solely with the feminine condition, or with women's experiences and perceptions, but with the attribution of roles, resources, responsibilities, and relative expectations to men and women.

371. MMAS has been adopting a transforming approach that energizes a focus on active participation and the empowerment of the involved groups themselves, in the context of their communities.

372. Assistance to and integration of the vulnerable and less privileged social groups into PARPA II is a priority. It is a means of ensuring the achievement of the objectives laid down in the government's Five-Year Plan, the annual plans, and in instruments of international scope in order to meet commitments assumed by Mozambique on the international plane in terms of reducing the indices of absolute poverty in order to meet the goals defined in the Millennium Development Objectives. This integration will spur the process of skills-building and empowerment of the most vulnerable population groups, thereby guaranteeing their participation in this country's development.

373. The starting point on the road to achieving these objectives should be a definition of regulatory and legislative tools for strategic planning, identification and location of the most vulnerable groups and those living in absolute poverty, as well as improving the institutional capabilities of MMAS.

374. The principal challenges faced by Women and Social Action are concentrated in an effort to ensure that resources allocated to the reduction of absolute poverty are directed at the most vulnerable population groups, through implementation of plans to serve unprotected target groups and those excluded from society; vocational training of target groups and the promotion of self employment; expansion and improvement of income-generating and community development programs; encouragement of membership in associations in order to facilitate the granting of support and assistance to vulnerable populations; empowerment of the beneficiaries of development projects through use of simple technologies appropriate to the conditions in which the beneficiaries live and to the rural environment; and promotion of campaigns to raise awareness and mobilize people to cease the discriminatory practices and acts of violence by their members.

375. Women are the key to guaranteeing the sustainability of a SAN strategy, because they play a vital role as producers of foods, managers of natural resources, generators of family income, and caregivers of families. At the same time, they continue to face restrictions in access to and management of resources (land, education, training, credit, information, technology) and in the decision-making process. This discrimination reduces the productive potential of families and increases their vulnerability. It limits the ability of all individuals, including men, to escape poverty.

376. Of special significance in the area of children who are in difficult circumstances was the drafting of a National Action Plan for Orphan and Vulnerable Children, in the context of HIV/AIDS. The main objective of the Plan is to ensure access by the most vulnerable children to a package of basic services, as well as to the social protection network. However, the scope of support available to orphans and other vulnerable children is still limited.

vii. Former Combatants

377. The results of the Struggle for National Liberation and the Defense of Sovereignty and Territorial Integrity in this country created a large number of former combatants who are equipped and trained in the military arts. After they transition to civilian life, their areas of expertise are no longer important. It has been a challenge for the government to ensure the socio-economic integration of this vulnerable social group into the life of today's society.

378. Assistance to Handicapped Former Combatants (*Antigos Combatentes Portadores de Deficiência*- ACPD) is a priority in government policy and required by the Constitution of Mozambique.

379. The History and the Historical Heritage of Mozambique as developed during the various phases of this country's history constitute the center of the civic and patriotic development of Mozambicans.

Former Combatants

380. *Main Objective:* Ensure the insertion of former combatants, particularly those who are in vulnerable circumstances, into programs designed to reduce absolute poverty and promote rural development.

381. Specific objectives:

(a) Promote training and skills-building as a means of guaranteeing the active participation of the combatant in the tasks of social and economic development and the consolidation of peace. Following are specific actions:

(b) Prepare and implement programs directed toward the social and economic integration of former combatants, and vigorously encourage the entrepreneurs in this social segment to pursue economic activities that can make a substantial impact on the communities in which they live.

(c) Guarantee the implementation of instruments to be used in managing social assistance to the former combatants.

History and Heritage of the Struggle for National Liberation

382. *Main objective:* Promote actions intended to enhance the appreciation of the historic heritage and the history of the Mozambican revolution, in order to develop a patriotic spirit of solidarity and national unity within the bosom of society.

383. Specific objectives:

- (a) Create ways and means for ensuring the involvement and participation by former combatants in the civic education of the citizens, particularly children and young people, as a way to raise ever higher the patriotic spirit of solidarity and national unity within the bosom of Mozambican society.
- (b) Recognize the value of the historical heritage as an integral part of Mozambican culture and work to preserve it.
- (c) Foster the habit of visiting historical sites as an essential component in the civic education of the Mozambican people.

viii. Housing

384. Access to suitable housing, a universally-recognized right, poses a challenge to Mozambique's housing sector if the country is to achieve millennium development goals and the objectives of the government's program. A continued improvement in basic living conditions, which include adequate housing, brings health benefits in a country where the poor quality of housing is exacerbating the vulnerability of population groups to infection by HIV/AIDS and other, associated, diseases (CNCS 2004).

385. In Mozambique, where poverty dictates precariousness of housing in both rural areas (93 percent) and urban zones (60 percent) and the country is vulnerable to natural disasters, it is essential that actions be taken to improve the quality of housing (INE 2005). The Agenda for Sustainable Development emphasizes housing as one of the determining factors that is essential to a reduction in poverty. It is expressed in the availability of basic infrastructure services (water, sanitation, and electricity) in addition to the features of the dwelling itself, and physical space sufficient for its inhabitants.

386. Mozambique has a variety of housing types. Permanent dwelling units are found in the urban centers. On the peripheries of urban areas, permanent and precarious structures coexist, along with others dwellings made of non-durable materials. Some of these are in rural areas.

387. Although in urban areas we find a significant quality deficit, about 62 percent of the population lives in rural zones, where the qualitative needs are concentrated. In terms of predominant materials, 37.9 percent of homes have walls made of *mático* poles; 31.1 percent are built of adobe blocks; 75.8 percent have a packed earth floor, and 74.3 percent have roofs of native grasses, thatch, or palm. Better quality materials are more frequently used in the urban areas, since houses tend to be more "formal," but these still are not the predominant type of housing.

388. Also directly related to qualitative aspects are the poor use made of materials and the failure to comply with standards, and other cultural aspects. Furthermore, building materials are of poor quality and there is uncertainty as to land ownership. Moreover, infrastructure and

services such as potable water supplied in mains are unreliable, as are basic sanitation, electricity, and networks of health care and educational facilities.

389. The vision for the sector calls for guaranteeing the basic conditions of human survival by implementing housing policies and programs that translate into continued improvements in quality of life.

390. In the realm of housing, the challenge will be to draft and implement a housing policy that includes aspects associated with the relief of poverty, and to raise funds to carry out housing programs for low-income residents.

ix. Food and Nutritional Security - SAN

391. With respect to food insecurity and poor nutrition, the major challenges are: to reduce the extremely high levels of chronic and acute malnutrition in this country, which seriously affect the present and future human capital of Mozambique. Moreover, there is a need to structure a comprehensive multisectoral intervention into the four dimensions of SAN, one that is directed to the groups that have been targeted for reduction in the indicators of chronic and acute malnutrition, especially children.

392. The strategy for combating HIV/AIDS must be sufficiently holistic to include SAN as an effective key element in all components of the strategy, so that HIV/AIDS and SAN are treated in an integrated fashion and as structural problems of development. This structural problem threatens and compromises human capital and, consequently, the overall institutional capabilities of Mozambique (Triple Threat).

393. The presence of one or more ill persons in a family requires not only a redirection of financial resources toward the expenses of treatment, but also a loss of the income needed to purchase foods and agricultural production inputs. Therefore, a systematic monitoring of the conditions of SAN must be a priority, particularly in parts of the country where there is a high percentage of serum positivity. Monitoring is one of the strategies that can help most directly to permit the accomplishment of objectives related to the increase in opportunities and the abilities of individuals, families, and communities to generate income and ensure their own personal food security.

x. Science and Technology

394. The major challenges in the field of science and technology are associated with the promotion of a culture of science-awareness at all levels of education, and the improvement in the quality and importance of higher education in terms of science and innovation.

Objectives and Actions

i. Education and Culture

395. The main objective of the education and culture sector, in the context of the government's poverty reduction policy, will be to guarantee quality education for everyone, with special attention to primary education. Note that the program "Education for All" must also serve girls, and children with special needs, at all levels of the instruction system. Likewise, the government will continue to give attention to the development of a more vocationally-oriented primary education so as to ensure that the graduates of these subsystems are capable of adapting more fully to the life of the community and the job market.

396. The cultural dimension is crucial to the eradication of poverty. In the realm of culture, the objective will be oriented toward the promotion of culture as a component of patriotic education and vital to a lasting elevation of the quality of education, a source of income, and a factor in sustainable development. The rich cultural diversity should be reflected in the richness and diversity of the creative and innovative activities.

397. Therefore, the fields of action by the education and culture sector will be: literacy; non-formal and adult education; primary education; secondary education; technical, professional and vocational education; higher education; special education; teacher training, culture and cross-cutting issues like HIV/AIDS and gender; training in human rights and ways to battle all kinds of discrimination; the fight against drug use in schools; the environment, and the strengthening of institutional capabilities.

Literacy, Non-formal Education, and Adult Education

398. Main objective: reduce the high rates of illiteracy among men and women, young people and people with disabilities, especially in rural areas by carrying out quality programs involving the use of local languages, and in coordination with civil society.

399. Specific objectives:

(a) Reduce the illiteracy rate by 10 percent by teaching 1,500,000 people to read and write. Of these, 70 percent will be women. The goal of achieving Education for All will be kept in mind. Radio and TV programs will be used, as will non-formal educational programs. Literacy will also be taught face-to-face.

(b) Reduce illiteracy among women by implementing the literacy strategy and non-formal and adult education, and teaching literacy by means of the radio.

Primary Education

400. Main objective: universal school attendance⁶

401. Specific objectives:

- (a) Improve the quality of instruction and academic achievement of the students so as to attain a 59 percent completion rate in the 7-grade basic education system, with a 55 percent rate for girls;
- (b) Increase attendance in primary education by children of school age, especially girls and children with disabilities, by building low-cost school buildings within the communities and guaranteeing a safe and healthful environment for the children;
- (c) Improve schools management by training directors of schools and members of the school boards, in order to ensure effective, participative, and transparent school administration; and
- (d) Consolidate the Direct Support to Schools (*Apoio Directo às Escolas*) program. Strengthen the financial system and increase funding to pay for both normal school functioning programs and special programs (support to orphans and other vulnerable children, integration of gender, etc.) that are already underway.

Secondary Education:

402. Main objective: expansion of secondary education of high quality that is also relevant.

403. Specific objectives:

- (a) Complete and implement the curriculum reform for secondary education so as to ensure its efficiency and quality as well as the integration of technical/vocational subject matter;
- (b) Expand secondary education by assuring integration of the students who finish primary education, with priority given to underprivileged children, children with special educational needs, and girls; and
- (c) Develop partnerships with the private sector, with civil society, and with families in order to ensure that costs will be shared at this level of instruction.

⁶ Preschool education is the responsibility of the Ministry of Women and Social Action – MMAS.

Technical Education

404. Main objective: expand access to quality instruction.

405. Specific objectives: (i) Implement the Integrated Program for Vocational Education Reform (*Programa Integrado da Reforma da Educação Profissional – PIREP*). Strengthen the kind of institutional development that will result in a technical-vocational education system directed toward demand and that affords opportunities for quality training; (ii) expand technical and vocational education by improving the efficiency and quality of training at the institutions in this subsystem; (iii) implement curriculum reform of the system by introducing modular courses oriented toward rural development as a means of strengthening the quality of technical and practical training of students; (iv) proceed with the program to convert the network of trade schools (*escolas de artes e ofícios*) to vocational schools that are also able to serve young people with disabilities; (v) Introduce a qualifications system with a view to obtaining recognition of vocational skills from the (basic) level to level IV (superior polytechnic).

Higher Education

406. Main objective: expansion of access to higher education that is relevant and of good quality, with regional and gender equity.

407. Specific objectives:

- (a) Train people for service in public administration and for the fields of education, health, and agriculture;
- (b) Help create a capacity for innovation and self-employment by encouraging small business; and
- (c) Ensure that research is done to promote the creation of internal management or development skills.

Teacher Training

408. Main objective: ensure that teachers will be trained for all educational subsystems, with a view to promoting education for all children and young people, including girls and those with disabilities.

409. Specific objectives: Establish and implement a coherent and well-coordinated system to train teachers for all education subsystems, including technical education, through continued training and supervision of all teachers in the system, especially those who did not receive initial training; continue to implement distance training courses to ensure continuing and in-service training of teachers; train teachers in HIV/AIDS-related subject matter so as to involve them in prevention programs at school, with their students and in the community, as well as in mitigation programs and programs to assist orphans and vulnerable children.

Institutional Development

410 Main objective: ensure effective decentralization of the management of the educational system down to the district level and to schools, an effort that pays attention to planning, implementation, and accountability at all levels.

411. Specific objectives:

- (a) Strengthen skills in the areas of planning, coordination, monitoring, and management by providing training in planning, financial management of human resources, and in schools management, particularly at the provincial, district, and individual school levels;
- (b) Ensure timely transfers of funds, effectiveness in their use, and transparency in their management through training and creation of conditions needed for the SISTAFE to function; and
- (c) Monitor fulfillment of the outlined goals by holding annual meetings with all sector partners.

Culture

412. Main objective: promote culture as a factor that strengthens the Mozambican identity, as well as peace, national unity, and development.

413. Specific objectives:

- (a) Promote a recognition of the value of Mozambican culture, and disseminate it;
- (b) Encourage the habit of finding pleasure in reading as a means of acquiring life skills;
- (c) Strengthen culture as a source of income; and
- (d) Expand and improve the national network of cultural infrastructures.

ii. Health

414. The health care sector, in coordination with a number of other sectors, has a responsibility to intervene in both the identification and the progressive fight against the causes of poverty, as well as to relieve the consequences of poverty. MISAU's mission, through the SNS and its service-providing partners, will be to place health care services of acceptable quality at the disposal of a larger proportion of the poor population, either free of charge or at an affordable price.

415. The program has four key components: improvement of access to health care services, priority programs, improvement of quality, an increase in efficiency and cross-cutting topics (gender and intersectoral cooperation).

Increasing Access to Health Care Services

416. The first strategic objective refers to the improvement of access to health care services, especially in the least favored parts of the country, in order to increase the percentage of the poor who have access to health care.

417. In this context, a number of specific objectives have been selected to reflect the comprehensiveness of the word “access,” which can be interpreted in many ways.

418. First, a review is needed of the criteria for allocating resources. Moreover, the financing available to the sector should be increased from US\$10.00 to US\$15.00 per capita⁷, ensuring the additional funds are channeled into more disadvantaged regions.

419. Second, the health care network will be expanded so that it reaches the more disadvantaged areas, thus increasing the proportion of the population that has easy access to a single health care unit⁸ from 36 percent to 45 percent, by concentrating efforts on the least-served provinces.

