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FOREWORD

Last November, Mr Darius Mans, the Country Director for Angola, Malawi and Mozambique, invited me to express a word on a forthcoming edition of the new brochure "The World Bank in Mozambique", published by the World Bank Country Office in Mozambique. From the beginning, in the mid-eighties, I have been following the involvement and action of the World Bank in this Country. Hence I agreed with the suggestion, intending to state short and simply that I have witnessed a relevant intervention of the World Bank Group in Mozambique over the last 17 years.

However, looking at the set of issues covered by this second edition of the brochure, I realised that justice has to be made, I have to go further. The brochure makes evidence of an additional key element. It becomes noticeable that, the current World Bank action in Mozambique is systematically aligned with the set of priority areas selected domestically. So, there is a relevant and demand-driven intervention. Actually, the brochure shows that the World Bank is providing assistance in education (including higher education), health, infrastructure development (including roads and transport, energy and water), agriculture and rural development, good governance (implying Public Sector Reform, including deconcentration and decentralisation), macroeconomic management, private sector development and environment. These areas of action are consistent with (and explicitly identified in the) Government strategy for poverty reduction and promotion of economic growth (PARPA).

So, we have to recognise that the World Bank assistance to Mozambique has improved substantially, in a context where there is a strengthening and expansion of the needed domestic ownership of public policies in the country. This positive evolution increases Government responsibilities for a permanent improvement of its planning abilities as well as for higher effectiveness and efficiency in the implementation of adopted programmes and resource utilisation.

Finally, I have to congratulate the Mozambique Country Team for its contribution on the above mentioned successful achievements as well as for the excellent present edition of the brochure "The World Bank in Mozambique".

Luisa Dias Diogo
Minister of Planning and Finance

December, 2002
It is with great pleasure that the World Bank Country Office in Mozambique publishes its second edition of the brochure, “The World Bank in Mozambique.” We hope that this brochure will provide you with an understanding of the World Bank Group in general and in particular, what we are doing in Mozambique.

As we enter the new millennium, the Government, through its Poverty Reduction Strategy Paper (PARPA), continues working to fight poverty and improve living standards by focusing on delivery of social services and promoting sustainable growth and investment. Achieving a country free of poverty is an enormous and complex undertaking. The solutions are far from simple and the challenges are multidimensional; they call for people, groups and institutions to come together to play a wide range of roles in a collective effort. It is a time to act: with urgency and with responsibility; it is only with strong coalitions –local, national, regional and global—that we will succeed in fighting poverty.

The World Bank Group will continue to actively support the implementation of the Government of Mozambique’s development program as outlined in the Poverty Reduction Strategy Paper (PARPA) through a specific program set out in the Country Assistance Strategy. A key feature of the Country Assistance Strategy will continue to be the development of partnerships, not only with the Government, its major client, but also with donors, NGOs and civil society.

Darius Mans
Country Director
Angola, Malawi and Mozambique
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List of Abbreviations

A  ANE National Agency for Roads
    APL Adaptable Program Lending
B  BoM Mozambique Central Bank
C  CAS Country Assistance Strategy
    CFM Mozambique Railways
    CPPR Country Portfolio Performance Review
    CIDA Canadian International Development Agency
D  DNA National Directorate of Water
    DNAC National Directorate of Conservation Areas
    DNEP National Directorate of Roads and Bridges
    DNFFB National Directorate for Forestry and Fauna
    DNGA National Directorate for Environmental Management
    DNPO National Directorate for Planning and Budgeting
E  EMPSO Economic Management and Private Sector Operation
    ENH National Agency for Hydrocarbon
    ESSP Education Sector Strategy Program
    ESRP Economic and Social Rehabilitation Program
F  FRP Feeder Roads Program
G  GDP Gross Domestic Product
    GEF Global Environmental Facility
    GNP Gross National Product
    GoM Government of Mozambique
    GTRAP Technical Unit for the Public Administrative Reform
H  HIPC Heavily Indebted Poor Countries
I  IBRD International Bank for Reconstruction and Development
    ICSID International Center for Settlement of Investment Disputes
    IDA International Development Association
    IDF Institutional Development Fund
    IFC International Finance Corporation
    IMF International Monetary Fund
L  LAM Mozambique Airways
M  MAE Ministry of State Administration
    MADER Ministry of Agriculture and Rural Development
    MICOA Ministry for the Coordination of Environmental Affairs
<table>
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<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>MICT</td>
<td>Ministry of Commerce and Trade</td>
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<tr>
<td>MIGA</td>
<td>Multilateral Investment Guarantee Association</td>
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<tr>
<td>MINED</td>
<td>Ministry of Education</td>
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<tr>
<td>MIREME</td>
<td>Mineral Resources and Energy</td>
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<tr>
<td>MITUR</td>
<td>Ministry of Tourism</td>
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<td>MoH</td>
<td>Ministry of Health</td>
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<td>MoPF</td>
<td>Ministry of Planning and Finance</td>
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<td>MoPH</td>
<td>Ministry of Construction and Public Works</td>
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<td>MTC</td>
<td>Ministry of Transport and Communications</td>
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<td>NES</td>
<td>National Educational Strategy</td>
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<td>NGO</td>
<td>Non Governmental Organizations</td>
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<td>NDF</td>
<td>Nordic Development Fund</td>
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<td>NHS</td>
<td>National Health Services</td>
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<td>PARPA</td>
<td>Poverty Reduction Strategy Paper</td>
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<td>PEE</td>
<td>Strategic Plan for Education</td>
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<td>PER</td>
<td>Public Expenditure Review</td>
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<td>PFP</td>
<td>Policy Framework Paper</td>
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<td>PODE</td>
<td>Private Enterprise Development Project</td>
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<td>PRSC</td>
<td>Poverty Reduction Strategy Credit</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<td>PROAGRI</td>
<td>Agriculture Sector Public Expenditure Program</td>
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<tr>
<td>ROCS</td>
<td>Roads and Coastal Shipping</td>
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<td>RBMMP</td>
<td>Roads and Bridges Management &amp; Maintenance Project</td>
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<td>RWSS</td>
<td>Rural Water Supply and Sanitation</td>
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<tr>
<td>SCR</td>
<td>Career and Remuneration System</td>
</tr>
<tr>
<td>SEMF</td>
<td>Strategic Environmental Management Framework</td>
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<tr>
<td>SGRH</td>
<td>Human Resource Management System</td>
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<tr>
<td>SIP</td>
<td>Personnel Information System</td>
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<td>SWAP</td>
<td>Sector Wide Approach</td>
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<td>SDC</td>
<td>Swiss Development Cooperation</td>
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<td>SIDA</td>
<td>Swedish International Development Authority</td>
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<td>TDM</td>
<td>Mozambique Télécommunications</td>
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<tr>
<td>TFCA</td>
<td>Transfrontier Conservation Areas</td>
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<tr>
<td>UEM</td>
<td>Eduardo Mondlane University</td>
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<td>UTRESP</td>
<td>Technical Unit for the Reform of the Public Sector</td>
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The World Bank, founded in 1944, at the Bretton Woods Conference, is a development institution whose mission is to fight poverty and improve living standards for people in the developing world. It provides loans, policy advice, technical assistance and knowledge-sharing services.

The expression “World Bank” comprises both the International Bank for Reconstruction and Development and its affiliate, the International Development Association, which are owned by member countries that carry ultimate decision making power.