420. Third, access to basic specialized care should be improved, and the referral system strengthened by a gradual increase in the number of health units able to offer basic specialized care as evidenced by the presence of suitable means of transportation and communication, in order to respond promptly and in an appropriate manner to the needs of the population.

421. At the same time, the sector anticipates a gradual increase in access to prevention and control of non-communicable diseases and trauma, through the preparation and initial implementation of the area plan no later than 2009.

422. Fourth, the sector is committed to carrying out a series of specific activities in order to increase access to health care services for women, through a better organization of the services of the health units and the promotion of training activities within communities. The set of actions in this area (definition of indicators and goals) will be finalized in 2006 with the completion of the Gender Action Plan (*Plano de Acção do Género*),

423. Fifth, the elimination of financial and non-financial barriers to the use of services is a key component of the sector’s strategy. It is split into four groups of key actions that have been identified, namely:

⁷ Figures based on the State Budget, since this represents the component over which the sector has some control.

⁸ I.e., the person lives less than 30 minutes from such a unit (an IAF indicator).

- (a) Strengthening the district health system by developing and updating the planning and management tools at the district level;
- (b) Increasing community participation in promoting and protecting its members' health by carrying out a whole set of actions to mobilize community involvement;
- (c) Gradual elimination of financial barriers, starting with a comprehensive study on funding for the sector, during which the mechanisms for protecting the poor will be reviewed and updated; and
- (d) Promotion of cooperation with Traditional Medicine, in order to encourage research and participation in health programs by those practitioners.

Priority Programs for the Health Sector

424. The main strategic objective of the priority programs in the health sector refers to the integrated expansion of primary health care services, especially coverage of the most disadvantaged population groups, so as to reduce morbidity and mortality among the poorest Mozambicans.

425. In the area of reproductive health, the main objective is: (i) reduction of the maternal mortality rate in hospitals from 182 per 100,000 to 168 per 100,000 live births by extension work and accreditation of health care units that can provide basic or complete emergency obstetric care, especially in rural areas, these actions to be complemented by good communications and referral systems; (ii) training new professionals to handle the expansion of health care units, keeping in mind the impact of HIV/AIDS on human resources; (iii) arranging in-service training for technical staff associated with maternity clinics; (iv) increasing the number of SMI [mother/child health] personnel associated with maternity clinics; and (v) ensuring that essential medications are supplied to all health care units that perform maternity services.

426. The program also contributes to the reduction of the maternal mortality rate, which should decline from 408 to 350 per 100,000, with the intention of achieving the millennium goal of 250 per 100,000 in 2015 by: (i) increasing coverage for follow-up office visits in high-risk obstetric cases; (ii) sensitizing the community and the NGOs so as to promote construction of homes for expectant mothers in all referential health care units in district seats; (iii) expanding and strengthening the roving teams strategy and the family planning component; (iv) producing educational materials for sensitivity training directed to opinion-makers who have decision-making authority (men, and older women); and (v) strengthening the training of traditional midwives as promoters of good health. Note that, to a great extent, these actions will help increase the coverage of institutional births from 48 percent to 56 percent, a fundamental intermediate objective in the reduction of maternal mortality.

427. PTV [Prevention of Vertical Transmission], is a key component of the reproductive health program, and its importance has been growing in recent years. It is intended to increase the number of women and newborns who receive prophylaxis from 2 percent in 2004 to 22 percent in 2009,⁹ by: (i) expanding the number of health care units able to handle PTV, an activity that should include a guarantee of continued availability at the health units of reagents for rapid HIV testing and prophylactic ARV; (ii) strengthening the strategy of communicating with communities on the subject of PTV; (iii) integration of counseling and voluntary HIV testing and other specific PTV activities into the routines of sexual and reproductive health services; (iv) increasing the availability of counseling and voluntary HIV testing at all SMI clinics for all pregnant women; and (v) making sure that children born to an HIV-positive mother receive prophylactic ARV at birth.

428. Under the pediatric health program, the main objective is to reduce the mortality rate for infants and young children from 178 to 140 per thousand in 2009, thus moving toward the millennium goal of 108. This can be achieved by improving the care given to newborns, to healthy children, and to those afflicted with the most common ailments that affect children under five. To this end, neonatal health and Integrated Attention to Childhood Diseases (*Atenção Integrada às Doenças da Infância – AIDI*) strategies were developed. In addition, the activities of the Expanded Vaccination Program (PAV) will continue to be strengthened by augmenting the roving teams and increasing the number of stationary vaccination clinics. One of the main objectives of the PAV is to ensure that 95 percent of children under the age of one year receive the DPT3 and HB [hepatitis B] vaccines.

429. With respect to health in schools, the objective is to gradually be able to provide all primary schools with a complete basic health package, beginning with the EP1 schools in the district seats. Since current coverage is nearly zero, it is anticipated that by 2009, children will have access to this package at half the EP1 schools.

430. In the context of health for school-age children and young people, the importance of cooperation with the education sector, to ensure that curricular include a suitable component of health education, should also be emphasized. At the community level, liaison between health, education, and the Ministry of Youth and the Ministry of Social Action will need to be strengthened in order to promote the integration of health care in the activities necessary to reduce risk factors and protect orphans and other vulnerable children (COV).

431. Nutrition is one of the key areas of the sector. The objective is to contribute, in coordination with other sectors, to a reduction in the prevalence of malnutrition. The role of the

⁹ The sector is presently involved in a study of the implementation of the PEN SIDA [National Strategic Plan for HIV/AIDS], during which certain goals for key indicators, including the number of women and children who receive PTV, will be reviewed to better reflect the reality in this country.

health authorities is to prevent and treat the consequences of malnutrition, while the causes and their prevalence will require participation by various other sectors at the central and local levels, so that malnutrition can be seen as a problem for the State, one not limited to health. It is intended in this area to reduce the prevalence of low-weight-for-age to from 24 percent to 17 percent in 2009. The sector will play a vital role in the intensive promotion, by health care personnel and community agents, of breast-feeding and appropriate weaning. The sector will continue the preventive administration of Vitamin A to children aged 6 to 59 months and curative supplementing with Vitamin A in cases of xerophthalmia, persistent diarrhea, serious pneumonia, and malaria in order to reduce the prevalence rate of Vitamin A insufficiency in children aged 6 to 59 months.

432. As regards major endemic diseases, malaria is a key priority of this sector. The main objective of the program is to ensure that by 2009, at least half the population can benefit from the most appropriate combination of individual and collective protection measures. This goal should be achieved primarily by rapid expansion of the anti-vectoral battle by spraying homes with insecticides, preferably DDT. The expansion of presumptive and intermittent treatment of pregnant women who are at risk of contracting malaria, promotion of community participation in issues of environmental sanitation, and promotion of community education will help achieve the established goal.

433. Now, when the PARPA II document is being finalized, the health sector is conducting an evaluation of the PEN SIDA, because it has been found that the strategy adopted by both the health sector and by all the other parties involved in the fight against this pandemic, has not yet yielded the expected results. There is a consensus in the sector that not only must certain activities be revised, but the goals need to be redefined, particularly as they refer to the TARV [anti-retroviral therapy] and PTV goals for 2009, including pregnant women, young people, and children. It is anticipated that this review will be completed in March 2006 with participation by provincial-level managers and implementing agents.

434. Following are some of the specific objectives and goals that have been identified:

(a) In cooperation with the CNCS, reduce the number of new HIV infections from 500 to 350 per day by: encouraging and coordinating information, education, and counseling at the community level; improving the tracking of blood and blood products; and improving biosafety measures and procedures at all levels;

(b) In cooperation with the CNCS, reduce the prevalence of HIV among young people age 15-19 from 5.4 percent to 4.2 percent in 2009, by increasing access by adolescents and young people to services oriented toward them, in order to help change sexual behaviors. As part of this objective, it is planned to increase the numbers of

SAAJ [Youth and Adolescent Friends Services - *Serviços de Saúde Amigos dos Jovens*] from 104,000, to 380,000¹⁰ in 2009;

(c) Increase the number of users of STI diagnosis and treatment consultations from 685,000 to 1,500,000 in 2009, and gradually improve their quality by reinforcing the syndromic approach of STI, making it accessible at all health care units;

(d) Gradually increase the percentage of patients who receive prophylaxis and treatment of opportunistic infections from 7, 924 in 2004 to 165,000 in 2009 by: increasing the ability of health care units to diagnose AIDS and treat the associated opportunistic diseases; and increasing access to testing and counseling;

(e) In cooperation with the CNCS, prolong and improve the quality of life of people infected with HIV, and AIDS patients, by increasing the number of beneficiaries of care given at home from 11,000 to 200,000, and improving coordination between the provision of home care and the content of medical care given at the Health Units;

(f) Increase¹¹ the number of children aged 0 to 14 years who are receiving pediatric TARV (1,463 beneficiaries in 2005) by training the clinicians who now care for children and including in the training courses other clinicians and the HDD personnel in all provinces; and

(g) Increase coverage in prevention of HIV/AIDS and mitigation of its effects on women by: (i) increasing access to TARV by women, especially in rural areas; and (ii) expanding the means of conveying information, and improving the quality of information and messages addressed to boys and girls in rural areas.¹²

435. As regards leprosy, the sector's objective is to reduce the rate of prevalence of leprosy from the current 2.7/10,000 residents to levels that do not constitute a public health problem, i.e., to <1/10,000 residents, and thus obtain WHO certification by 2009. To accomplish this, the geographic and functional coverage of the program will have to be improved, and an active search conducted for all suspected cases in order that the individuals can be diagnosed and treated.

436. The main objective for tuberculosis is to reduce the morbidity/mortality rates. One of the major pillars of the strategy is an increase in the rate in the success of DOTS therapy from the current 76 percent to 83 percent in 2009. This means improving the geographic and

¹⁰ This is a cumulative indicator; it represents all consultations, not only the initial ones.

¹¹ Goals to be set after the study is completed, because they do not appear in the current PEN ITS/HIV/SIDA.

¹² The principal indicators will be defined in the context of the Gender Action Plan.

functional coverage of the program, and gradually integrating health care for tuberculosis into primary health care services.

437. In addition to the priority types of intervention mentioned above to mitigate and gradually reduce the disastrous socioeconomic impact of endemic, debilitating diseases, the strategy of the health care sector is also oriented toward mitigating the effects of epidemic diseases during emergency situations, and especially preventing the outbreak of epidemics that afflict this country. In this context, activities will be directed principally to reinforcing integrated epidemiological surveillance in all the provinces, expanding laboratory capacity, and strengthening the ability of all levels to respond promptly to emergencies. Furthermore, it will be essential to involve the community in risk management and promotion of quality systems. Advocacy, by combining epidemiological information and geographic distribution of water sources with the waters sector, is vital if the investments in water supply infrastructures are to be more effectively channeled.

Improvement in the Quality of Services Provided

438. One of the main strategic objectives of the sector for the next few years is to improve the quality of services provided, in order to ensure that the SNS is offering a variety of good quality actions for the entire population, and helping increase user satisfaction.

439. In this context, the first specific objective identified is the improvement of the basic infrastructures at the existing Health Units, especially in terms of water and electric power. By 2009, it is expected that all central and provincial hospitals, all rural hospitals, and 75 percent of the Health Centers will have access to a water supply and electricity 24 hours a day.

440. The second specific objective refers to a reduction in in-hospital mortality from 7.5 percent to 6.5 percent, by taking a series of steps, particularly increasing capacity for diagnosis and treatment, improving the organizational structure of the Health Units by developing and implementing standards, strengthening biosafety measures, reinforcing the emergency room services, and increasing the capacity for scientific research.

441. Thirdly, the improvement in quality includes monitoring the quality of water supplied to the public, especially in zones that are susceptible to major epidemics. The ability to analyze the water supply will be enhanced. At this time, only the provincial capitals are able to do such testing, which will be expanded to about 60 districts by 2009.

442. We should emphasize that improving the quality of the services rendered requires adding personnel in order to strengthen and balance the health care teams throughout the country, at all levels. According to expectations about the expansion of the health care network and the reinforcement of technical skills at the Health Units, a total staff of 27,189 is forecast for 2010. This projection takes into consideration the losses due to HIV/AIDS in the coming years. Among other steps, it is anticipated that 5,448 basic-level, intermediate, and specialized

intermediate technical personnel will be appointed between now and 2009. In that same period, six courses will be held at ISCISA, and 124 specialized physicians will be trained.

443. In order to ensure that teams are gender-balanced, activities will be conducted to encourage young people from rural areas to take courses in the health field, and the locations of test sites where entrance exams to these courses are given will be extended to rural areas. These activities and the respective indicators will be described in the Gender Plan of Action, to be completed in 2006.

Improving Efficiency in the Use of Resources

444. The sector will continue its efforts to increase efficiency in the use of the existing resources in terms of available funds, personnel, infrastructure, equipment, time, etc. The main objective is to improve the use of the funds within the sector so as to make additional resources available for the priority areas of battling poverty in the health sector.

445. One of the specific objectives identified is the improvement in the degree of execution of the funds made available to the sector¹³ from the 62 percent recorded in 2004, to 90 percent in 2009. To that end, people at all levels must be trained, an integrated financial management system will need to be developed and updated, and the new instruments and procedures being developed as part of the decentralization process led by the government will need to be implemented properly and on a timely basis.

446. The second specific objective is an increase in management skills at the Health Units and its support systems. This will be accomplished by offering courses for managers at various levels.

447. Lastly, and in order to improve the process of decision-making based on evidence, the Information System for Health (*Sistema de Informação para a Saúde – SIS*) is continually being improved as its plan is gradually implemented. Major areas on which this plan focuses are: a breakdown of data by sex, along with the modernization and simplification of the system in order to permit more efficient, complete, and timely data collection. Once the plan has been fully implemented, levels 1 to 4 of the SIS should be operating and the quality of the data will be assured.

iii HIV/AIDS

448. Using the Second National Strategic Plan to Combat HIV/AIDS (PEN II - 2005-09) as framework for operations, priority will be given to interventions in five specific areas where it

¹³ These represent funds from the State Budget, which includes internal funds, common funds, and some health sector assistance programs that are recorded in that budget, including projects from banks and multi- and bilateral sources of financing.

is felt that results can be achieved to effectively halt the spread of the epidemic. These areas are: Prevention, Stigma and Discrimination, Treatment, Mitigation of Impact, and Coordination of the National Response.

Prevention

449. Specific objectives:

- (a) 22 percent of HIV + women and newborns receive prophylaxis to prevent vertical transmission of HIV;
- (b) 350,000 young people (age 10-24) are frequenting the SAAJ;
- (c) 60 percent of young people (age 15-24) who are sexually active report they used a condom the last time they had sexual contact with a casual partner.