The World Bank Group includes the following institutions:

**The International Bank for Reconstruction and Development (IBRD),** established in 1945, is the largest of the affiliated institutions. The IBRD is a financial cooperative owned by the Governments of 183 countries that have subscribed to its capital. It provides loans and development assistance to middle-income countries and creditworthy poorer countries. IBRD obtains most of its funds through the sale of bonds in the international financial markets and lends to its member countries at market-based interest rates. Cumulative lending to date is more than US$360 billion.

**The International Development Association (IDA),** established in 1960, is the Bank’s concessional lending arm and provides key support for the Bank’s poverty reduction mission. IDA assistance is focused on the poorest countries, to which it provides very low-interest loans and other services. In fiscal 2001, 78 countries were IDA-eligible.

**The International Finance Corporation (IFC),** established in 1965, promotes economic growth in developing countries by financing private sector investments with loans and equity finance, mobilizing capital in the international financial markets and providing technical assistance and advice to governments and private enterprises. IFC also fosters the building of efficient capital and financial markets. Although IFC’s operations complement, and are often coordinated with other World Bank institutions, IFC is legally and financially independent, with its own Articles of Agreement, share capital and staff. Today, with more than 175 member countries, US$26 billion in assets and US$2.4 billion in capital stock, IFC is the largest multilateral source of financing for private sector projects in the developing world. About 16 percent of its portfolio is invested in Sub-Saharan Africa.

**The Multilateral Investment Guarantee Agency (MIGA),** established in 1988, has a dual mandate. It encourages foreign investment in developing countries by providing political risk insurance against the risks of currency transfer, expropriation, and war and civil disturbances, and by extending investment marketing services to promote private investment opportunities. MIGA membership comprises 154 members with cumulative guarantees issued at approximately US$9.1 billion.

**The International Center for Settlement of Investment Disputes (ICSID),** was established in 1966 to help encourage foreign investment by providing international facilities for conciliation and arbitration of investment disputes. ICSID also has research and publishing activities in the areas of arbitration law and foreign investment law.
The Relationship between the World Bank and Mozambique

Mozambique first entered into discussions with the World Bank and IMF in 1984. The World Bank has sought to actively support the Government’s economic recovery efforts since 1986. IDA lending over the past decade included a judicious blend of adjustment support and investment support. In addition, IDA has provided technical expertise on a variety of development topics, from poverty reduction and safety nets, to private sector development, environmental protection and macroeconomic management.

To date, there have been seven adjustment credits and 37 investment credits totaling approximately US$2.4 billion (see Table 1). In the last 12 years, a total of US$1.6 billion has been disensed, about US$150 million every year. Presently (as of November 2002), Mozambique’s portfolio of IDA credits comprises 15 active investment credits, four projects under preparation and one adjustment operation. The total IDA commitment is US$ 1071.65 million (see Table 2), of which US$660.83 million (about 62% of the total portfolio) is available for disbursement.

The four projects that are under preparation are: (i) Public Sector Reform (ii) Multi-sectoral Aids Program for Mozambique (iii) Energy Reform Project and (iv) Decentralized Planning and Finance.

### Disbursements on World Bank Loans
(1990-November 2002)
(US$ millions)

<table>
<thead>
<tr>
<th>Year-end</th>
<th>Investment</th>
<th>Adjustment</th>
<th>Total</th>
<th>Cumulative total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>11.0</td>
<td>34.7</td>
<td>45.7</td>
<td>45.7</td>
</tr>
<tr>
<td>1991</td>
<td>28.5</td>
<td>60.0</td>
<td>88.5</td>
<td>134.2</td>
</tr>
<tr>
<td>1992</td>
<td>33.1</td>
<td>3.2</td>
<td>36.3</td>
<td>170.5</td>
</tr>
<tr>
<td>1993</td>
<td>46.7</td>
<td>81.9</td>
<td>128.6</td>
<td>299.1</td>
</tr>
<tr>
<td>1994</td>
<td>44.4</td>
<td>63.1</td>
<td>107.5</td>
<td>406.6</td>
</tr>
<tr>
<td>1995</td>
<td>91.2</td>
<td>105.8</td>
<td>197</td>
<td>603.6</td>
</tr>
<tr>
<td>1996</td>
<td>104.6</td>
<td>46.7</td>
<td>151.3</td>
<td>754.9</td>
</tr>
<tr>
<td>1997</td>
<td>114.6</td>
<td>148.1</td>
<td>262.7</td>
<td>1,017.6</td>
</tr>
<tr>
<td>1998</td>
<td>85.1</td>
<td>46.5</td>
<td>131.6</td>
<td>1,149.2</td>
</tr>
<tr>
<td>1999</td>
<td>79.5</td>
<td>120.0</td>
<td>229.5</td>
<td>1,378.7</td>
</tr>
<tr>
<td>2000</td>
<td>97.5</td>
<td>-</td>
<td>97.5</td>
<td>1,476.2</td>
</tr>
<tr>
<td>2001</td>
<td>89.6</td>
<td>-</td>
<td>89.0</td>
<td>1,565.8</td>
</tr>
<tr>
<td>2002</td>
<td>55.74</td>
<td>63.5</td>
<td>119.24</td>
<td>1,685.05</td>
</tr>
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</table>

The relative share of the major sector in the portfolio has not changed significantly since 1997. The transport sector continues to account for the largest share (38%), followed by education (16%), water and urban (14%) health (13%) and agriculture (4%), as represented on the diagram below. There was a shift of World Bank lending from Agriculture to Water & Urban.
In addition to working with the traditional donor institutions and Government, the World Bank recognizes the important role that Non Governmental Organizations (NGOs) play as advocates for policy change and institutional reforms, as well as meeting development challenges. They often operate in close contact with the poor in remote areas and are in the best position to help identify the most pressing concerns and needs and recommend solutions. As part of the World Bank commitment to forge a more participatory development strategy, it liaises with NGOs to increase the consultative process with civil society, particularly in areas of economic development, poverty alleviation, gender issues and the environment. Working together with the Bank, NGOs have helped introduce participatory approaches, strengthened transparency and accountability at the grass roots level, improved efficiency of service delivery, ensured better targeting of projects to the poor and piloted innovations.
The Country Assistance Strategy (CAS) is the central vehicle for World Bank assistance to IDA and IBRD borrowers. The CAS document (a) describes the Bank Group's strategy based on an assessment of priorities in the country, and (b) indicates the level and composition of assistance to be provided based on the strategy and the country's portfolio performance, prepared with the government in a participatory way. Its key elements are discussed with the Government; civil society and other donors, although it is not a negotiated document.

The CAS document focuses on the most critical development issues in the country, as identified in discussions during earlier country economic and sector work, the Country Portfolio Performance Reviews (CPPRs), as well as Government’s Poverty Reduction Strategy Paper (PARPA). It then delineates the Bank's selected course of action. The document is not designed to be a comprehensive treatment of all the development problems facing the country.

The latest CAS was prepared in February 2000. It supports the Government’s program for poverty reduction through sustainable economic growth. Poverty-reducing growth in Mozambique involves a shift of resources and opportunities towards rural areas where the poorest live. The Government’s development strategy and its emerging PARPA are founded on efforts to:

⇒ **Increase economic opportunities** by generating poverty-reducing and employment-creating growth through the private sector;  

⇒ **Improve human capabilities**, particularly through the development of social services;  

⇒ **Improve governance and empowerment**, through a more effective public sector, improved rule of law, and greater transparency and accountability; and  

⇒ **Improve the security and protect the rights** of Mozambicans.