Reduction in Stigma and Discrimination

450. Specific objective: 60 percent of individuals age 15 to 49 express attitudes of acceptance toward persons living with HIV/AIDS.

Treatment

451. Specific objectives:

- (a) 165,000 of HIV + adults who are eligible for anti-retroviral therapy are receiving it in 2009, compared with 57,950 in 2006; and
- (b) 50 percent of HIV + children who are eligible for anti-retroviral therapy are receiving it.

Mitigation of Impact

452. Specific objectives:

- (a) The ratio of school attendance by children who have lost their mothers is the same as the ratio for non-orphans;
- (b) The ratio of prevalence of low weight among orphan children is the same as the ratio for non-orphans;
- (c) 30 percent of orphans and other vulnerable children live in families who are receiving outside assistance, free of charge, in caring for these children.

Coordination of the National Response

453. Specific objectives:

(a) 100 percent of the State budget annually allocated to the CNCS will be disbursed to that council; and

(b) All ministries and provincial bureaus will have received approval of their sectoral plans of action and budgets to combat HIV/AIDS in their sectors/provinces and will have implemented those plans.

Water and Sanitation

454. The water and sanitation program is intended to help reduce morbidity and mortality caused by waterborne diseases and poor sanitary conditions. It has two components: water supply and sanitation, and management of hydric resources. *As cross-cutting actions:* (i) institutional skills-building, including training the key people working in the sector; (ii) reinforcement of the process of decentralization and de-concentration, including recruitment of professionals who are qualified in the various areas and at all levels, and: (iii) establishment of reliable systems for monitoring and evaluating the supply of water and sanitation services.

Water Supply and Sanitation

455. Specific objectives:

- Increase coverage of the water supply to 60 percent, thereby serving about 4 million residents living in urban areas by 2009, and achieve 70 percent in 2015, serving 5.4 million people;
- Increase coverage to 55 percent of the population, thereby serving about 8 million residents who live in rural areas by 2009, and achieve 70 percent in 2015, serving 11.8 million people;
- Increase coverage of urban sanitation services to 55 percent, thereby serving about 3.8 million people living in urban and peri-urban areas by 2009, and achieve 80 percent in 2015, serving 6.1 million people; and
- Increase coverage of rural sanitation services to 40 percent, so as to serve about 6 million people living in rural areas by 2009, and achieve 50 percent in 2015, serving 8.4 million people.

Water Resources Management

456. Main objective: mitigate the effects of droughts.

457. Specific objectives: relieve the shortage of water used to supply the population, as well as for irrigation and small-scale livestock raising by building 50 dams, or excavated reservoirs to capture rainwater.

Flood Mitigation and Prevention

458. Main objective: mitigate the effects of floods.

459. Specific objectives:

- Reinforce water management programs in terms of a strategy for reducing vulnerability to flooding, by: (i) rehabilitating the network of hydro-meteorological stations; (ii) installing flood warning systems connected to a telemetric network and hydrological prediction models; (iii) mapping of areas susceptible to flooding; and (iv) rehabilitation of the Defense Dikes and Refuge Platforms; and
- Increase the capacity for storing the water, and regulate the Limpopo, Incomodai and Pungué rivers so that their hydric resources can be used, by conducting studies toward future construction of large dams: Barragem Mapai (on the Limpopo), Barragem de Bue Maria (on the Pungué), and prepare the detailed design for the Moamba Major dam (on the Incomodai).

iv. Women and Social Action

460. The program includes five sub-areas: development of the family, development of women, persons with disabilities, children in difficult situations, and the elderly.

Development of the Family

461. Main objectives: Promote family stability by encouraging and reinforcing the role of the family in protecting its members.

462. Specific objectives:

- Sensitize the family to its role in protecting its members by training trainers and activists to engage in consciousness-raising activities; producing instruments that sensitize, and carrying out sensitization actions;
- Strengthen and expand the number of Family Counseling Centers and increase the availability of shelters for protection of victims of violence by publicizing the services available at those centers; by providing intake services, psychological/social care, and legal guidance; and by building centers and houses;
- Prepare and implement strategies and plans to prevent domestic violence and protect the victims of that violence by preparing and implementing strategies and plans to prevent

domestic violence and protect victims of that violence [repetition sic], and by training people in planning and statistics;

- Strengthen the ability of communities to protect families who are infected and affected by HIV/AIDS by producing instruments for use in sensitization, training activists, and conducting public information campaigns; and
- Strengthen the actions taken to battle drug addiction by conducting sensitization activities, building centers for psychological and social assistance to drug addicts, and carrying out activities to re-integrate addicts into society.

Development of Women

463. Main objective: Implement policies and an action plan conducive to reduction of absolute poverty, particularly in rural areas, keeping in mind the gender perspective.

464. Specific objective: Promotion of associations and building their skills. Establishment of strategic partnerships in the battle against poverty by energizing and facilitating the formation and joining of associations by members of the most vulnerable groups with a view to reducing poverty. Implementation of income-generating projects and self-employment opportunities in order to assist female heads of households whose economic capability is fragile. Identification, selection, and establishment of partnerships with organizations that are active in the fight against poverty.

Persons with Disabilities

465. Main objective: ensure that persons with disabilities who are at risk of being excluded from society will receive assistance.

466. Specific objectives: (i) provide services to impoverished persons with disabilities by implementing income-generating projects directed to those who are able to work; (i) [sic] set up community centers open to serve persons with disabilities in the community; (ii) carry out sensitization actions that target various sectors of society in order to socially integrate persons with disabilities; (iii) provide vocational training in order to integrate persons with disabilities into the job market; (iv) provide a means of compensation for persons with disabilities; (v) assist disabled persons who have no family support; (vi) build special schools for the visually impaired in all three regions of the country; (vii) provide educational materials, including material in Braille, and train people in sign language; and (viii) propose legislation to require State agencies to have sign language interpreters available, and promote inclusive education for the hearing-impaired.

Children in Difficult Situations

467. Main objective: guarantee assistance to children at risk of social exclusion.

468. Specific objectives: (i) provide services to children who are in difficult situations by holding sessions for families and members of society as a whole to sensitize them concerning the rights of the child; (ii) locate the families of separated children; (iii) reunite separated children with their families; (iv) assist children who have no family support; (v) provide technical, physical, and financial support for families who take in orphans and homeless children; and (vi) implement projects to provide preliminary vocational training and projects to generate income for children, including minors involved in prostitution.

The Elderly

469. Main objective: guarantee social assistance to the elderly who are in situations of absolute poverty.

470. Specific objectives: (i) provide services to the elderly of both sexes who are living in absolute poverty by establishing open community centers; (ii) financially and physically assist the elderly who have no means of support and are unable to work, who are living alone, or who are caring for others who are infected and affected by HIV/AIDS; and (iii). carry out activities to sensitize people to the rights of elderly men and women, particularly regarding gender-based violence, and assist the elderly who have no family support by receiving them at Social Units.

v. *Youth and Sports*

471. This program includes two sub-areas: Strengthening of associations of young people, and encouraging mass participation in physical education and sports.

Strengthening of the Youth Associations Movement

472. Main objective: Make certain that membership in young people's associations is the most effective way to organize the youth, and a means of encouraging participative learning.

473. Specific objectives:

- Strengthen the youth association movement by encouraging formation of groups and associations based on common interests;
- Promote development and training of young leaders, directors, and event hosts with a view to strengthening the ability of the respective institutions to deal with youth-related issues;
- Consolidate the CNJ [National Youth Council] as a forum for communication between young people and the State on the one hand, and as an instrument for coordinating the activities of young people's associations, on the other;

- Promote access by youth to training and the development of entrepreneurial skills and business knowledge that can enable them to improve the administration of job-creating activities; and
- Develop Youth Resource Centers to assist with training and social integration of youth through vocational training activities compatible with the acquisition of the skills necessary to support young people as they enter the labor market or elect self-employment, and/or in the establishment of microenterprises.

Encouraging mass participation in physical education and sports

474. Main objective: Make sports an integrating factor—part of the “glue” in the development of a society—by encouraging mass participation in sports and strengthening sports-related associations.

475. Specific objectives:

- Support innovative approaches in education and training, carried out via local sports initiatives;
- Forge partnerships with institutions in civil society to promote and carry out physical and sports activities;
- Improve access to the practice of physical education and sports by creating and expanding opportunities for access to physical space, facilities, and sports infrastructures where the public can engage in sports;
- Develop initiatives intended to discover and enhance the value of athletic talents that emerge during school and community-based competitive sports;
- Establish three Centers of Excellence in Sports for the preparation of new **Young Talent**; and
- Create conditions for the free access and movement of children, persons with disabilities, and the elderly to and within barrier-free sports facilities.

vi. Housing

476. The program has two sub-areas: security in the right to use and exploit land; and housing durability.

Security in the Right to Use and Exploit Land

477. Main objective: Implement urban development programs to ensure access to land that has an infrastructure suitable for housing.

478. Specific objectives: reduce the number of family units who lack access to a plot of land for housing (from about 20 percent in 2004 to 15 percent in 2009) by supporting the implementation of partial land use zoning plans; working out differences regarding the draft decree regulating urban land use, submitting that draft for approval by the Council of Ministers, and conducting campaigns to study and publicize the legislation on land and housing.

Housing Durability

479. Main objective: ensure the durability of housing by implementing housing improvement programs.

480. Specific objective: promote access to appropriate housing by monitoring the training of those who produce building materials in the communities. Also, provide technical support to the establishment of resource centers for home-building, including training rural extension workers, and drafting and publicizing the Housing Policy.

3. Economic Development

Introduction

481. Sustainable economic development is one of the necessary conditions leading to a reduction in absolute poverty. The contribution of this pillar is intended to stimulate and promote the following:

- (d) [sic] An increase in per capita income from economic activity, with special emphasis on rural areas, thereby improving well-being, especially the well-being of poor people;
- (e) An increase in productivity and intersectoral connections by a better integration, in terms of the nation's economy, between rural and urban areas from north to south of this country;
- (f) Creation and improvement in the quality of employment and self-employment;
- (g) Development of scientific and technological infrastructures and skills applied to national and rural productive activity;
- (h) Expansion of a strong, dynamic, competitive, and innovative private sector;
- (i) Development of a monetary and financial system that fulfills its function of energetically encouraging savings and channeling them into productive domestic investment;

(j) Pursuit of a more comprehensive tax reform in order to increase State assumption of responsibility for the nation's institutions and citizens, thereby contributing to the expansion of the formal sector of the economy; and

(k) Pursuit of a gradual and mutually advantageous integration of the nation's economy into regional and international markets so as to ensure the movement of goods and services, and increase national production and supply of quality products and services.

482. Economic development is achieved by growth in a country's productive sectors—through the structural transformation of agriculture, conversion of the informal sector to a formal one, and vitality and entrepreneurial competitiveness on both the national and international market—especially those activities that make a significant contribution to job creation, exports, foreign exchange, and intersectoral coordination of the Mozambican economy (example: agro-industry).

483. Prominent among the conditions necessary to achieve a degree of sustainable economic development that contributes to a rapid reduction of poverty in Mozambique are the following:

- (a) A stable macro-economic situation;
- (b) An institutional framework and business environment favorable to investment;
- (c) A well-developed and comprehensive financial sector;
- (d) Good infrastructures in terms of energy, roads, and transportation;
- (e) Modernized companies with technical and technological capabilities, staffed by Mozambican workers who have been taught those skills; and
- (f) Conditions suited to effective marketing of goods and services on domestic and international markets.

484. However, in the long run, economic development can be sustained only if it takes into consideration the impact of cross-cutting issues such as HIV/AIDS, gender, food and nutritional security, and the environment. Then it will be able to ensure a comprehensive and sustainable economic growth.

485. The State has a role in this context: to promote investment in economic and social infrastructures, and to provide basic services and an institutional system that creates an atmosphere favorable to and encouraging of the expansion of private Mozambican enterprise and private sector action and investment, particularly investment in small and medium-scale companies. This expands the possibilities for the necessary comprehensive economic growth, the development of priority productive sectors and increased productivity--one that puts more emphasis on rural areas where most of the poor population lives.

486. Actions to further these system-related objectives can be taken through rigorous macroeconomic management, coupled with an effort to maintain appropriate levels of “openness” for the country and its economy that would ensure the required flows of technology, skills, information, financial resources, investments, and trade so that there is effective integration with the world market. Actions must be taken to ensure that such resources are efficiently and effectively channeled into the productive sectors of the economy.

Vision and Challenges

487. The principal challenges for the economic development pillar in PARPA II are:

- (a) Continue to guarantee macroeconomic stability in Mozambique by solid and stable macroeconomic management of monetary and fiscal variables;
- (b) Continue to monitor the State’s financial management practices, including management of public spending, revenue collection, and financial relationships with the cooperation partners;
- (c) Promote the consolidation and integration of the domestic market by improving the basic infrastructures and transportation systems, as well as improving the regulation of commercial exchanges on the internal market;
- (d) Improve the business and labor climate in Mozambique in order to: (i) encourage domestic and foreign investment; (ii) facilitate formalization of the economy; and (iii) contribute to creation of high-quality jobs;
- (e) Strengthen the regulation and supervision of the financial system in order to minimize the risk of financial crises;
- (f) Modernize and expand the financial system, by creating new instruments and expanding regional coverage, especially in the rural areas, in order to increase savings and the availability of credit;
- (g) Contribute to the creation of a strong, dynamic, competitive, and innovative private sector through more complete integration of the Mozambican economy (intersectoral links), modernization of the productive base of Mozambique, improving the technical and technological capabilities of Mozambican companies and workers, and ensuring a continued supply of energy and a better transportation infrastructure;
- (h) Promote the broadening of the business base and development of the priority sectors and activities;
- (i) Strengthen the family sector of the economy, with emphasis on activities such as farming and small-scale fishing, with heavy emphasis on rural parts of this country;

(j) Continue to improve the degree to which Mozambique is part of the regional and international economies through continued development of trade and investment relationships with other countries, a gradual and progressive liberalization of international commercial exchanges, and heavier flows of trade and investment with other countries;

(k) Contribute to a comprehensive and sustainable economic and social development (environment, HIV/AIDS, food and nutritional security, rural development, etc.) that contributes to the general well-being of this country's citizens.

Objectives and Actions

i. Macroeconomic management

488. The government will guarantee rigorous macroeconomic management by maintaining appropriate levels of openness in the economy, thereby permitting the flows of funds, technology, trade and investment necessary for maintenance of stability in the financial sector. To that end, actions relating to the consolidation and reform of public finance, monetary management, and an improved supervision of banks, insurers, and the social security system become important.

Tax Policy

489. In this area, the government will work to reform and increase the efficiency of the tax administration with a view to gradually increasing the mobilization of domestic funds as a percentage of GDP, with the idea of reducing external dependency. To that end, the following steps will be taken:

- (a) Domestic revenues will gradually be increased;
- (b) The tax system will be simplified and refined, and the tax base broadened;
- (c) Reforms made in direct and indirect taxes will be consolidated;
- (d) Simplified taxation regimes will be reviewed, the effectiveness of tax and investment incentives will be evaluated, and the process of establishing tax courts will be continued;
- (e) Work on modernizing the tax administration will be continued, to make it an efficient tax-collection system and to curb fraud and tax evasion;
- (f) Legislation will be approved that simplifies the relationship between the tax administration and the taxpayers, making it easier for them to exercise their rights and receive the protection assured them;

- (g) Tax and customs courts will be effectively implemented; and
- (h) Legislation on local government finances will be refined and the conditions of the agencies responsible for collection and control of local government taxes will be improved.

Monetary and Exchange Policy

490. Management of monetary policy will be coordinated with fiscal and budgetary policy so as to avoid excessive rises in the rate of exchange, thereby assuring that real interest rates remain within levels that are consistent with proper functioning of the economy, and to permit competitiveness. In other words, the following are anticipated:

- (a) Maintenance of inflation at low, stable levels;
- (b) Maintenance of a stable and competitive exchange rate that encourages exports;
- (c) Maintenance of international reserves at levels appropriate to the fulfillment of the country's international commitments.

Budget Policy and Public Finance Management Policy

491. This policy is intended to reduce dependence on outside sources of funds, and shrink fiscal deficits and the internal and external debt. The budgetary programming cycle will harmonize PARPA II with public spending. Therefore, the midterm action plan should influence the annual budget and translate it into financial plans.

492. Given the scarcity of funds, a strategy aimed at their rational use by allocating public spending to certain priority areas will be adopted.

493. Mozambique also relies on a flow of concessional external funding over the medium and long term, and [envisions] gradually overcoming its dependence on foreign aid.

494. The efficient and effective use of funds entails increased strengthening of inspections and audits, systematic reviews of public spending, and a thorough reform of the SISTAFE. The following steps must be taken in this connection:

- (a) (i) Increase transparency in the management and use of public funds; (ii) improve the system by which State works projects are paid for; and (iii) adopt a transparent and efficient public procurement system;
- (b) (i) Proceed with decentralization of planning and finance by establishing criteria for allocating financial resources to the districts; (ii) establish and harmonize rules and procedures for programming, executing, and evaluating public resources, and (iii)

develop midterm and long-term budget programming tools and consolidate the short-term tools;

(c) (i) Consolidate and expand the implementation of the SISTAFE and (ii) put the e-SISTAFE into operation, and;

(d) (i) Develop subsystems that furnish timely, reliable information on the budget and property status of State agencies and institutions; (ii) implement an accounting system to control budgetary and property execution by the State; and (iii) increase the efficiency of the internal control system so that it is consistent with international practices.

ii. Improving the Business Environment

495. A good business environment is essential for the development of the private sector, to promote and attract domestic and foreign investment—including small-scale investment—and to create incentives for formalizing the activities of the informal sector.

Administrative Barriers

496. The administrative barriers to the pursuit of economic activities have been identified as the most serious constraint on private sector development. The Government of Mozambique will proceed with a review of the legal and institutional framework that will make it possible to simplify and accelerate the licensing of commercial and industrial activities and tourism, with a view to issuing these licenses within the deadlines stipulated in the law for each of these cases. It will also simplify and unify the inspections of business activities and make them more effective. The following steps in this connection are anticipated:

(a) Simplify procedures for licensing commercial, industrial, and tourism-related activities, and other activities, in light of public sector reform;

(b) Establish and consolidate one-stop service windows in all provinces, and give them full licensing powers;

(c) Computerize notarial records;

(d) Review the regulation of the inspection of economic activities, with special emphasis on joint inspections;

(e) Create an attractive business environment in the field of tourism by adhering to systematized and sustainable tourist zoning rules, by updating and simplifying tourism-related legislation; and

(f) Expedite the processing of tourism investment proposals in coordination with the Center for Investment Promotion (*Centro de Promoção de Investimentos – CPI*), DINAGECA [National Directorate of Geography and Land Registry] and the provincial tourist bureaus.

The Job Market

497. Another aspect that is important for the improvement of the business environment and the resulting creation of new jobs is the prevailing situation with respect to hiring, employing, and protecting workers in Mozambique. The government, labor unions, and employer associations play a vital role in the evaluation of the approach to this problem if possible changes are to be made. This evaluation is important as we attempt to make the labor market more flexible and competitive in order to help create jobs in the formal sector. Still, it is important to consider social norms, cultural habit, and the historical past as we conduct that evaluation and propose such changes.

498. Following are components of a review of the conditions of hiring, employment, and worker protection on the labor market in Mozambique:

(a) Review of labor legislation and inspection practices, as well as [other] applicable legislation (Decree 32/98 and Ministerial Document 17/90);

(b) Implementation of a strategy to prevent labor conflicts, and establishment of a commission and centers for labor mediation and arbitration as tools for alternative methods of resolving labor disputes; and

(c) Review of social security legislation and reform and modernization of the legal and institutional framework of social security, specifically the INSS [National Social Security Institute].

iii. Development of the Financial System

499. The main objective in this area is to develop a modern financial system that is comprehensive in social and geographical terms, that helps increase the monetization of the nation's economy, and that meets the needs of its growth by financing the activities of the productive sectors. Efforts on this subject will be concentrated primarily in four areas of action:

Regulation and Supervision of the Financial System

500. Objective: strengthen the regulation and supervision of the financial system in order to minimize the risk of the occurrence of financial crises by adopting measures that are:

- Directed toward seeing that reports on the financial system adhere to international standards (International Accounting Standards/International Financial Reporting Standards);
- Aimed at full compliance with the Basel Basic Principles;
- Intended to achieve effective control of electronic transactions, particularly the regulation of electronic financial products (credit and debit cards); and
- Oriented toward achieving better financial intermediation, including that which is directed toward small businesses and microenterprises.

Modernization and Expansion

501. Objective: modernize and expand the financial system by creating new instruments that are accessible to small and medium-size companies and family units and are more widely available in terms of geography, including rural areas. The main actions developed to guarantee fulfillment of this objective are:

- Introduce new alternative credit instruments;
- Increase access to micro-credit by publicizing it, or by training inspectors specialized in the supervision and monitoring of the activities of micro-finance institutions; and
- Increasing access to credit.

National Savings

502. Objective: encourage national savings, including savings by low-income families, by taking the following initiatives:

- Study the feasibility of offering deposit insurance;
- Approve regulations for the Deposits Guarantee Fund for micro-finance institutions that are subject to Bank of Mozambique supervision; and
- Introduce new financial instruments and measures to increase access to credit and micro-credit.

Insurance and Social Protection

503. Objective: improve the insurance and social protection sector by adopting programs intended to perfect their regulatory framework, by taking the following actions:

- Reviewing the legal system applicable to the insurance business, including drafting regulations on private pension funds and a law on insurance contracts; review of the financial guarantees legally required of the insurance business, and review of current legislation applicable to the insurance business;
- Modernization of the institutional framework of the sector by preparing a plan for transition of the insurance accounting and reporting system to conformity with International Financial Reporting Standards, as well as providing institutional training for the Office of the Inspector General of Insurance (*Inspecção Geral de Seguros – IGS*);
- Review of social security legislation, and reform and modernization of the legal and institutional framework of social security, specifically the INSS.

iv. Promoting the Creation of a Strong, Dynamic, Competitive, and Innovative Private Sector

504. The creation of a strong, dynamic, competitive and innovative private sector is a necessary condition for achieving continued economic development that is sustainable over the long-term, within a market economy. This condition must allow the Mozambican economy to gain a greater presence on international markets. In this context, the productive sectors require dynamic energy to become stronger and this depends on the availability and quality of factors of production, such as human capital, technology, electricity and telecommunications, that have a direct impact on the international competitiveness of Mozambican enterprises. The following need to be done in two areas:

Technical and Vocational Training

505. Invest in technical training of workers so as to improve this country's human capital and boost employment, through interventions by the Ministry of Labor directed towards:

- Implement the Employment and Vocational Training strategy;
- Train microentrepreneurs and small businessmen in management of businesses in various fields that would generate income in rural and urban areas; train unemployed persons in various special skills;
- Promote vocational internships, traditional apprenticeship, and training of artisans;
- Build new vocational training centers throughout the country, giving priority to provinces that have industrial and tourism potential; and

- Strengthen the existing partnership between public and private training centers by improving the mechanisms of technical assistance, monitoring, and follow-up of the public and private training centers.

Building the Technical and Technological Skills of Companies

506. Improve the technical training at Mozambican companies as a way to improve production processes and Mozambican products, through initiatives to be carried out by the Ministry of Industry and Commerce (MIC) along the lines of:

- Formulation of industrial property policy and implementation of policies as regards quality;
- Promotion of the certification of production processes and products; and
- Restructuring and strengthening of institutions responsible for certification of quality standards and accreditation, including metrology.

Production, Importation, and Distribution of Electricity

507. The energy sector has a program to continue to guarantee increased access to electricity for both domestic use and business activities. To that end, actions will be taken to: expand and improve electricity production capacity and the national electric power grid; the distribution and marketing of liquid fuels; the startup of operations by the National Electricity Council (*Conselho Nacional da Electricidade* – CENELEC); the supply of unleaded gasoline on a national scale; bringing to final fruition the energy projects identified in the electricity master plan; continued work to identify projects for electric power generation and new and renewable energy sources; and reforms in the electric power industry. The program has four components: electrification, fuels, renewable energy, and intersectoral collaboration.

Electrification

508. This country has a huge potential for production of hydroelectric power. Nevertheless, the index of access to electricity is the lowest in the region.

509. Main objectives: expand access to electricity for consumers, and especially for production, while curbing the environmental impact of its use; improve the commercial and financial performance of *Electricidade de Moçambique* so that revenues increase, as well as exports of electricity.

510. Principal actions:

- Complete the electrification of district seats and administrative posts with a view to replacing diesel generation with the national electric grid;

- Promote electricity generation projects, specifically: the Mphanda Nkuwa hydroelectric project, the Moatize thermal power plant, and a thermal power plant fueled by natural gas; and
- Promotion of alternative sources of electricity generation to use in electrification of areas that are isolated from the national grid.

Fuels

511. Mozambique is dependent on imports of liquid fuels, and the continued rise in their prices on the world market has had a negative impact on the lives of people and on the economy as a whole.

512. Main objectives: reduce costs and dependency on imported fuels by-products; promote investment in exploration and production of petroleum.

513. Principal actions:

- Continue efforts to promote the expansion of the liquid fuels distribution network, particularly for kerosene, unleaded gasoline, and liquefied petroleum gas;
- Introduce natural gas as a fuel for transportation vehicles;
- Review the regulations for sales of fuels in drums; and
- License the “artisanal” vendors of petroleum products, and create means for storage and marketing.

Renewable Energy, New Sources

514. The energy deficit creates an ever-increasing demand for alternative sources of renewable energy, such as solar, wind, and biomass.

515. Principal objectives: (i) curb the destruction of the forest for the use of its biomass; (ii) increase access to the sustainable and improved use of biomass fuels for cooking; and (iii) encourage the use of environmentally friendly energy sources.

516. Principal actions:

- Continue to extend the rural electrification program to new areas, giving priority to connecting additional districts to the national electric grid, with special attention to new and renewable sources of energy;
- Increase electricity supply to hospitals, community health clinics, and schools, based on alternative sources of energy;

- Take actions leading to implementation of electricity generating projects by diversifying alternative sources of energy with a view to preserving the resources of the biomass and encouraging recourse to alternative energy sources; and
- Promote the use of ovens and stoves that have been improved with a view to sustainable use of biomass energy.

Intersectoral Cooperation: Industry

517. As a major energy consumer, industry's viability and competitiveness depends on a stable supply of energy sources. As in other countries, the government should give special attention to the needs of this key sector by establishing new electricity tariffs, as well as tariffs for water and transportation for the productive sector so as to reduce the cost of these factors of production, thereby promoting the competitiveness of domestic production. However, this kind of service to companies must be managed efficiently in order to avoid granting unnecessary subsidies.

Cross-cutting Topics

518. In terms of cross-cutting topics, the Ministry of Energy will integrate women into sector policies and programs, integrate environmental management components into all activities, and raise awareness of the HIV/AIDS pandemic among sector personnel.

Telecommunications

519. In an increasingly globalized and interconnected information economy and society, the availability and quality of modern and geographically well-distributed telecommunications is another key to guaranteeing the development of a strong, dynamic, and competitive private sector. In this area, the government's overall objective under PARPA II is to improve the country's telecommunications and postal systems in order to enhance business competitiveness, energize the economies of the rural areas, and improve the living conditions of its population. In the area of telecommunications, the government's main objective is universal access to telecommunications throughout the country, while with respect to postal services, the objective is a general improvement in service.

520. Objective: to guarantee access to telecommunications services throughout the country by coordinating measures intended to: (i) restructure *Telecomunicações de Moçambique* (TDM); (ii) introduce new services and technologies/ (CDMA); (iii) complete the backbone of the telecommunications network; and (iv) set up the Universal Access Fund.

521. Objective: improve the quality of postal services by taking the following actions: (i) reform of the postal sector (ii) definition of a policy for the postal sector; and (iii) restructuring and modernizing *Empresa Correios de Moçambique*.

v. Promoting the Priority Sectors, Broadening the Business Base, and Creating Jobs

522. Achieving sustainable and comprehensive economic growth oriented toward job creation will depend on the development of the country's productive base – both company and family businesses – especially in those activities that are considered as priorities in the agricultural, industrial, tourism, fisheries, and mining sectors. These are activities that contribute to the general objectives of economic and social development and poverty reduction through generation of income in family production units, creation of jobs and opportunities for self-employment, generation of foreign exchange and revenues for the State, and the coordination and integration within the Mozambican economy. To support this process, the government intends to articulate, throughout the implementation of PARPA II, specific development policies for each of these sectors and productive activities.

Agriculture

Program for the Sector

523. Actions planned for agriculture are targeted mainly at the government's objective of reducing absolute poverty in this country, since farming is the predominant activity in the rural areas where the highest indices of absolute poverty are found.

524. The small family farm sector represents 99.65 percent of the total number of farm families, and 95.19 percent of the total area under cultivation nationwide (MADER 2004a). This makes the sector the subject of special attention in the agriculture development program for 2005-2009 (PROAGRI II). One of the eight principles guiding this sector's program refers to "greater attention to the rights and needs of the families of small agricultural producers in matters related to access to land, intermediate goods, and markets." (MADER 2004b). The objectives and actions listed below will take into particular consideration this broad sector of agriculture in all phases of the planning, implementation, monitoring and evaluation, and adjustment of PARPA II.