The Bank Group supports the overall development objective and strategy of the Government, and will assist in further developing, implementing and monitoring progress in its PARPA. The CAS will support the first three pillars listed above, but not the fourth, because other partners have a strong presence and comparative advantage in this area and because the Government prefers, and is able, to finance such activities on a grant basis. Most new operations under the CAS will focus on increasing economic opportunities which are likely to have the maximum impact in reducing poverty in Mozambique. Other IDA support is directed to improving governance, as limited administrative capacity and effectiveness is currently a key constraint to development. This CAS will also continue to assist in improving human capabilities, although in recognition of substantial donor presence and grant funding in these areas, new Bank lending will be relatively limited.
Macroeconomic and Adjustment Operations

Macroeconomic progress

Since the late 1980s, the World Bank and the IMF have been actively supporting GoM’s macroeconomic program through a series of macroeconomic programs. They are aimed at maintaining macroeconomic stability and promoting sustainable economic growth. Under these programs the Government pursues reforms in macroeconomic policy (e.g. control of inflation), expenditures (e.g. improving legislation, improving reporting and transparency), taxation (promoting equity in taxation and reducing Mozambique's dependency on aid), trade (e.g. reducing the barriers to trade), as well as structural reforms (e.g. liberalization of telecommunications). These programs provide direct budget support.

Adjustment Operations

The World Bank has been actively supporting GoM’s macroeconomic program through a series of structural adjustment operations. Since 1985, IDA has approved six structural adjustment operations, totaling approximately US$685 million.

The Economic Management and Private Sector Operation (EMPSO) was negotiated in 2002. The primary objective of the EMPSO is to support the Government's program to consolidate macroeconomic stability and to lay the foundations for sustained private sector-led growth over the medium term, as these are preconditions for the continued reduction of poverty. The program includes measures to: (a) extend budget coverage to include fees charged by sector ministries and donor development funding; (b) initiate a public expenditure review; (c) resolve the financial difficulties of two of the banks, strengthen licensing and supervision in the financial sector, and dilute government ownership in the financial sector; (d) liberalize telecommunications by revising the legislation and issuing new cellular licenses; (e) initiate the privatization of the incumbent telecommunications firm; (f) liberalize air transport; and (g) make progress with the privatization of the petroleum company PETROMOC.

Following EMPSO a new quick-disbursing lending instrument called the Poverty Reduction Strategy Credits (PRSCs) will be introduced. The aim of the PRSCs will be to support a medium-term program drawn from the Government’s PRSP (Poverty Reduction Strategy Paper).

The PRSC will be aligned with the Government’s annual budget and policy cycle. It has an increased focus on sectoral policy and on outcomes rather than disbursement and procurement procedures. It provides a closer link between the overall growth and poverty reduction strategy and the respective sectoral strategies and policies.

The prerequisites for a PRSC are correspondingly more demanding than the traditional adjustment. There will be a need for improved transparency and budget comprehensiveness, through upgraded accounting and auditing of Government expenditures. Improvements may also be called for in the Government’s procurement policies. To this end, the joint work of the Government and the World Bank on the Public Expenditure Review resulted in an action plan for expenditure reform. In addition, a Country Financial Accountability Assessment has been completed and a Country Procurement Review is being finalized.
**Poverty Reduction Strategy Paper (PARPA)**

The consultative process, which is the foundation to the PRSP, is not new to Mozambique. Mozambique had already initiated a systematic process to develop a strategy for reducing poverty. The PARPA, *(Action Plan for the Reduction of Absolute Poverty 2001-2005)*, develops the strategic vision for reducing poverty, the main objectives, and the key actions to be pursued, all of which will guide the preparation of the State’s medium-term and annual budgets, programs, and policies.

The central objective of the Government is a substantial reduction in the levels of absolute poverty in Mozambique. The overall objective of PARPA is to reduce poverty by 30% in 13 years, from 70% in 1997 to below 60% in 2005 and 50% by 2010. The strategy emphasizes economic growth, public sector investment in human capital and productive infrastructure; and institutional reform to improve the enabling environment for private sector investment.

To implement this strategy, the document identifies six priority areas: education, health, agriculture and rural development, basic infrastructure, good governance and sound macroeconomic management. Government sees PARPA as a rolling and dynamic medium-term programming instrument which permits the incorporation of new developments through improved consultations and effective monitoring and review.

**Public Expenditure Review (PER)**

*Status: First phase complete, second phase under way*

In 2000 the GoM and the World Bank started working collaboratively on a process of review of public expenditures. The first phase of the work, led by *Direcção Nacional do Plano e Orçamento* (DNPO), focused on the workings of the expenditure system, covering budgeting, execution, accounting and auditing.

Two principle outcomes of the review were:

- the publication of quarterly expenditure reports will henceforth also include donor-funded expenditures; and
- to improve transparency and accountability a new Financial Management Law was passed in 2001.

The second phase of the PER, starting in 2002, will review the efficiency of the use of public expenditures in specific sectors.

**Macroeconomic Impact of HIV/AIDS**

*Status: Completed*

As in other countries in the southern Africa region, a human development catastrophe is unfolding in Mozambique. HIV prevalence rates among the adult population in 2000 were around 12%. Life expectancy is expected to decline to about 36 years by 2010 as opposed to a projected 50 years in the absence of the pandemic.

The PARPA stresses that the HIV/AIDS pandemic is a “risk factor for economic growth” and “constitutes an enormous challenge to an already overburdened health system”.

The study of the macro effects of HIV/AIDS quantifies impacts on key macroeconomic variables and identifies the major channels through which these impacts occur, and on this basis provides policy alternatives. The study provides a basis for Government to make more accurate projections of growth rates and to construct scenarios with intervention costs linked to likely macroeconomic outcomes.
Public Sector Management

The Bank is supporting the Government’s preparation of a strategy to reform the public service. The Government has established the Grupo Técnico de Reforma da Administração Pública (GTRAP) to draft this public sector strategy which was been adopted by the Council of Ministers. The strategy covers issues such as further pay reform to provide incentives for technical and professional staff in the public service, improved accountability and transparency, and further decentralization in the provision of services. It will introduce a result-oriented public service, linking policy formulation to the Medium-Term Expenditure Framework, improving policy implementation and monitoring, and improving financial management to make budgetary flows more predictable and accountable. It is anticipated that the GoM will provide the basis for the preparation of a multi-donor public service reform program. The following projects are currently addressing some of the public sector issues.