525. After more than a decade of postwar economic recovery, the benefits of the rehabilitation of the productive fabric and the simple mobilization of factors of production are becoming exhausted. If the PARPA II vision is to become reality, the actions by the agrarian sector must be directed toward achieving higher productivity and intensifying the vertical and horizontal links within the rural and national agricultural economy.

526. In the long run, the agricultural development program must be oriented toward: (i) assistance to small family farms during their gradual transition to commercial operation; and (ii) assistance to commercial farmers, encouraging them to boost their production, productivity, and competitiveness, thus ensuring satisfaction of basic needs and higher incomes in rural areas, coupled with the establishment of agroindustries that will add value to farm products for both the domestic and export markets. Therefore, implementation of the sectoral program (PROAGRI II) will be essential to fulfillment of PARPA II objectives for agriculture.

527. Encouragement of stronger links between the family farm sector and commercial farming will result not only in the transfer of technology, but in economic growth of rural areas and, therefore, higher incomes for rural families. No less important is the process of public sector reform now under way, particularly decentralization, which will require more interventions by public services in the rural areas, thereby permitting more interaction between the State and the citizens, especially the farmers.

528. Development of Public-Private Partnerships (PPP) should be adopted as strategy to ensure structural transformation in agriculture. The State can intervene in the PPP in several ways, specifically: (i) making investments that encourage agribusiness (help the family farm sector supply agroindustry with quality raw materials in the required quantities and at the proper times); (ii) transferring the provision of public services to the private sector; and (iii) taking part in private investment. These interventions will contribute to improved productivity, competitiveness, links among different activities, and producer incomes.

529. Structural transformation of agriculture also requires rural producers to be better organized. This will involve public investment to reinforce the fabric of rural institutions and organizations.

530. Following are the areas that were considered to be of fundamental importance to the achievement of these objectives and the [success] of agriculture under PARPA II: (i) agrarian services: increase production and productivity, guarantee food security, raise income and improve competitiveness of farmers; (ii) natural resource management: assure sustainable environmental management of natural resources (land, forests, wildlife); and (iii) institutional development: reform the institutions, manage human resources, manage the financial and property aspects, conduct monitoring and evaluation, and implement a strategy to prevent and mitigate HIV/AIDS.

Agrarian Services

531. Main objectives: the main objectives of the sector as regards agrarian services are: (i) increase access to technology and to information on extension services; (ii) increase the availability and access to intermediate goods (seeds and agricultural chemicals); (iii) encourage construction and rehabilitation of agrarian infrastructures; (iv) promote food security networks for the most vulnerable groups; (v) improve access to market information and to the markets themselves; (vi) promote development of the private sector and of production systems from the standpoint of the value chain; and (vii) encourage producers to organize.

532. Principal actions:

- Generate agrarian technologies that are adapted to the various zones and ecologies;
- Publish and disseminate agrarian technologies;

- Conduct animal and plant health campaigns;
- Improve the provision of veterinary care;
- Distribute plant materials and hold fairs at which intermediate goods are available;
- Implement programs for propagation of improved seeds;
- Build and rehabilitate fisheries infrastructures and water capture systems;
- Implement programs to prevent and manage threats related to food and nutritional insecurity;
- Promote a service that provides information on market opportunities;
- Increase warehouse capacity and reduce post-harvest losses;
- Establish a framework of quality standards and sanitary and phytosanitary certification rules for a competitive market;
- Promote expansion of the agricultural products processing industry (agribusiness);
- Create alternative means of agricultural financing (risk capital, crop insurance, guarantee fund, lines of credit for agribusiness); and
- Assist and train organizations of producers.

Natural Resource Management

533. Main objectives: (i) improve equitable access by communities and individuals to natural resources for sustainable use and management; (ii) promote a service that provides information on existing natural resources (land, forests, and wildlife); and (iii) improve oversight of the exploitation of these resources.

534. Principal actions:

- Consolidate and publicize legislation on access to natural resources;
- Assist with establishment of local and private Mozambican initiatives in the rational and sustainable use of natural resources (concessions, communities);
- Certify and/or deed the rights to land to small and medium-scale farmers for income crops;

- Take inventory and map the occupation, use, and exploitation of lands, and routinely update the national cartography;
- Oversee compliance with natural resources legislation;
- Implement a strategy to manage the conflict between people and animals;
- Prevent and control uncontrolled burning of lands;
- Develop appropriate technologies for the sustainable management of natural resources; and
- Develop forestry care systems to establish and enrich forest species and formations.

Industry

535. The government's program for this area calls for creating conditions that promote the growth of the industrial sector in order to increase its contribution to GDP, modernization of the economy, job creation, and the interconnection with other productive sectors, especially with the primary sectors, thereby promoting the environmental sustainability of industrial activities. In this context, the activities considered to be priority are those that contribute to an expansion of employment and the exploitation of comparative advantages in production from Mozambique, such microenterprises, small and medium-scale businesses, and agroindustrial companies.

536. Objective: contribute to the enhancement of natural resources and an increase in national value-added as a means of increasing industry's contribution to GDP.

Actions:

- Reformulate industrial policy and strategy, and formulate and implement sub-sector strategies (the foods industry, metals and machines, chemicals, graphics and packaging, textiles and apparel, lumber, fishery products processing);
- Formulate an industrial property policy and implement a quality policy;
- Establish tariffs for electricity, water, and transportation for the productive sector.

537. Objective: take better advantage of this country's favorable location.

Actions:

- Promote and develop industries along the north-south axis in zones that have growth potential, comparative advantages, and economies of scale; and

- Establish tax-free zones, on the condition that an evaluation be made, in advance, of the net contribution to the national economy and to tax revenues.

538. Objective: contribute to the development of MPME (microenterprises, small and medium-scale businesses).

Actions:

- Preparation of a diagnosis of the status of the MPME;
- Approval of a strategy for MPME and creation and consolidation of the functioning of MPME as an institution; and
- Establishment of a liaison program within the MPME in order to improve integration with suppliers and customers.

539. Objective: promote maintenance of a sustainable industry, using technology that promotes ecological balance.

Actions:

- Creation of an institutional framework for promotion of environmentally healthy technologies;
- Joint participation by the MIC and MICOA [Ministry for Coordination of Environmental Affairs] in environmental audits of industrial establishments, provided this does not hamper the expansion of industry.

Fisheries

540. The fisheries sector makes an important contribution to equilibrium in Mozambique's balance of payments, because it accounts for about 8 percent, in terms of volume, of the country's exports. In order to capitalize on this role, the sector will continue to follow strategies aimed at ensuring permanent access to the international market for Mozambican fishery products, which requires taking action in the realm of quality control by consolidating fisheries inspection services, improving competitiveness and diversifying the list of domestic products available for export. Note that this country is already pursuing commercial aquaculture for export.

541. Overfishing, pollution, habitat degradation, and natural disasters have impaired the ability of coastal populations to meet their basic economic and social needs. This results in a reduction in their food security and puts them at greater risk for disease. Therefore, the priority of PARPA II in the fisheries sector and the coastal and marine zone management program is to ensure that appropriate measures are taken to promote environmental sustainability in these sectors through integrated management of the marine and coastal environment, and of fishery

resources that protects important ecosystems (mangroves, coral reefs, and coastal and interior wetlands).

Non-Industrial Fishing

542. Objective: the major objective of the sector in this area is to improve the standard of living of communities of fishermen and to ensure that fisheries resources and aquaculture are exploited in a sustainable manner. The government's actions in this area are directed at: (i) creating and/or rehabilitating infrastructures that support non-industrial fishing in the principal fishing centers; (ii) increasing the supply of domestic fish to the internal market; (iii) encouraging the distribution and marketing of fish and fishery inputs; and (iv) raising production by those who practice non-industrial aquaculture.

543. The following actions will achieve these objectives:

- Strengthen the control and oversight of fishery and aquaculture activities;
- Support participation by non-industrial fishermen in fisheries management;
- Train the management committees and community fishery councils;
- Move forward with regulations for non-industrial fishing and aquaculture;
- Proceed to implement the master statistical plan for fisheries;
- Strengthen institutional coordination in managing aquatic conservation areas;
- Introduce, perfect, and publicize improved techniques for fishing, conservation, and processing the products of non-industrial fishing.

Commercial Fishing

544. Objectives: the main objective for the commercial fishing sector is improvement of its competitiveness and sustainability, so as to increase its contribution to exports.

545. To achieve this objective, the following actions have been programmed:

- Improve the facilities that support commercial fishing;
- Promote training of technical and (land-based) managerial personnel for the fishing companies;
- Complete the reform of the public administration of fisheries;
- Strengthen the training in basic specialty fields that are in short supply in the sector;

- Support the creation and certification of Mozambican brands for shrimp;
- Establish a national market information system;
- Expand the areas dedicated to aquaculture (shrimp and algae); and
- Encourage the addition of value to fishery products.

Tourism

546. The travel and tourism industry now ranks first, worldwide, in terms of revenue generation. It is the industry that employs the most people and an industry that has demonstrated an ability to adapt quickly to crises that have battered the world economy. In the past five years, investments in tourism in Mozambique have increased, as has the number of people it employs. Conservation areas that represent a valuable heritage of Mozambican society are being revitalized. In this context, we must emphasize that natural resources are the primary base of support, and a main attraction, of tourism in Mozambique.

547. Main objective: Mozambique has a rich and diversified tourism potential that the government plans to take advantage of during the next several years in order to develop and position this country as a world-class tourist destination, while at the same time ensuring an environmentally healthy exploitation of the natural resources that form the basis of that potential. Implementation of this main objective responds to two specific objectives, each of which includes a set of actions to be taken.

548. Specific objective: improve marketing and partnerships by segmenting the issuing markets through:

- Implementation of specific marketing campaigns; formation of a partnership to benefit from the 2010 FIFA World Cup to be hosted by the Republic of South Africa;
- Creation of effective partnerships with neighboring countries, moving towards regional integration;
- Rehabilitation and reorganization of the country's conservation sites;
- Providing incentives for creation of an attractive environment that offers true relaxation for tourists by transmitting an environment of safety and hospitality along the tourist corridors. This role will be played by tourist information posts, as well as by a suitable tourist gateway to be set up shortly;
- Institutionalization of festivals designed to appeal to tourists, as a means of diversifying our tourist attractions and lengthening the average stay by visitors in this country;

- Promoting the active involvement of local communities in the development of tourism and in its benefits.

549. Specific objective: improve the provision of products and services with a view to increasing the number of jobs, hotel beds, raising earnings, and increasing the number of small and medium-scale businesses by incentives directed toward:

- Promoting local tourist support businesses and local small and medium-scale companies in the tourism sector, including public co-financing of private business initiatives in tourism;
- Promoting the participative development of conservation sites by establishing management councils and a growth in the volume of revenues channeled to local communities in the vicinity of those sites;
- Facilitating the entry of tourists and those who would invest in this country (simplification of procedures, better coordination among the various government agencies);
- Establishing an appropriate institutional framework by designing strategies for various kinds of tourism (hunting, cruises, rural, adventure, etc.);
- Assembling a tourism work force, giving priority to local workers; and
- Creating a national association of the hotel and tourism industry, and adopting a code of conduct.

Mining

550. Objective: increase participation by the Mozambican business community in the mining industry in order to raise the number of private operators in mining to 750 from the present 683, and boosting private investment in the sector by 40 percent, by taking actions to: (i) promote the conduct of geological studies to evaluate the carboniferous potential in areas adjacent to the Moatize deposit and others situated in the provinces of Tete, Niassa, Cabo Delgado, and Manica; (ii) proceed with prospecting and research programs; and (iii) install processing and primary transformation industries in this country.

551. Objective: strengthen the legal and fiscal framework in order to attract private investment as a way of increasing investment, tax revenues, and exports by the mining sector, by: (i) reinforcing the ability to oversee mining activities; (ii) publicizing basic geological information in this country; and (iii) consolidating the regulatory framework, and proceeding with the institutional reform of this sector.

552. Objective: research and take inventory of mineral resources by: (i) promoting research and prospecting (basic metals, precious metals, gold and diamonds, ornamental rocks, deposits of industrial minerals, etc.); and (ii) promoting geological mapping (coal, the coastal zone).

553. Objective: increase the contribution by the small-scale and non-industrial mining sector to improving the life of population groups as a means of increasing productivity and production efficiency by: (i) providing technical support to prospectors in improving their mining tools; and (ii) proceeding to support the promotion of associations, cooperatives or companies, and other forms of organization in the extraction and processing of minerals.

554. Objective: Guarantee environmentally sustainable exploitation of the country's mineral resources by regulating and monitoring the environmental performance of the mining industry. Promote a reduction in the risk posed by heavy metals and those toxic to human health and the environment by training non-industrial miners in the use of cleaner production methods. In this area, the government will:

- Continue to publicize and monitor the environmental regulations applicable to mining;
- Proceed with inspection and oversight of companies that operate in the geological/mining field;
- Proceed with actions to prevent water pollution in order to reduce the danger to health and protect the ecosystem, by mitigating the effects of groundwater pollution and by establishing monitoring systems and effective legal frameworks; and
- Arranging for the geological and environmental mapping of the coast of Mozambique.

Oil Research

555. Objective: Maximize the value of oil resources to benefit the whole society, by:

- Maintaining a transparent legal, regulatory, and contractual system to attract investments and foster judicious resource management, with emphasis on health, safety, and environmental aspects;
- Establishing national sovereignty over part of the continental shelf pursuant to the UN Convention on Maritime Law;
- Systematically mapping and surveying resources based on Concession Agreements signed with qualified companies in a competitive and transparent process;
- Ensuring rational and efficient use of production and transportation infrastructures;

- Ensuring the development of the domestic market for natural gas, condensed natural gas, and other oil products;
- Ensuring the education and training of Mozambicans to participate in all stages of oil operations, including the provision of goods and services to the oil sector;
- Fostering regional cooperation with neighboring countries and ensuring the unitization and exploitation of common resources in a coordinated manner; the development of an efficient regional natural gas market, the use of common technical standards, and the implementation of capacity and contingency measures throughout the region.

Fostering Job Creation

556. In addition to the programs described in detail in the previous sections, the Government of Mozambique will coordinate specific initiatives aimed at job creation, as a means of helping generate income and reduce absolute poverty.