* * * *

Decentralized Planning and Finance Project - Lance Morrell

Status: Under preparation
Board date: March 2003

The project’s main goal is to improve the provision of public services and infrastructure in rural areas and livelihoods of rural communities by establishing a decentralized, multi-sectoral, and participatory financing mechanism implemented by Provincial and District administrations, together with civil society and communities. The project represents the first stage of a long-term program aiming at further developing and extending a decentralized system for planning and managing public investments through community participation in a wide number of Districts in four Provinces in the central region. The project will also assist the Ministries of Planning and Finance and State Administration to develop national laws, regulations, guidelines and procedures for decentralized planning, financing, and management of development programs at the District and Provincial levels. The project will implement a grant system (District Development Grants), linked to the fiscal management system, to finance small-scale public investments in rural areas, and it will establish new systems and capacities of Provincial, District, and community authorities for works contracting and supervision and operation and maintenance of rural infrastructure, including non-classified roads. The project will be implemented by the Ministry of Planning and Finance. (US$30.0 million)

* * * *

Municipal Development Project - Lance Morrell

Status: Under Implementation
Closing Date: June 30, 2005

The project will: (a) assist the Government of Mozambique in operationalizing the legal, institutional, and fiscal framework for municipal governance; (b) create an institutional framework for training of elected and appointed municipal officials and municipal employees and begin the training of officials and staff of all the municipalities in basic administrative and technical subjects; (c) pilot test a Municipal Grants mechanism to finance investments by the municipalities, with a view to laying a foundation for a mechanism which would eventually become a part of the
intergovernmental fiscal system; and (d) implement, through the Municipal Grants, capital investments which would have tangible economic and social benefits while also providing an opportunity for the municipalities to improve their technical and financial capacities. The project will have four components: Legal and Institutional Reform, Municipal Capacity Building, Municipal Grants, and Project Management and Technical Assistance. The first and second components will cover all 33 municipalities while the Municipal Grants will be a pilot program in five municipalities: Maputo, Beira, Nampula, Quelimane, and Pemba. 

(US$33.6 million)

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**Public Sector Reform Project** – Harry Garnett

*Status: Under preparation
Board Date: January, 03*

The Bank is supporting the implementation of the Government's Public Sector Reform Strategy, which was launched on June 25, 2001. The Bank's support includes building the capacity of the Government's Technical Unit for the Reform of the Public Sector (UTRESP) which has been charged with the preparation of the Strategy and the coordination of its implementation. The Strategy will help the Government to achieve the goals of PARPA through improving the delivery of basic public services such as health and education, especially to the poor. The Bank and a number of donors are preparing a ten-year capacity building program that will fund the restructuring and decentralization of service delivery, the professionalization of public service, the introduction of a pay policy that will improve incentives, the establishment of an accounting profession, streamlining public procurement and implementing a strategy to reduce corruption. The Bank's funding will assist in the implementation of the Government's "Quick Wins" program that will bring about immediate improvements in public services to citizens and businesses.
Mozambique has successfully undertaken a highly ambitious program of so-called “first-generation” economic reforms. Though growth stimuli remain strong, Mozambique’s difficult historical legacy is evident both in the unpropitious structure of its domestic private sector -- fragmentation, small size, and inward-orientation -- and in continuing micro-level obstacles to doing business. This raises the risk that, once the momentum of recovery slows, continuing economic growth will be dependent on a small number of giant mega-projects initiated by foreign investors.

In order both to sustain rapid economic growth, and to broaden the base of private sector participation, the Government is committed to a so-called “second generation” program of reforms to address a wide variety of continuing weaknesses in its business environment. These include: (a) further simplification of the regulatory environment; (b) increased investment in infrastructure (achieved in part by increasing the role of the private sector in the provision of infrastructure services); (c) continued efforts to promote and facilitate foreign, as well as domestic investment into Mozambique; and (d) continued efforts to enhance access, in market-friendly ways, to finance, technical and training services by Mozambican firms.

One of the strategic priorities defined in the CAS was the promotion of rapid, broad-based private-sector led growth. This would be achieved through projects which provide support to: (i) high potential growth sectors; (ii) increasing Mozambican participation in the private sector; (iii) creating a “business-friendly” environment; and (iv) institutional and capacity building efforts.

**Private Enterprise Development Project (PODE) – Gilberto de Barros**

*Status: Under Implementation
Closing Date: June 30, 2005*

The project will help broaden the base of private participation in Mozambican economic growth. This would be achieved by: (a) boosting the competitiveness of Mozambican private firms by strengthening their access to, and use of, support services external to the firm; (b) providing a more efficient market for training and capacity building services and establishing forward and backward linkages to existing and new local and foreign buyers and investors; (c) enhancing access to term finance by both first-time and other borrowers; and (d) helping to strengthen the capabilities of key agencies. Three components aim at reducing constraints to enterprises’ and institutions’ development and include: (i) the Technical Learning in Firms Program to assist private Mozambican firms to build their technical capabilities through the utilization of matching grants; (ii) a Financing Facility to provide medium term financing for investment assets for private sub-borrowers in the industrial, agro-processing, tourism, transportation, construction and services sectors; and (iii) an Institutional Capacity Building Program to enhance the capabilities of private and public institutions to deliver business support services. *(US$26.0 million)*

* * *
Mineral Resources Management Capacity Building Project – Paulo de Sa

Status: Under Implementation
Closing date: June 30, 2006

The project will provide technical assistance to the Government of Mozambique (GoM) for: (i) institutional development and regulatory reform designed to encourage the expansion of private investment in mining in a socially and environmentally sound way; and (ii) targeted interventions to alleviate poverty in areas of strong incidence of small-scale and artisanal mining. Specific project objectives include: (a) improving the legal and regulatory reform to help establish an enabling environment to promote private investment into mining, while ensuring real and sustainable contribution to economic growth; (b) building institutional capacity building to develop capabilities to effectively enforce laws and regulations, administer mining titles, and monitor the sustainable development of small-scale mining; (c) development of a data bank and geological maps to strengthen the Government's capacity to make essential geoscientific and natural resources information available to potential investors; (d) institutional strengthening to establish capacity in the country for environmental management, and to develop the understanding of and the capacity to address social impacts from mining; and (e) identifying and adopting appropriate mechanisms to increase revenues and improve the quality of life in selected areas of strong concentration of artisanal miners, through the establishment of legal rights for their activity and the provision of extension services to improve the social, welfare, health and environmental conditions of artisanal miners. Parallel financing has been secured from the Nordic Development Fund, the African Development Bank, and the Government of South Africa. The project became effective on October 15, 2001. (US$18 million)

Communications Sector Reform Project – Mohammad Mustafa

Status: Under Implementation
Closing date: June, 30, 2006

The project is assisting Mozambique to improve access and quality of efficient and affordable communication services by creating an enabling environment for competition and private participation in the postal, air transport and telecommunication sectors. In the telecommunications and postal sectors, the project will assist the Government in: (i) developing a new telecommunications policy, (ii) establishing an appropriate legal and regulatory framework, including the strengthening of regulatory capacity, (iii) awarding a mobile license to a private operator, (iv) assisting in the privatization of Telecomunicações de Moçambique (TDM), (v) developing a strategy for market-based rural access and establishing an universal access fund, (vi) improving the regulatory framework for the development of electronic commerce and information technologies, and (vii) developing a postal sector strategy. In the air transport sector the project will assist the Government in: (i) developing a new air transport policy, (ii) establishing an appropriate legal and regulatory framework, including the strengthening of regulatory capacity, (iii) restructuring and exploring private participation options for Linhas Aéreas de Moçambique (LAM), and (iv) designing project financing schemes for upgrading of the airports in the three development corridors, with particular attention to setting up public-private partnerships for the Maputo, Beira, and Nacala airports. (US$14.9 million)

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Mozambique Country Team
Education and Capacity Building

With a literacy rate of 40 percent, Mozambique faces a shortage of well-educated and experienced nationals who can assist in the planning and management of both public and private sector activities vital to the country’s development, as well as increasing productivity in the agricultural sector, where about 90 percent of the working force is employed. The Mozambicans who are capable of providing leadership are often siphoned off to the private sector because the civil service is increasingly unable to compete with private institutions in terms of pay, conditions of employment and work environment. In the agricultural sector, most farmers are illiterate and productivity is low. The Government has relied on more costly expatriate technical assistants, who are frequently poorly managed, less productive and relatively ineffective in building up local skills and institutions. In recognition of this problem, the Government has relied more on costly expatriate education under which strategies will be developed by first expanding access and improving the quality of basic education, followed by the development of strategies for secondary education (including technical and vocational) and tertiary education. This is being complemented by a broad based Public Sector Capacity Building project. The World Bank has been an active partner in supporting this process towards improving education and strengthening capacity in key public institutions and skill areas. The current support will ensure a long-term increase in the number of children who successfully complete primary education and increase the supply of well-trained senior managers, professionals and technicians, conditions of services and governance.