557. In the area of roads and highways, the government will contribute to an increase in family income and employment by creating thousands of seasonal and permanent jobs through incentives directed toward:

- Giving priority to labor-intensive technology in maintenance of tertiary and neighborhood roads;
- Making it mandatory that all unskilled labor be recruited locally;
- Promoting the participation of women in roads projects;
- Designing specific programs to use labor-intensive technology; and
- Contributing to a reduction in the rates of HIV/AIDS infection and discrimination against infected persons in the highway industry by inserting into all project contracts clauses relating to programs that combat HIV/AIDS.

558. Furthermore, the Ministry of Labor will promote job creation in all sectors of the economy by:

- Promoting the employment dimension in all sectoral policies, programs, and projects, thereby assuring widespread adoption of a pro-employment economy in the battle against absolute poverty.
- Making its contribution to job creation, especially through associations of producers;

- Follow-up and monitoring of production activities undertaken by associations and cooperatives;
- Identification of employment opportunities for newly-graduated young people, and promotion of the hiring of such candidates for employment; and
- Gathering statistics on employment/unemployment that are both reliable and current.

vi. Improving the Integration of Mozambique into the Regional and International Economy

559. The integration of the Mozambican economy into the international economy from standpoints of trade and investment can contribute to the economic growth of Mozambique by: (i) increasing availability of less expensive goods and services, of better quality, to the general public and the productive sectors; (ii) affording new business opportunities for domestic companies and in the context of direct foreign investment; (iii) creating jobs; (iv) reinforcing the productive fabric; (v) facilitating technology transfers; and (vi) permitting better integration into regional and international chains of value.

560. Despite these advantages, if the nation's institutions are not ready for integration into the world economy, Mozambique could suffer significant losses, as has been happening with local industry, especially the cashew industry.

561. In terms of globalization, the government's strategy, expressed through initiatives by the Ministry of Industry and Commerce and the Bureau of Customs for the PARPA II implementation period, will consist of:

Building Institutional Skills

562. Improving the government's institutional capability to respond to the challenge of assuming a greater role in the flows of regional and international trade by:

- Developing strategies for exporting oilseeds and tropical fruits;
- Creating an inter-ministerial working group to ensure simplification of the procedures adopted for export promotion and the attraction of strategic investments that make intensive use of labor;
- Establishing an inter-institutional committee on foreign trade;
- Improving statistical information; and
- Developing the capabilities of the institutions involved in international trade negotiations, and reinforcing the country's diplomatic missions in Brussels, Geneva, Washington, Beijing, and Brasília.

Trade Agreements

563. Maximize the benefits of participation in bilateral and multilateral preferential trade agreements by: (i) concluding bilateral agreements for the free trade zone; (ii) identifying and facing up to the existing constraints in order to exploit the preferential access opportunities granted to Less Advanced Countries; (iii) evaluating the impact of the 2010 SADC customs union; and (iv) evaluating the implications of Mozambique's accession to the SACU.

Promotion of Mozambique's Image in the World

564. Objective: develop a strategy for attracting investment (foreign and domestic) that involves various sectors.

Facilitating Trade

565. Objective: reduce the time required for customs clearance so that it conforms to international standards, by taking initiatives directed toward:

- Implementation of a Transit Module and adoption of a Single Document (DU) that is common within the Region;
- Use of new information technologies to accelerate clearance of goods by electronic transmission of the Single Document and implementation of an electronic container verification using scanners;
- Improving customs infrastructures by developing communications and information facilities and installing and operating a "Dry Port" at Ressano Garcia (Railway Terminal); and
- Improving the technical and professional skills of customs personnel.

vii. Promoting the Integration and Consolidation of the Domestic Market

566. The consolidation and better internal coordination of the domestic market is a key to the economic development of this country and its battle against poverty because it will permit: (i) better distribution of the nation's products—agriculture, industrial, etc. and their integration into regional and international markets; (ii) effective circulation of people, goods, and information; and (iii) access by the public to a larger number of goods and services of better quality. In this field, the government's action during the PARPA II implementation period will be directed to four priority areas, namely: (i) transportation systems; (ii) highways; (iii) distribution and the national commercial network; and (iv) regulation of internal trade. In these areas, the government, acting through various responsible sectoral institutions, namely the ministries of transportation and communications, public works and housing, and commerce and industry will (promote): [sic]

Transportation Systems

Highway Transportation

567. Objectives: improve the efficiency and access to highway transportation; organize the highway transportation system; facilitate connections among cities and provinces; guarantee the operational sustainability and safety of highways; and ensure that Mozambican operators are able to compete on an equal footing with operators from the neighboring countries, by taking initiatives in the following areas: (i) creation of the Highway Fund; (ii) renovation and expansion of the fleet; (iii) revision of the Automotive Transportation Regulations (RTA), including a strategy for organizing semi-collective transportation; (iv) approval of the Regulations for Passenger Transportation Terminals; (v) revision of the policy regarding technical assistance to the country's automobiles; and (vi) monitoring the implementation of bilateral agreements.

Water Transportation

568. Objective: revitalize and improve maritime, river, and lake transportation by taking actions to: (i) liberalize the entry and operation of private parties in cabotage and crossings; (ii) dredge the ports of Beira and Quelimane; (iii) purchase vessels for the crossings at Maputo/Catembe, Inhambane/Maxixe, Beira/Buzi/Machanga and Quelimane/Ricamba; (iv) rehabilitate the bridges at Catembe, Maputo, and Inhambane; (v) build a shipyard at Inhambane; and (vi) make certain that the management of all principal and secondary ports in this country is efficient and effective.

Ports and Railways

569. Contribute to the development of economic and social activities along the Beira Corridor and foster market competition by: (i) rehabilitating the Sena line; (ii) maximizing the use of the port of Beira; and (iii) establishing the regulatory authority for ports and railroads.

Highways and Bridges

570. Construction and Rehabilitation: Continue the rehabilitation and maintenance of highways and bridges in order to improve trafficability and reduce vehicle operating costs. The north-south axis is the national priority.

571. Expressed in detail, these actions include: (i) continuing the rehabilitation of the principal routes, specifically, the N1 Maputo-Pemba, N14 Lichinga-Pemba, N13 Lichinga-Cuamba; the N103 Cuamba-Nampevo, and others; (ii) continue the programs for rehabilitating tertiary roads; (iii) build bridges over the Zambeze, Rovuma, Meluli, Lugela, Guijá, and Moamba rivers; (iv) finish the rehabilitation of the Ilha de Moçambique bridge; and (v) keep the entire highway network in reasonably good condition.

572. Building Institutional Skills: Ensure an efficient and sustainable response by the government to the development problems of the sector by: (i) continuing the institutional reforms program; and (ii) continuing the program of improving institutional skills.

Marketing System

573. Promote the development of the commercial network, the agricultural marketing network, and the stabilization of the consumer goods market by initiatives directed toward: (i) financial assistance to development of the commercial network; (ii) implementing the Agricultural Marketing Strategy (*Estratégia de Comercialização Agrícola - ECA II*); (iii) disseminating information about markets and prices, and implementing actions aimed at gradual accommodation of the informal sector within the formal economy.

Regulation of Internal Trade

574. Improve the conditions of competition on the domestic market in order to curb unfair competition and reduce losses stemming from the presence of monopolistic markets by: (i) formulating and implementing policies and legislation relating to competition; and (ii) training the staff of the Ministry of Industry and Commerce in this subject.

IX FACTORS DETERMINING SUCCESS IN IMPLEMENTATION

1. Ownership/Participation by the Various Actors

575. The function of the State, as the principal apparatus of the social organization of Mozambique, is to direct the drafting and implementation of the PARPA II strategy in cooperation with civil society and representatives of the interested international community. The PARPA exercise must observe the linkage between the development vision, government priorities, the structure of the state budget, and actions to be taken to reduce absolute poverty during the present government's term of office. At the same time, an exercise in listening to opinions and discussing problems and ways to solve them takes place, expanded to include the different organizations in Mozambican society.

576. The success of the active participation by the key actors mentioned in the preceding paragraph in the preparation, execution, monitoring, evaluation, and adjustment of its action plan depends on:

- (a) Close coordination among the parties involved in all phases of the action plan, leading to reaching consensuses or including different points of view;
- (b) Clear definition of the functions and assigned duties of each party involved so that the process is effective and efficient, avoiding the costs associated with redundancy and the sacrifice of actions not carried out;
- (c) Clear commitment by the parties involved in carrying out the action plan; and
- (d) Actual allocation of the resources planned for the defined activities.

577. In order to achieve satisfactory coordination, participation, and ownership by all actors and the general public, the government is developing a PARPA II Communications Strategy in order to expand a culture of participation by citizens, institutions in organized civil society, children and youth, and others who are involved, but with emphasis on key actors and key levels of authority: the national and provincial Poverty Observatories, and the Institutions for Community Participation and Consultation (*Instituições de Participação e Consultas Comunitárias* – IPCC). And so, in 2006 the Communications Strategy will be completed and implemented, along with its action plan for the PARPA II period, 2006-2009. These documents will be a vital complement to the implementation, monitoring, and evaluation of PARPA II.

578. The following paragraphs describe the roles of the key actors in the PARPA II process.

579. The *Provinces* assist with the preparation of PARPA II by reporting on the Provincial Poverty Observatories (see Annex 1).

580. The role of the *International Community* will be mentioned later, in the subsection on cooperation partners.

581. The function of the **Private Sector** is to make the economy grow. This is accomplished by creating jobs, increasing productivity, adopting innovative technology, raising the both the incomes of workers and the returns for owners of the capital, and by integrating the different sectors of the domestic and international economy.

582. The success of the private sector depends on the functioning of a market economy. This depends to a large extent on the efforts and merits of the private sector itself.

583. However, there are some universally-recognized flaws in the market economy system. For those cases, the State has a duty to assist with the allocation of resources. When the State is able to do so, it performs this function. But in the presence of a State whose resources are scanty, there is an extremely high risk that it will not fulfill its function of compensating for market flaws. In Mozambique, we are faced with a State whose capabilities are very limited.

584. PARPA II offers a solution for these inadequacies of the State, through a careful selection of priorities.

585. The market economy system is still in the developmental stages in Mozambique. However, there are serious weaknesses at the institutional level, as is true of the judicial system. The private and public sectors need to find pragmatic and imaginative intermediate solutions while classic judicial institutions are being developed.

586. Most of the private sector in Mozambique is engaged in agriculture and other rural activities. Much of this sector operates at the subsistence level. In other words, it is integrated into the market, but only rudimentarily, and is vulnerable. To make things worse, Mozambican private enterprise faces international competition from farmers in the more developed countries who practice mechanized farming, have modern technology, and benefit from high subsidies from their governments.

587. PARPA II also addresses agricultural policy, and in this regard a close coordination among organizations of farmers (such as UNAC), the State, and the cooperation partners is important. Obviously the cooperation feel pressure from competing interests, because although they contribute to international development, they grant heavy subsidies to the farmers in their own countries, It is up to Mozambicans to do a better job of coordinating their policies and actions so as to take advantage of the opportunities offered by the cooperation partners.

588. The urban private sector heads the organization task through the Confederation of Economic Associations (*Confederação das Associações Económicas*- CTA). The principal vehicle for coordination between the CTA and the State is the Annual Private Sector Conference at which the matrices of problems and the proposed solutions are discussed

589. The function of **Workers' Organizations** is to ensure that some of the gains in productivity benefit this social group. They also work to see that jobs are protected when

companies file for bankruptcy or undergo a change in ownership. This function is important to our society.

590. *Non-Governmental Organizations* are proliferating in Mozambique as the presence of the community of cooperation partners has expanded. In Mozambique, NGOs should complement the role of the State. These organizations are important to the action plan for reducing absolute poverty.

591. The *Religious Confessions* (churches) have an extremely important role in alleviating poverty. In Mozambique, they also have the job of re-establishing the social fabric in terms of its moral dimension and to assist with pacification after the various social upheavals and the war that ended in 1992. They have traditionally played an important role in education and health in this country. For PARPA I, the churches proposed that the government create a permanent, stable, and regular channel as a sounding board, one that would have the authority to solve problems.

592. *Young People and Students* can work through their organizations to help prepare and comment on PARPA II.

593. *The media* have publicized the meetings held to discuss PARPA, and have also published editorials on the subject. The function of these information dissemination agents is important. Fuller advantage needs to be taken of them while PARPA II is being drafted, and later during the monitoring and evaluation process. And so the PARPA II (2006-2009) Communications Strategy emphasizes the crucial role of this group in getting out the message and mobilizing the general public so that it will realize the extent of PARPA II's impact on the country's development.

594. *The Mozambican People* contribute to the success of PARPA II through the various mechanisms for participation, including the Provincial Poverty Observatories and the various organizations of civil society.

2. Political Leadership

595. The leaders of the Mozambican government have led the process of drafting PARPA II and explicitly stated the objective of reducing absolute poverty. This commitment is important to ensure the quality of the action plan and the success of its implementation.

596. In addition to a direct commitment to prepare and execute PARPA II, it is important that there be exemplary behavior and attitudes toward laws, social norms, and public property—from the very top of the hierarchy of government agencies, down to the lowest echelons.

597. Since absolute poverty affects more than half the Mozambican population nationwide, political leaders from the various opposition parties can play a constructive role by: (i) supporting PARPA II on those points with which they agree; and (ii) by offering constructive

criticism and suggesting viable alternatives on those points on which they disagree with PARPA II.

3. Coordination among Sectors, Including Cross-Cutting Issues

598. Coordination among ministries and other units of the government occurs at several political and technical levels: (i) in working meetings called for by law, in programs of activities, and in resolution of unanticipated and urgent issues; (ii) in the drafting and execution, in the broad sense, of the government's five-year program, of PARPA, of the sectoral and provincial strategic plans, on the medium-term fiscal scenario, in the Economic and Social Plan, in the State budget, and other tools of the government function.

599. The intersectoral coordination that occurs through working meetings starts with the Council of Ministers and goes down through the different specialized councils, such as the Economic Council, topic-specific meetings in which members of the Council of Ministers participate--such as the ones on HIV/AIDS or the SADC--to multiple meetings at the technical level.

600. The intersectoral coordination that occurs with respect to programs, plans, strategies, budgets and other instruments adheres to the priorities defined by the government, and the availability of funds. Cross-cutting issues are addressed in the various global, sectoral, and specific plans and strategies.

601. The PARPA II Working Groups are ideal forums for working out agreements among the government, civil society, and the cooperation partners. *These groups must stay active and involved in the battle against absolute poverty.*

4. The Government's Position on Assistance from the Cooperation Partners

602. Given the major importance of external funding in bringing the PARPA actions to fruition, it is essential that there be a clear, comprehensive strategy in the minds of both the government and the cooperation partners that will make it possible to direct, systematically organize, and re-stabilize the flows of foreign aid into Mozambique. This is because coordination among government agencies with respect to the management and subsequent channeling of these funds to priority areas is so important. It is in this spirit that the government is committed to drafting the National Cooperation Policy.