Education Sector Strategic Program (ESSP) – Alexandria Valerio, Soren Nellemann, Noel Kulemeka

Status: Under Implementation
Closing Date: June 30, 2004

This program, approved by the World Bank Board on February 18, 1999, supports the implementation of the Government’s National Education Strategy (NES) and the “Plano Estratégico da Educação 1998” (PEE). The objective of the NES is the promotion of sustained improvement in the quality of the Mozambique labor force, with greater regional and gender equity in economic opportunities. This is to be achieved, in part, through an increase in the number and quality of students graduating from the primary and secondary sub-education systems, with a focus on the under-served central and northern regions of the country and a targeted program of girls education.

The program is improving access to primary and secondary education, especially for children and youth from the most vulnerable groups and under-served regions. It is also promoting greater participation of girls and populations living in rural areas. In addition, various measures are currently underway to improve the quality of education offered and enhance the institutional capacity of the Ministry of Education (MINED) to carry out its policy development, managerial, and administrative functions. The IDA credit finances about 10 percent of the global cost of the program. Other financing agencies are also supporting the program with financial and technical assistance. (US$71 million)

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Higher Education Project – Soren Nellemann, Alexandria Valerio, Noel Kulemeka

Status: Under Implementation
Closing Date: June 30, 2007

This project, approved by the World Bank Board on March 7, 2002, supports the implementation of the Government’s National Higher Education Strategic Plan 2000-2010 (PEES) and the Plan of Operationalization to implement the first five years of the strategy. The objectives of the project are to: (i) enhance the internal efficiency and expand the outputs of graduates, (ii) improve equitable access (economic, gender and geographic), and (iii) improve the quality of teaching-learning and the relevance of the curriculum.

The project supports the entire system, both public and private higher education institutions and consists of three major components: (1) system-wide reform and development, (2) institutional development and investments and (3) provincial scholarships. (US$60 million)

Health Sector

The Government of Mozambique has made considerable efforts to improve the health status of the population in the last 15 years during the phase of national reconciliation. Despite the progress made, many of Mozambique’s health indicators are still below the Sub-Saharan Africa average, as shown in the following table.

<table>
<thead>
<tr>
<th>Key Indicators of Health Status</th>
<th>Mozambique</th>
<th>Sub-Saharan Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Expectancy</td>
<td>44 years</td>
<td>52 years</td>
</tr>
<tr>
<td>Infant Mortality</td>
<td>147/1000</td>
<td>102/1000</td>
</tr>
<tr>
<td>Under 5 Child Mortality</td>
<td>219/1000</td>
<td>170/1000</td>
</tr>
<tr>
<td>Total Fertility Rate</td>
<td>5.2 children</td>
<td>5.3 children</td>
</tr>
<tr>
<td>Adult HIV prevalence</td>
<td>13.2%</td>
<td></td>
</tr>
<tr>
<td>Maternal Mortality Rate</td>
<td>1100 per 100,000 live births</td>
<td>690 per 100,000 live births</td>
</tr>
<tr>
<td>Daily Calorie Intake</td>
<td>1680</td>
<td>2120</td>
</tr>
</tbody>
</table>

The main causes of illness and death in Mozambique are preventable, with infectious diseases accounting for the largest proportion of the burden of disease. Malnutrition is prevalent, particularly among children. Between 30-40 percent of children suffer from chronic malnutrition (stunted growth) while 6 percent of children have acute malnutrition. Nutritional problems directly aggravate other health problems and increase the overall burden of disease. Mozambique also experiences frequent outbreaks of cholera, dysentery, meningitis and bubonic plague. The consequences of these diseases and conditions are enormous. The child mortality rate of 219 per thousand means that every year over half a million children die unnecessarily mainly due to malaria, respiratory conditions, AIDS, malnutrition, which are all preventable. The high maternal mortality rate means that each year more than 6,000 women die in relation to their pregnancy or child birth, leaving as many families without the main caregiver. The high malaria incidence among adults

Mozambique Country Team
means that many labor days are lost every year, negatively impacting on the country’s productivity while AIDS is an increasing problem.

Poverty is an important underlying cause of illness, while conversely, poor health, malnutrition and large family size are determinants of poverty. For this reason, the health sector is one of the priority areas of the Government’s overall strategy for reducing poverty and accelerating sustained economic growth summarized in the PRSP. Under the auspices of the PRSP, the health sector has designed the Health Sector Strategic Plan, which is based on the Government’s vision of, “achieving health levels for Mozambicans that approach the average in Sub-Saharan Africa, with access to good quality basic health care through a Health System that meets citizen’s expectations.”

The guiding principles for the plan are:

Efficiency and equity in health service delivery so as to obtain the maximum benefits with the available resources and to ensure access for all the population to basic health services; Flexibility and diversification so as to take advantage of opportunities offered by all the key agents operating in the health market and to increase the options for use of different health service providers; Partnerships and community participation through decentralization aimed at improving quality through an enhanced role for communities; Transparency and accountability by redefining roles of agencies, improved information base and adoption of alternative service delivery methods such as contracting out of certain functions by public health institutions; Integration and coordination to avoid duplication and promote efficiency as well as facilitate a smooth implementation of the plan. For this reason the Ministry of Health has adopted a sector-wide approach for coordination with local and external partners.

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The IDA Health Sector Recovery Project (Cr. 2788-MZ) – Mary Mulusa, Noel Kulemeka, Kees Kostermans.

Status: Under Implementation
Closing: December 31, 2002

This project supports a broad Health Sector Recovery Program of the Government. The objective of this program is to improve the health status of the population in general, and decrease infant and child mortality in particular. This is expected to be achieved through an increase in health coverage of the population from the present 40 percent level to 60 percent by the turn of the century, with better quality of services provided. The program has three main components:

Improvement of service delivery, Institutional development and Development of human resources capacity: (a) Improvement of service delivery by: (i) expansion of the existing network of services through rehabilitation and selective construction of new health facilities especially at the lower levels, (ii) strengthening of laboratory services; (iii) strengthening of maintenance; (iv) support to the institutional nutrition program; and (iv) provision of drugs and medical supplies.
(b) Institutional development through strengthening: (i) the drugs and medical supplies logistics system; (ii) the provincial health management system in response to decentralization; (iii) the health sector information system and (iv) sector policy development and evaluation capacity.
(c) Development of human resources capacity by providing support to: (i) implementation of the Health Manpower Development Plan; (ii) national health personnel training capacity; (iii) continuing education; and (iv) university medical training.