603. The government intends to develop an external assistance system that is led by the State and reflects its priorities, in a coherent and comprehensive partnership with the cooperation partners. This will minimize the macroeconomic distortions associated with sizeable inflows of outside financing. And so in this section of this document, we will establish the general principles that will form the basis of the government's strategy toward foreign aid. (However, this section does not address the public debt; that topic will be included in "Mozambique's Debt Strategy.")

Analysis of the Situation

604. In the context of its efforts to reduce absolute poverty in Mozambique, the government receives financial and technical assistance from various cooperation partners. In recent years, external assistance has financed about half of the State Budget and, on average, about 15 percent of GDP (average for the five-year period 2000-2004, General Account of the State. Figures may have been underestimated due to exclusion of off-budget funds). This confirms World Bank figures (2005b) that show that, worldwide, Mozambique is one of the countries that is most dependent on foreign aid. (See Table 6.10 - Aid Dependency, in *World Development Indicators 2005*, published by the World Bank.)

605. Substantial assistance from cooperation partners is significant in the war against poverty. However, such a high percentage of external financing has two important (and closely linked) implications. First, there are *macroeconomic implications*. For example because of the high level of dependency, any shock in the volume or form of external financing could create substantial macroeconomic volatility (see Chapter V, part “c”).

606. Second, there are some significant challenges with respect to the *quality/effectiveness of foreign aid*: (i) a risk that government institutions may become more accountable to the cooperation partners than to the Mozambican people; (ii) an absence of transparency due to sources of financing outside the State Budget (see “*Estudo sobre os ‘Off-Budgets’ no Sector Saúde*, Cabral *et al.* 2005); (iii) coordination and systematization of flows of information among the cooperation partners, the MINEC [Ministry of Foreign Affairs and Cooperation], the recipient sectors, and other State agencies (in the areas of planning and finance); (iv) the administrative burden represented by the variety of information requested, the differing methods of evaluation, and other demands made by the cooperation partners; (v) the emergence of distortions within the public sector owing to a proliferation of projects; and (vi) coordination and appropriation of technical assistance/training.

607. Examples of best practices exist and can be studied in order to improve the effectiveness of aid to Mozambique. For example, the system of direct support to the State Budget with Program Aid Partnerships (*Parceiros de Apoio Programático – PAP*) has improved the quality and ownership of foreign aid, based on a Memorandum of Understanding used as guidance, according to the declaration by the 2005 Paris High-Level Forum for Developing Countries and Donors (www.aidharmonization.org). This declaration laid down specific goals for improving the quality of external aid in terms of predictability, ownership, alignment, harmonization, and preferred modes. Initiatives now under way by the cooperation partners and aligned with these principles are welcome, and the government expects further progress in this regard. In order to more actively lead the coordination of external assistance, the government will approve a new National Cooperation Policy, and has implemented reforms in the management of public finances.

General Principles

608. In light of global initiatives to increase the flows of foreign funds to developing countries, it will be especially important to ensure that flows to Mozambique are channeled into priority areas that have sufficient institutional capacity, or, alternatively, to bolster that capacity. Therefore, the focus of foreign aid needs to take into consideration the ability to manage macroeconomic impacts and the need to improve the quality/effectiveness of external assistance.

609. In order to consolidate the macroeconomic management of the impacts of outside financing, the government proposes adoption of the following general principles: (i) increase the predictability of aid flows; (ii) gradually reduce dependence on external financing by achieving economic growth and improving internal revenues; (iii) increase both the quality and distribution of information on foreign aid; and (iv) improve the understanding of the interactions between foreign aid and the macro-economy in the Mozambican context.

610. As regards improvement of the quality/effectiveness of external assistance, a structure oriented around the following general principles is proposed: (i) increase governmental "ownership"; (ii) ensure the sustainability of the activities financed through external aid; (iii) strengthen the alignment and harmonization of foreign aid with government priorities and procedures; (iv) improve accountability, both of the government and of the cooperation partners; and (v) proceed with reforms in a comprehensive and participatory manner.

Strategic Objectives

611. Based on the general principles outlined above and with the support of the cooperation partners, the following objectives are proposed as a means of enhancing the positive impact of the foreign aid:

- Formulation and approval of the National Cooperation Policy that will govern cooperation activities.
- In order to facilitate achievement of the goals of the Five-Year Plan and PARPA II, the government appeals to the cooperation partners to implement their respective commitments, as included in the Paris Declaration. For example, they would decentralize both the authority and the responsibility for fulfilling established concrete goals to the local offices of the cooperation partners. These commitments include a pledge that 85 percent of foreign aid would be included in the State Budget (i.e., that no more than 15 percent would be off-budget), and that at least 75 percent would be disbursed on a timely basis. For its part, the government will continue its efforts to strengthen its management of public finances, in particular as regards integration of off-budget funds into the State Budget, in the reports on execution, and in the General Account of the State (i.e., in both budgetary programming and in financial execution).

- Improve the quality and frequency of data available on external financing, and improve its circulation between government agencies and the relevant cooperation partners.
- Improve the understanding of the impacts on the Mozambican economy by taking into account aid flows as they are expected to occur in the medium and long term.
- The government will establish a strategy for handling the allocation of funds to sectors in ways consistent with its priorities. In particular, the government will examine: (i) the ideal balance between the weight of domestic funds (tax revenues) and external aid as regards State expenditures; (ii) the volume of financing that is desirable and can be absorbed—total and by sector—keeping in mind the capacity for absorption and the influence of the State on the economy; and (iii) the ideal balance among types of financing;
- Although the ideal balance among types of assistance will probably contain a mixture of these, the government would like the proportion of the funds that is channeled through the Public Treasury Accounts, mainly through direct support of the State Budget (known internationally as General Budget Support, or “GBS”), to be increased, because of its consistency with the general principles defined above. At present, within the context of direct support to the State Budget, it would be preferable if all PAPs would adopt multi-year commitments (i.e., commitments for at least three years, on a rolling basis) in order to facilitate the programming of government activities (within the CFMP [Medium-Term Fiscal Framework], for example).
- Develop a joint strategy that is well integrated with the government’s priorities in order to coordinate external assistance that is channeled through programs in support of the development of technical assistance and the institutional capacity of the government in a coherent manner (based on an initiative already in progress and supported and coordinated by the cooperation partners).

612. To facilitate the implementation of these objectives, an *Action Plan* will be established in 2006 (led by the government, in cooperation with the cooperation partners) that takes into account the initiatives already under way and the principles, priorities, and objectives laid down in this document (particularly, the importance of implementing the Paris Declaration) in order to improve the quality of assistance being given by all cooperation partners. For example, consideration could be given to introducing a Comprehensive Memorandum of Understanding, to be signed by all the cooperation partners and by the government.

X MONITORING AND EVALUATION

1. Introduction

613. The objective of Monitoring and Evaluation is to create conditions under which the government can maintain consistency in the implementation of the objectives and actions planned for PARPA. The flow of information generated by the Monitoring and Evaluation system makes it possible to make informed and timely decisions about potential changes in poverty reduction programs, and to identify and capitalize on initiatives that, according to the data generated by the system, appear to be encouraging performances that might be multiplied.

614. Monitoring and Evaluation is also a means of keeping not only the government, but others involved in the war against poverty—particularly organizations in civil society, the Mozambican legislature, and the cooperation partners—informed of the progress made in implementing PARPA, as well as the difficulties encountered.

615. In short, it is a means of monitoring effectiveness and efficiency, evaluating impact, and determining how public policies influence the reduction of poverty among the different social categories. It also captures and analyzes changes in the forms and types of poverty, including the development of inequalities.

616. As an integral part of the planning cycle, Monitoring and Evaluation creates a capacity for accountability in order to rationalize strategies and actions aimed at reducing poverty. Therefore, it is an indispensable instrument on which to base policy decisions that lead to the effective and efficient implementation of PARPA and its results through a system of pertinent controls and with very close ties to the planning process. The PARPA II (2006-2009) Communications Strategy will determine in what way the information obtained through the mechanism of Monitoring and Evaluation will be disseminated among the various parties involved in the battle to reduce poverty and to the general public.

617. In this context, and following a situational analysis of the current Monitoring and Evaluation system, it has become necessary to adjust certain elements of the PARPA Monitoring and Evaluation strategy and system, to identify weaknesses in the intersectoral approach, and to respond to new realities such as decentralization and participatory Monitoring and Evaluation so as to respond fully to its prerogatives.

618. It is important to note that, as regards participatory Monitoring and Evaluation during the PARPA I period, a huge leap forward was made because of the dynamic launched by the Poverty Observatories at both the central and provincial levels. It institutionalized the active participation of organizations in civil society in the Monitoring and Evaluation of PARPA. In the past two years, significant progress has also been made in the Poverty Analyses. Reports have been produced about the various dimensions of poverty, such as the determinants and profiles of poverty, the emergence of inequalities, and comparisons between the two most recent Surveys of Family Units (IAF 1996-97, and IAF 2002-03).

619. At the same time, improvements were made in integrating the indicators from the Performance Assessment Framework (PAF) into the Economic and Social Plan (PES), the State Budget (OE), and the Medium-Term Fiscal Scenario (CFMP), using the Consolidated Process Methodology (*Metodologia do Processo Único*) and strengthening the PES Balance Sheet (BdPES). The 2004 PES and OE are fine representatives of the improvement that has taken place in linkages among central government actions, the final product, and the results to be achieved with a view to implementation of PARPA.

620. Indeed, the BdPES, the government's chief tool for Monitoring and Evaluation, is now a better reflection of the implementation of the PES, although it still needs to furnish more analytical information with respect to public policy implementation. As regards the qualitative monitoring portion, an approach directed toward complementarity with other kinds of monitoring has been defined, specifically, triangulation of quantitative and qualitative data.

2. Challenges facing Monitoring and Evaluation

621. The following challenges have been identified for the strategy, organization, and management of PARPA II Monitoring and Evaluation:

- (a) Improving the existing Monitoring and Evaluation tools (PES/BdPES) and implementing tools that are still missing (example: the Annual Impact Report – *Relatório de Avaliação de Impacto* - RAI);
- (b) Strengthening and clarifying efficient and effective linkages among levels and types of Monitoring and Evaluation, and between Monitoring and Evaluation and planning; strengthening the analytical ability to relate public policy causes and effects.
- (c) Aligning the decentralization process with participatory requirements surrounding the national and provincial Poverty Observatories and the new local participatory institutions created under the Local Agencies Law (*Lei das Órgãos Locais*);
- (d) Establishing an organizational structure for Monitoring and Evaluation that can ensure cooperation and an effective flow of information. And, in this context, it is crucial to improve intersectoral coordination so that high-quality disaggregated data can be generated the proper time frame for planning purposes;
- (e) Creating and developing skills centered on training programs that address all sectors and levels of planning and Monitoring and Evaluation; and
- (f) Making certain that the indicators selected for the Monitoring and Evaluation reflect the priorities of the government, expressed in national policies (the Government Program, PARPA, PES, and sectoral plans). Such policies must determine the indicators within the operational and strategic matrices, which must be used for the various Monitoring and Evaluation exercises (BdPES, PAF, MDGs).

3. Fundamental Principles of Monitoring and Evaluation

622. Five fundamental principles form the foundation for the Monitoring and Evaluation strategy for PARPA II :

- (a) Consistent and appropriate *integration* of the monitoring of PARPA into the existing mechanisms for monitoring government programs;
- (b) Differentiation between *results* indicators that evaluate the achievement of the specific defined objectives, on the one hand, and the *product* indicators that measure the degree of fulfillment of the activities conducted, on the other;
- (c) The combination of the *quantitative* and *qualitative* monitoring and their implications as to methods of collecting information and the institutional partnerships formed for the purpose;
- (d) Use of PARPA monitoring as a mechanism for continued review of the goals and programs, thereby maintaining the central strategic objectives; and
- (e) The *participatory* approach in the Monitoring and Evaluation process, especially as regards collection of data down to the base, the consensus as to the object to be monitored, and the analysis and dissemination of the results to the public.

4. Mechanisms and Instruments of Monitoring and Evaluation

623. This document presents two levels of matrices: (i) the “Strategic Matrix,” featuring a concise selection of key indicators for Monitoring and Evaluation of the government’s priorities and strategic objectives (presented in its entirety at the end of the document) and (ii) the Operational Matrices, which include the objectives, the results indicators, the product/execution indicators, actions, and goals. The Strategic Matrix is derived from the Operational Matrices and should be used in conjunction with them.

624. As a means of rationalizing the Monitoring and Evaluation system, the government is integrating the monitoring of PARPA into mechanisms already in effect, thereby avoiding duplication, or multiplication, of reports and preventing placing an excessive burden on the institutions involved. It is pursuing the objective of fully integrating PARPA II into the overall program of activities of the Executive Branch and the various sectors involved.

625. Just as in PARPA I, the monitoring strategy maintains the situation in which the activities and programs of the sectors within PARPA II are be reflected in the *Economic and Social Plan*, whose annual balance sheet (BdPES) constitutes the principal monitoring tool for all government activities. However, structural changes are being made in the preparation of the PES/BdPES in order to make the PES a more results-oriented planning instrument and, at the same time, to make the BdPES a more effective monitoring tool. In this regard, a “Performance Chart” has been created, structured as follows:

Table 20: Performance Chart

Pillar	
Area	
Sub-area	
Strategic Objective	
Impact Indicator	

Specific Objective	Results Indicator [source of verification]	Base 2005	Goal 2009	Accomplishments (Actions)	Responsible Entity	Product/Execution Indicator [source of verification]	Base 2005	Goal 2006	Goal 2007	Goal 2008	Goal 2009

626. This “Performance Chart” will be the basis for central and provincial planning, thus facilitating procedures in the prioritizing of activities and follow-up on the principal indicators. The indicators selected in the Strategic Matrix will become the basis for the new Performance Evaluation Framework (PAF) so as to focus attention on the strategic objectives and priorities of the government in the annual Monitoring and Evaluation.

627. The relationship between the Strategic Matrix and the PAF used by the Program Aid Partnerships (PAP) has not yet been finalized. However, it is anticipated that the PAF will be made up of a subgroup of the indicators in the Strategic Matrix. The PAF will continue to include no more than 50 key government indicators, arranged by pillar, and determined in discussions with the PAPs.

628. In this same context, the Monitoring and Evaluation strategy introduces a new typology of indicators—namely, *results* indicators and *product* (or execution) indicators. It is mandatory that all sectors systematically distinguish between *results* (outcome) indicators and *product* (output) indicators. These are the two principal Monitoring and Evaluation indicators of PARPA (Table 20).