The health sector recovery program also provides a framework for the Ministry of Health (MOH) and support by external partners. It has facilitated the development of the Sector-Wide Approach (SWAP) for
coordinating planning, financing and implementation of health services, led by the MOH. (US$98.7 million)
Although Mozambique is considered a land “abundant” country, where population density and productivity are higher, pressure on land arises. Mozambique has considerable irrigation potential, however less than 10 percent of this potential is being exploited.

Major effort is needed to consolidate the recovery gains obtained in the past and pursue a faster rate of agriculture growth. The Government’s “Agricultural Policy and Strategy for Implementation” comprises “transforming subsistence agriculture and linking it more closely into production, marketing and processing activities, and increasing marketed surpluses, while also developing an efficient commercial sector” Thus, an in-depth integration of Mozambican rural farmers into the national economy is a vital component of the agricultural strategy.

Exports must take a leading role in providing the engine of growth for the rural sector and for the economy as a whole. Strengthening regional integration of food and non-food markets needs to be a high priority. Furthermore, an export-oriented policy would facilitate intensification which is not likely to occur, if smallholder production is focused only on the domestic market.

To address the above constraints, policies and strategies, the Government with IDA’s support, has been implementing several agricultural and rural development programs, including a recently approved Agriculture Sector Public Expenditure Program (PROAGRI).

Agricultural Sector Public Expenditure Program (PROAGRI) –

David Nielson and Daniel de Souza

Status: Under Implementation
Closing: June 30, 2004

The objective of PROAGRI, another SWAP, is to improve the impact of public expenditures in developing an enabling environment for sustainable and equitable growth in the rural sector, such that poverty is reduced and food security improved, while the physical and social environment is protected. PROAGRI would encompass all public expenditure programs managed by the Ministry of Agriculture and Rural Development (MADER). PROAGRI would be effectuated through a graduated fifteen-year three-phased (five years each) Adaptable Program Lending instrument (APL). At one level, the objective of the first five-year phase of PROAGRI would be to establish an institutional structure designed to provide cost-effective delivery of a core set of agriculture and natural resources related services. At a more basic level, the objective would be to enable sustainable and equitable growth in the agricultural sector. Consequently, PROAGRI would also be assessed against the extent to which competition and volume are increased in agricultural input and output markets as evidenced by the number of traders, the narrowing of the gap between prices received by farmers and those prevailing in local markets, increases in agricultural production and productivity, increases in the contribution of marketed agricultural produce to household income for smallholder subsistence level families, the number of wildlife present in national parks.
and reserves, the area of forest under sustainable commercial and community management, the number of properties demarcated, land claims adjudicated, and titles registered; the extent to which water-users have become responsible for the O&M of irrigation schemes; hectares under sustainable irrigation systems. (US$30 million)
The development of energy sources in the country have become a high priority to Government. With the discovery of major gas fields, IDA has financed development efforts through a gas engineering project which provides capacity building support to Empresa Nacional de Hidrocarbonetos de Moçambique (ENH), to prepare it for overseeing the development of the Pande Gas Field. Now with only a small percentage of its citizens linked to energy sources GoM has put a high importance on the development of alternative energy sources.

**Gas Engineering – Michel Muylle**

* * *

**Energy Sector**

The Pande Gas field, located near the coast in central Mozambique, was discovered in 1961. Original concessions on this field were relinquished because of a lack of a market at that time. The Pande Gas development, now unitized with the Temane field, is expected to lead to annual exports earnings of $100 to $200 million. The primary objective of this Project is to provide support to undertake the necessary pre-investment work to ensure that ENH, on behalf of the GoM, and private sector investors are in a position to make a firm decision to develop the Pande Gas filed for export and for use in Mozambique (Sasol, of South Africa, is the lead private sector developer for the Pande & Temane gas fields and the pipeline to South Africa). Secondary objectives of the Credit include minor environmental clean up relating to previous operations and substantial training and institutional strengthening. (US$30 million, reduced to approx. $ 26 Million in June 2001)

**Energy Reform and Access – Reynold Duncan**

* * *

The World Bank and GoM are working to identify and prepare a project on the rural energy supported by the Bank and bilateral donors. The components of this operation would be: (a) restructuring of the power utility to facilitate private participation in distribution (b) putting in place the essential elements of the enabling framework for a competitive and sustained expansion of electricity access; (b) investments to test financing mechanisms and technical and institutional delivery options for (i) deepening as well as extension of electricity access along the main grid, (ii) via decentralized mini-grids, and (iii) utilizing solar-based individual home systems. The first phase of the 2-phase program will amount to about US$50 million and the second phase, about US$70 million.
The transport programs support the CAS objective to alleviate poverty through sustainable growth. The programs will achieve this by improving linkages and reducing transportation costs between all parts of the country, fostering private sector participation in road rehabilitation and maintenance as well as operation and management of railways, sea ports and airports, supporting public sector reform and decentralization, mobilizing resources and coordinating aid, and strengthening ties with civil society.

Additionally, to alleviate poverty in rural areas, the programs also focus on improving the condition of rural roads, thus easing a major constraint to the transport of farm produce to the point of consumption and export.

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**Sena Line Rehabilitation and Privatization Project** – Yash Pal Kedia

*Status: Under Identification*

The proposed Project will support the Government’s efforts to rehabilitate the currently-non operational Sena Line with active involvement of the private sector. The proposal of the Government is to issue a tender inviting proposals for the concession of the Beira rail system comprising the Sena and Machipanda lines. The concession would include the rehabilitation of the Sena Line. The bidders would be free to ask for some initial financing support from the Government and this support could be made available to the concessionaire provided the bidder’s own commitment of funds is perceived to be substantial. In such an event, the Bank could support the Government in meeting the bidders’ requirement. The Project is aimed at cost-effective rehabilitation and operation of the rail system through as well as triggering faster decision-making on the coal mines. (Amount of support to be determined after the completion of the concessioning process).

**Roads and Coastal Shipping (ROCS II)** - Abdelmoula Ghzala

*Status: Under Implementation*

*Closing Date: June 30, 2003*

The primary objectives of the project are to: (a) support Mozambique's economic recovery program through rehabilitation and maintenance of priority roads; and (b) further strengthen the management capacity of road sector institutions. The project comprises the Government's agreed "flexible" rolling roads investment and maintenance program, coordinating all donors through discrete parallel sub-projects. The first two years of the program have been defined and appraised in detail, as has the scope of the five-year program. A major review after two years and annual reviews thereafter will define, in more detail, the specifics of the program in the outer years. The civil works program comprises: (a) emergency works to open access in all 10 provinces; (b) rehabilitation of priority trunk roads; (c) labor based reconstruction of about priority feeder roads; and (d) current routine and periodic maintenance of that portion of the network that is in good or fair condition. The project will also finance engineering services in support of the program and the continuation of the Government's Road Sector Institution.
Building Program commenced under ROCS I.

Bank and other donor assistance in the sector have led to major improvements in the condition of Mozambique’s road network since 1992. Under the First and Second Roads and Coastal Shipping Projects (ROCS1 and ROCS2, approved in 1992 and 1994 respectively), over 3,800 kilometers of primary, secondary and tertiary roads have been rehabilitated; 3,000 meters of metallic bridges have been laid; 2,000 kilometers of roads have received periodic maintenance; and about 14,000 kilometers of roads are benefiting from routine maintenance annually since 1999. Currently, an estimated 25 percent of the network is in good condition and about 39 percent is in fair condition. Only about 10 percent of classified roads, primarily unimproved rural roads, are impassable during periods of heavy rainfall.