629. Results indicators serve to assess the extent to which the objectives defined by the sectors were attained. Therefore, these indicators must be designed as a function of the objectives.

630. Product (or execution) indicators measure the degree of execution of the actions that were defined by the sectors as the means of achieving their respective sectoral objectives that were included in the Strategic Matrices.

631. In the context of the State Budget, the Monitoring and Evaluation of PARPA II retains the Report on Execution of the State Budget (*Relatório de Execução do Orçamento do Estado*)

with the same functions it assumed under PARPA I, i.e., the monitoring of the allocation of resources at both the budgetary programming and budgetary execution levels, with emphasis on the priorities established in PARPA and summed up in its Operational Matrix.

632. In the context of evaluation, PARPA II introduces a new approach, centered on triangulation of quantitative information (IAF, QUIBB [Questionnaire on Basic Indicators of Well-Being], and IDS [Demographic and Health Survey]) and information generated from qualitative studies (sociological and anthropological), analyses of poverty, and a new instrument: the Annual Impact Report – RAI.

633. It is proposed that one RAI be produced during the PARPA II cycle, preferably one year prior to the next revision of the PARPA, for submission to the national and provincial Poverty Observatories. The RAI should not only be the instrument for cross-checking all the sources and types of relevant information, but an analytical and explanatory document in terms of addressing the issue of attribution (relationships between causes and effects).

634. The RAI will be one of the key documents for orientation of future revisions of the PARPA and will make use of all available documents, such as information on the evolution of the indicators laid out in the MPD objectives, relevant evaluations and studies of poverty, including those prepared by institutions outside the MPD, provided they meet scientific standards of quality and/or were presented at a Poverty Observatory. Note: Production of the RAI must be adjusted to the existing capacities under the MPD.

5. Monitoring and Evaluation and Participation

635. Participation is essential for increasing the efficiency and effectiveness of public policies oriented toward poverty reduction and for fostering national “ownership” of the poverty reduction strategy by democratizing the decision-making process. The need for participation in planning and in Monitoring and Evaluation increases proportionately as one moves down the administrative-political hierarchy, since the problems arise at the local level where, therefore, the effectiveness of political intervention needs to be recognized and monitored jointly with the beneficiary population.

636. The participatory Monitoring and Evaluation in PARPA II is organized around the following principles: (i) mutual transparency; (ii) reciprocal accountability; and (iii) democratic dialog. The PARPA II (2006-2009) Communications Strategy must, therefore, ensure accessibility of the information in formats suited to the different target groups, so that these principles can be established.

637. All actors and authorities that make up the Monitoring and Evaluation system must respect and institutionalize these principles. The system is organized around the central and provincial Poverty Observatories and the Community Participation and Consultation Institutions that operate at the level of the districts, administrative posts, and localities.

638. The Poverty Observatory is a participatory forum that includes the government, civil society, and the cooperation partners. It is designed to monitor and evaluate the performance of the actions carried out by public and private entities in the war against poverty. Its prerogatives and responsibilities in terms of active participation by civil society and other partners in PARPA II Monitoring and Evaluation are defined in the respective terms of reference.

639. As for the district/local Participatory Institutions, their functions in the context of the PARPA II Monitoring and Evaluation and public policies are defined by the local government agencies law.

6. The Position of Monitoring and Evaluation in the Institutional Framework and its Responsibilities

640. At the central level, the Monitoring and Evaluation activities will be taken over by different directorates in the MPD, namely the National Directorate of Planning (*Direcção Nacional de Planificação*) and the Directorate of Policy Studies and Analysis (*Direcção de Estudos e Análises de Políticas*), in coordination with the National Statistics Institute (INE), particularly in the conduct of quantitative surveys such as the IAF and QUIBB (Table 21).

641. The Technical Secretariat of the Poverty Observatory will be positioned around these two MPD directorates. We emphasize here the need to set up an effective internal communications and cooperation network among all authorities and actors that have different responsibilities for the Monitoring and Evaluation of PARPA.

642. Satisfactory operational performance of the PARPA II Monitoring and Evaluation system also depends on the existence of a network for communications and cooperation with the different actors, namely the national directorates and sectoral provincial directorates--including, first of all, the Provincial Directorates of Planning and Finance--as well as with other partners. Civil society in general can play an important role by encouraging debate on public policies, based on the Monitoring and Evaluation results presented at the central and provincial Poverty Observatories.

643. At the provincial level, the Provincial Directorates of Planning and Finance continue to play their key roles in terms of relations with the sectors and civil society. In each DPPF a Technical Secretariat of the Poverty Observatory (STOP) will be created to handle liaison with the partners. They will work with the Poverty Observatories, as well as local participatory institutions. In coordination with the sectors and partners, the STOPS will be responsible for determining the need for impact studies, which it must appropriately accommodate.

644. At the district level, management of the Monitoring and Evaluation system is the responsibility of the local government, working with the Community Participation and Consultation Institutions, in which the quality, utility, sustainability, and accessibility of the goods and services produced under the programs enrolled in PARPA II will be monitored and evaluated.

645. Communications networks are vital to the success of Monitoring and Evaluation. These will also be addressed by the PARPA II (2006-2009) Communications Strategy, so as to maximize the flows of information among the different parties involved and within the government itself.

Table 21: Products of Monitoring and Evaluation; Distribution of Responsibilities; Frequency

Monitoring Products	Responsible Institutions	Submission of Products	Frequency
National PES balance sheet	MPD Sectors/Ministries and Directorates/Provincial Governments for supply of inputs	MPD/MF Economic Council Council of Ministers Assembly of the Republic National Poverty Observatory	Annual
Provincial PES balance sheet	Directorates/Provincial Governments, coordinated by the DPPF	MPD/MF Provincial Poverty Observatory	Annual
Reports on Execution of the State Budget	MF/MPD DAF of the Sectors/Ministries DPPF	MPD/MF Economic Council Council of Ministers Assembly of the Republic Central Poverty Observatory	Annual
Evaluation Products	Responsible Institutions	Submission of Products	Frequency
Impact Evaluation Report (RAI)	MPD	National and Provincial Poverty Observatories	1 year prior to PARPA revision
<ul style="list-style-type: none"> • Survey of Family Units (IAF) • Questionnaire on Basic Indicators of Well-Being (QUIBB) • Demographic & Health Survey 	INE/MPD/MISAU	INE/MPD National Poverty Observatory	Frequency and subject matter will vary in the case of the QUIBB (every 2 years) IAF/IDS (every 5 years)

Bibliography

[two pages, not translated]

Annex 1: Summary of the Provincial Poverty Observatories

As part of the preparation of PARPA II, provincial Poverty Observatories were held. These are consultation fora in which representatives of provincial government, organizations from civil society, and the cooperation partners participate. Following is a summary of the principal intentions submitted by the provinces and are considered as crucial to poverty reduction. They are arranged according to the three strategic pillars: Governance, Human Capital, and Economic Development, as well as in line with the cross-cutting topics.

In the Area of Governance

- Improve the quality of public services;
- Reduce bureaucracy and increase transparency in public management;
- Invest in the priority infrastructures for the administrative posts;
- Provide incentives to persuade qualified staff to migrate to the districts;
- Consolidate planning at the district level, and make the district consultative councils operational;
- Ensure that the different sensitivities of the provinces are included in the monitoring of PARPA II;
- Facilitate procedures that enable local communities to acquire their own legal status (*personalidade jurídica*) so that they can enjoy the benefits of exploitation of natural resources;
- Ensure that the Civil Registry services will function correctly so that all citizens may benefit from the facilities that registration and an Identity Document afford the bearer;
- Define the indicators pertaining to return of responsibilities and transfer of assigned duties and specific areas of authority to the local agencies of the State;
- Publicize legislation (laws and regulations) so that rural communities become aware of them and are forewarned about conflicts and violations, particularly the Forestry and Wildlife Law, and the Lands Law; and
- Establish mechanisms for consultation so that actions and decisions by the local agencies of the State and by other institutions do not conflict with the established legal framework.

In the Area of Human Capital

- Expand the health care services network, accompanied by investments in infrastructures, especially for rural areas;
- Promote the training and recycling of health care technical personnel
- Organize roving medical teams to provide periodic assistance to rural communities that are far from health centers that are staffed with physicians;
- Achieve better coordination of actions between the various thematic interventions, such as HIV/AIDS, malaria, and others of interest to the general public;
- Expand the school system to areas in the interior of the districts;
- Improve access, and quality, of basic education and technical vocational education, while observing gender equilibrium;
- Expand vocational training to all district seats, oriented toward specific employment and self-employment opportunities;
- Provide incentives so that outstanding female teachers are assigned to rural areas, in order to encourage girls to stay in school;
- Expand the water supply infrastructure in the districts, using sustainable and durable, yet low-cost, water supply systems, with emphasis on dams;
- Improve management of the sources of the water supply (training and oversight) and create additional management committees, where none exist; and
- Set up factories at the district level to produce improved latrines, thus improving sanitation.

In the Area of Economic Development

- Increase the availability of agricultural credit, and help small and medium-scale farmers and investors in agroindustry;
- Create rural credit institutions in order to develop the concept of micro-finance and encourage savings, as a means of energizing the rural economy;
- Reactivate paralyzed agroindustry facilities (processing plants) as a means of creating jobs and wealth; supply them from local production of raw materials;

- Reactivate the network of rural commerce so that rural residents can access goods and services, and to facilitate the distribution of production;
- Promote tourism in rural areas, based on natural resources and local cultures. Take advantage of the potential offered by the parks (synergetic tourism) and beaches, because of tourism's impact on job creation;
- Disseminate information on agricultural markets at the provincial level;
- Build small irrigation systems and dams in order to boost farm production and help conserve water for periods of drought;
- Expand the role of agricultural marketing, focusing specifically on the establishment of agricultural fairs, thereby eliminating transportation costs that cut into the income of rural workers; fairs will also help market farm surpluses;
- Foster strategic crops that are drought-resistant, as a means of ensuring food security;
- Expand the geographical coverage of the transportation and communications network, focusing particularly on productive areas;
- Build and rehabilitate roads in order to ensure that people and goods can travel, with particular emphasis on roads leading to areas of potential agricultural development; and
- Electrify rural areas, giving priority to the administrative posts and the expansion of the fuels supply network to rural communities.

In the Area of Cross-Cutting Topics

- Carry out disaster-mitigation activities (re floods and droughts); Broadcast advance warnings and disaster prevention notices;
- Prioritize not only the prevention of HIV/AIDS, but also the treatment of infected persons, thus ensuring treatment with anti-retrovirals;
- Prioritize the dissemination of methods to prevent HIV/AIDS, using the local languages of the communities;
- Assist the elderly, in their roles as caretaker of children orphaned by HIV/AIDS for whom they are often responsible after the deaths of the parents;
- Encourage the vocational training of children who are in difficult situations, instructing them in carpentry, metal work, and construction;

- Award micro-credit to widows for income-generating projects in the districts;
- Carry out actions to build the skills of institutions and communities with respect to the design and implementation of programs to support vulnerable groups;
- Publicize technologies for low-cost production of energy as a means of reducing the intensive use of forests, and curbing deforestation; and
- Promote protection of the environment by the same people who exploit it and by local communities; in other words, prioritize sustainable environmental management by creating mechanisms for environmental inspection.

Annex 2: Linkages Between the PARPA II Pillars and the Millennium Development Goals (MDG)

Pillars/Topics of PARPA II	MILLENNIUM DEVELOPMENT GOALS
<p>Macroeconomics and Poverty</p> <ul style="list-style-type: none"> • Macro-economic growth and stability • Analysis of poverty, and monitoring systems • Management of public finance 	<p>Goal 1: Eradicate extreme poverty and hunger <i>Goal 1: cut in half the percentage of people living in absolute poverty, by 2015</i> <i>Goal 2: cut in half the percentage of people who suffer from hunger, by 2015</i></p>
<p>Governance</p> <ul style="list-style-type: none"> • Public sector reform • Decentralization • Reform of the legal and justice systems 	<p>Goal 8: Develop a global partnership for development <i>Goal 12: continue to develop an open, multilateral commercial and financial system based on rules, that is predictable and non-discriminatory, including a commitment to good governance, to development, and to the reduction of poverty at both national and international levels.</i></p>
<p>Economic Development</p> <ul style="list-style-type: none"> • The financial sector • The private sector • Agriculture and rural development • Infrastructures: roads, telecommunications, ports, and railways • Infrastructures: energy 	<p>Goal 1: Eradicate extreme poverty and hunger <i>Goal 1: cut in half the percentage of people living in absolute poverty, by 2015</i> <i>Goal 2: cut in half the percentage of people who suffer from hunger, by 2015</i></p> <p>Goal 8: Develop a global partnership for development <i>Goal 16: in cooperation with the developing countries, formulate and implement strategies that provide young people with dignified and productive employment.</i> <i>Goal 18: in cooperation with the private sector, make the benefits of new technologies accessible, particularly information and communications technology</i></p>
<p>Human Capital</p> <ul style="list-style-type: none"> • Health • Education • Water and sanitation 	<p>Goal 2: Achieve universal primary education <i>Goal 3: by 2015, ensure that all boys and girls complete the full cycle of primary education</i></p> <p>Goal 4: Reduce child mortality <i>Goal 5: reduce by two-thirds the mortality rate among children under age five, by 2015</i></p> <p>Goal 5: Improve maternal health <i>Goal 6: reduce the ratio of maternal mortality by three-fourths, by 2015</i></p> <p>Goal 6: Combat HIV/AIDS, malaria, and other diseases <i>Goal 8: By 2015, have halted and begun the reversal of the incidence of malaria and other serious diseases.</i></p>

<p>Cross-Cutting Topics</p> <ul style="list-style-type: none">• HIV/AIDS• Gender• The environment• Science and technology• Food and nutritional security• Reduction in the impact of natural disasters• De-mining• Rural development	<p>Goal 3: Promote gender equality and empower women <i>Goal 4: eliminate the gender disparity in primary and secondary education, preferably by 2005 [sic], and at all levels of instruction no later than 2015</i></p> <p>Goal 6: Combat HIV/AIDS, malaria, and other diseases <i>Goal 7: By 2015, have halted and begun the reversal of the spread of HIV/AIDS</i></p> <p>Goal 7: Ensure environmental sustainability <i>Goal 9: integrate the principles of sustainable development into the nation's policies and programs, and reverse the loss of environmental resources</i> <i>Goal 10: cut in half, by 2015, the percentage of people who lack access to potable water and to sanitation</i> <i>Goal 11: by 2020, have achieved a significant improvement in the standard of living of the residents of deteriorated neighborhoods.</i></p>
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Source: Government of the Republic of Mozambique, and UNDP. 2005.

Annex 3: Strategic Indicators Matrix