The two ROCS projects have also brought about significant progress in institutional strengthening and building of human resource capacities through education and training in the highway subsector and other transport agencies. Important institutional and policy reforms have been initiated, including the creation of the Road Fund, separation of force accounts construction companies from DNEP (presently ANE), and privatization of equipment pools and of CETA (previously, a state-owned construction company). In addition in 1998 the government issued its roads policy. In 1999 the government changed DNEP into ANE, a public agency separate from the civil service, with dual responsibility for technical/operational matters and for road financing (separate directorates), under a board of directors with representatives from the public and the private sectors and academia. The project has disbursed about US$160 million and GOM will make a request to the Bank for extension of the Credit closing date up to June 30, 2003. *(US$188.0 million)*

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**Railways and Ports Restructuring Project**
- Yash Pal Kedia

**Status:** Under Implementation  
**Closing Date:** June 30, 2005

The proposed project has two main objectives. The first is to substantially increase the operating efficiency of the three major port-rail systems in Mozambique and enable them to increase their share of the international freight traffic from the neighboring countries. The increase in freight traffic should enable: (a) the neighboring countries to reduce the surface transport costs of their exports and imports resulting from use of shorter routes, increased efficiency of operations, and use of railways in preference to roads; (b) the ports and railways to become financially self-sustaining; (c) CFM to increase its net income and, consequently, be in a position to pay dividends to GoM; and (d) Mozambique to generate more foreign exchange from the neighboring countries’ use of railways and port facilities in Mozambique. The second is to strengthen the transport sector policy, the regulatory framework, and the institutional capacity of the MTC. The Government strategy to achieve the project objectives comprises: (i) comprehensive restructuring of CFM; (ii) large scale involvement of the private sector in the operations and management of all the ports and railways; (iii) retrenchment of surplus staff; (iv) strengthening of the MTC and refining the Transport Sector Policy; (v) establishing an appropriate regulatory framework for the whole transport sector; and (vi) concessioning and rehabilitation of some tertiary ports. The project would support the strategy through financing of severance payments, civil works, goods, consultancy services, and staff training and retraining. *(US$100.0 million)*

* * * *
**Roads and Bridges Management and Maintenance Program (RBMMP)**

Abdelmoula Ghzala

*Status: Under Implementation*  
*Closing Date: 30 June 2005*

The project was approved by the Board of the World Bank on July 19, 2001. The Credit Agreement and Project Agreement were signed September 21, 2001 at the World Bank Headquarters by the Ambassador of Mozambique in the United States and the Vice President of the World Bank for Africa Region.

The overall purpose of RBMMP program (an APL over a period of 10 years) is to stimulate economic growth and contribute to poverty reduction through improved road infrastructure, better sector policies, and enhanced roads sector management. The specific APL1 (over a period of 4 years) objectives are to (a) improve the coverage and condition of roads and bridges; (b) strengthen the country’s capacity to manage and administer the road sector effectively and transparently, with efficient and sustainable institutional arrangements; (c) establish financing mechanisms to ensure sufficient, timely, stable and secure flow of funds for roads maintenance, affordable at the macroeconomic level and for the road users; and (d) improve road transport safety. Secondary objectives are to help prevent the spread of AIDS and encourage employment of women in the roads sector.

The APL will be implemented over ten years in three phases. The first phase will last four years and the second and third phases will last three years each. Phase one of the APL will focus on (a) routine and periodic maintenance, and rehabilitation of priority roads and bridges as defined under the integrated road sector strategy, (b) implementing institutional and policy reforms needed for sustainable and effective road sector management, (c) a phased rural roads maintenance program, (d) intensifying HIV/AIDS prevention activities, (e) implementing a road safety program, and (f) carrying out the analytical and preparatory work necessary for phase two of the program. The routine maintenance is 100% financed by the Road Fund.

Phase two activities will focus on maintenance and rehabilitating the country’s major roads and bridges (as defined through the updated integrated road sector strategy), upgrading rural roads, strengthening institutions, continuing with implementation of the road safety program, the HIV/AIDS program and gender initiatives, and conducting the analytical and preparatory work for phase three investments.

Phase three activities will be similar to those of phase two. They will be defined in detail during phase two, and be based on lessons derived from the earlier phases of the program. The second and third phases will be contingent on successful implementation of phase one activities and satisfaction of agreed triggers.

During the three phases of program implementation, the Bank will gradually shift its support from periodic maintenance to rehabilitation, as the Road Fund’s finances improve and it takes over responsibility for periodic maintenance. By the end of phase three of the program, the Road Fund will cover 100 percent of periodic maintenance in addition to all routine maintenance. To support this shift, IDA help for technical assistance and training will also be concentrated in phase one, gradually falling as government capacity grows (APL Phase 1 US$162 million, and all three phases US$432 million).
Mozambique is exceptionally well endowed with natural resource assets and biodiversity. Its 2,500 km coastline is home to extremely rich and diverse marine wildlife and habitats, on the mainland approximately 75% of the vegetation cover remains largely intact. There are massive proven energy resources, and increasing exploration indicates considerable mineral wealth. The country has vast fertile plains and large perennial rivers. This natural resource wealth occurs in stark contrast to the bitter poverty inflicted on the country after many years of conflict and instability. The country is now embarking aggressively on programs of economic recovery - eager to exploit its natural resources to make up for years of economic stagnation. Ensuring that this highly prized economic growth is environmentally and socially sustainable represents one of the country’s greatest development challenges.

The floods of recent years have exposed Mozambique’s vulnerability to extreme climatic events, which may increase with climate change. This, in turn, has demonstrated the need for better management of risk, land use planning, infrastructure design, and increased capacity for weather monitoring and prediction. These climatic events, which can result in either floods or prolonged droughts also highlight Mozambique’s dependence on neighboring states and the importance of integrated management of cross-border ecosystems. Upstream countries provide 50% of mean annual runoff to Mozambique, with the industrializing southern part of the country much more dependent than the north and central regions.

Industrialization is bringing about its own set of environmental and social problems. For example, in 1995 it was estimated that more than 126 factories were discharging their waste directly into the environment, a problem that has no doubt severely increased. Rapid industrialization in and around Maputo, as well as in other urban areas is putting severe strain on the country’s limited resources for environmental management.

Meeting the challenges indicated above will be a highly complex exercise. The linkages between environment and other sectors are strong, necessitating an integrated approach to decision-making, institutional development and capacity building. For example, areas of agricultural potential are particularly prone to land degradation. Besides the immediate impact that the loss of soil cover has on rural development, the soil erosion, siltation and nutrient flushing that follows land clearing impacts on coastal ecosystems, with potentially serious negative impacts on Mozambique’s highly profitable prawn industry. Other environmental issues are related to water use, forest management, ad hoc tourism development, the ongoing depletion of wildlife, unclear tenure rights of local communities, and lack of institutional capacity to undertake environmental and conservation management at the scale required.

Mozambique has new and largely untested policy frameworks for the management of the environment and natural resources. The donor community is engaged in supporting institutions that must turn these broad frameworks into effective policies for sustainability. However, because of the extremely dynamic developmental scenario of Mozambique, the implementation of these new policies must come within the context of ongoing policy formulation and responsiveness. This requires a better
understanding of how different stresses on the environment impact on social, economic and ecological systems. Furthermore, the collective effect of these impacts on the socio-economic development and the overall vulnerability of Mozambique to environmental changes must be ascertained. This will require a much more committed and sustained effort by government, donors and the academic community to ensure that Mozambique is able to optimize its remarkable natural resource base, and to reverse the present ad hoc development processes from undermining sustainable economic growth in future.

The World Bank and the GEF are fully engaged in trying to meet the challenges that are outlined above in a holistic and comprehensive manner. The Bank seeks to build partnerships with the broad range of players involved in the environmental and natural resource sectors, through the formulation of sector wide approaches in agriculture, water, environment and tourism and conservation.

**Mozambique Transfrontier Conservation Areas (TFC)** – Robert Clement-Jones

*Status: Under Implementation*

*Closing Date: 30 June 2003*

The project, financed by the GEF, is a regional project that aims at enhancing the conservation of some of the most species-rich biogeographic regions in Africa, with numerous habitats of special interest through a broad-based ecosystems management approach. Three areas have been identified as Transfrontier Conservation Areas (TFCAs). These are: (a) the Chimanimani TFCA with linkages to Zimbabwe (Chimanimani National Park); (b) the Great Limpopo TFCA with linkages to the Kruger National Park in South Africa and Gonarezhou National Park in Zimbabwe (c) the Lubombo TFCA, with linkages to the Tembe Elephant Park in South Africa.

Transfrontier Conservation Areas are defined as relatively large areas spanning two or more countries where an integrated ecosystem management approach is being applied, with the full participation of all stakeholders, including local communities. The TFCAs are multiple use areas including core conservation areas (such as the newly proclaimed Great Limpopo Transfrontier Park), community conservation and development zones, private sector game ranches and reserves, and sustainable agricultural activities.

The project has focused on simultaneously strengthening (i) the capacity of the National Directorate of Forestry and Wildlife at both central and provincial levels to manage its protected areas within the TFCAs, such as Bahnine and Zinave National Parks, and the Maputo Special Reserve, (ii) the participation of local communities in sustainable use activities in and around the protected areas, and (iii) partnerships with local, national and regional stakeholders. Recently, the institutional home of the project has moved to the newly formed Ministry of Tourism, which has formed a new directorate for Conservation Areas, Direcção Nacional de Áreas de Conservação (DNAC).

The project is assisting DNAC in developing appropriate policies and legislation that will allow both for conservation-based community development and private sector investment in tourism and conservation activities. Community empowerment through land delimitation and definition of property rights is considered fundamental for achieving project objectives.

Funds have been allocated for the preparation of the second phase of the TFCA project, which will have a stronger emphasis on tourism development and regional strategic planning. The new project will also prepare proposals for the development of new TFCAs in the northern part of the country. *(US$5 million)*
Coastal and Marine Biodiversity Management Project. Indu Hewawasam

Status: Under implementation
Closing Date: 30 June 2005

The project is piloting an integrated approach to achieving sustainable development focusing on two project areas in northern Mozambique. These are: (a) the districts of Mocimboa da Praia and Palma in Cabo Delgado; and (b) Nacala-Porto and Mossuril in Nampula. Both these areas include sites recognized as having globally significant biodiversity, including corals, mangroves, sea grass beds and all five species of threatened and endangered turtles and dugongs. The project aims to achieve the following:

♦ establish strategic spatial development plans, approved and adopted by national, provincial and district authorities in the pilot areas;
♦ improve institutional capacity for integrated coastal zone management at provincial and district level;
♦ devolve coastal zone planning to provincial level;
♦ test different models for coastal zone management, including community management and private sector concessions;
♦ establish effective protection of key marine conservation areas; and
♦ establish co-management in buffer zones of key marine conservation areas consistent with conservation objectives

The project is being coordinated by the National Directorate for Environmental Management (DNGA) in the Ministry for the Coordination of Environmental Affairs (MICOA), with project components being implemented by a number agencies with specific mandates for implementation activities in the coastal zone.

(US$9.7 million GEF/IDA)

Strategic Environmental Management Framework (SEMF) for Maputo Province: Agi Kiss

Under the auspices of the Borderlands Committee, South Africa, Swaziland and Mozambique have expressed their commitment to the development of a regional Strategic Environmental Management Framework (SEMF). The Bank is supporting the development of the Maputo Province component of this regional SEMF, which also includes part of Mpumalanga Province in South Africa and Swaziland in its entirety. The objective of the SEMF is to help establish appropriate capacity and an integrated institutional framework for the three participating countries to achieve sustainable growth in a sub-region characterized by economic and environmental inter-dependence.
Urban and Water Sectors

National Water Development Project I
Catherine Revels

Status: Under Implementation
Closing Date: October 2003

This project aims to (a) reorient the institutions of the water sector and increase their capacities; (b) prepare for private sector management of the urban water supply systems of the cities of Maputo, Beira, Quelimane, Nampula and Pemba, and plan for the provision and enhancement of sanitation and drainage within these cities; (c) reorient and reform the management and implementation of Rural Water Supply and Sanitation (RWSS), and upgrade RWSS services in Inhambane Province using a demand-responsive community managed approach; (d) strengthen the management of water resources, support joint studies with upstream countries on the management and development of shared rivers, and implement safety-related rehabilitation works at Corumana Dam; and (e) support a program of human resources development for the water sector.

The project is being implemented under the direction of the Ministry of Public Housing (MoPH) with the participation of other stakeholders. Financing is being provided by GOM, IDA, Nordic Development Fund (NDF), Canadian International Development Agency (CIDA), Swiss Development Cooperation (SDC) and the Swedish International Development Authority (SIDA).

The project is in its third year and progress has been satisfactory. Capacity has been improved within the National Directorate of Water (DNA) and other implementing agencies to manage the sector. Water supply in the five cities is now being managed under contract with the private sector with oversight provided by an asset holding company and an independent regulator. The RWSS Transition Plan has been developed and is being piloted in the Inhambane Province. Review of the Water Law and Policy and formulation of a WRM Strategy is being carried out under the direction of a Stakeholder Task Force, with ongoing technical assistance. A number of joint river basin studies are being carried out and a Panel of Advisors has been contracted to assist with international negotiations. For the Corumana Dam, safety equipment has been ordered for the design work completed for rehabilitation works. A strategy for Human Resources Development and Management has been developed for DNA and the sector with broad stakeholder participation.

However, there is much work to be done in the sector. Coverage remains low in both urban and rural communities. The willingness and ability of customers in rural communities to make upfront contributions for water supply and in urban communities to pay tariffs that cover the full cost of operation, maintenance and depreciation so that systems can be sustainable remains controversial and has delayed some components of the project. There has been limited experience in implementing community participation, communications plans and stakeholder participation in any meaningful way in the sector and it has taken time to build consensus around these elements of the project and to get appropriate mechanisms and capacity in place.(US$36 million)

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National Water Development Project II - Jane Walker

Status: Under Implementation
Closing Date: 30 June 2005

This project was approved by the World Bank Board on June 17, 1999 to support contracts for the private sector management of the water supply systems of Maputo, Beira, Quelimane, Nampula and Pemba, investments in the extension of water supply services into some of the barrios within these cities where supplies are currently absent or inadequate, and the provision of a regulatory framework. The project will aim at providing a sound platform for long term sustained improvements in service coverage, standards and cost effectiveness. The project will be financed by IDA, the Government of Mozambique, the Netherlands and the Africa Development Bank, and would be implemented under the MOPH with participation from local governments and other stakeholders. (US$75 million}