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PROGRAMME PLANNING
COUNTRY AND INTERCOUNTRY PROGRAMMES AND PROJECTS
THIRD COUNTRY PROGRAMME FOR MOZAMBIQUE*

<u>Programme period</u>	<u>Actual resources programmed</u>	<u>\$</u>
January 1987-December 1991	IPF for 1987-1991	47 059 000
	Other resources programmed	<u>261 400</u>
	Total	47 320 400

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* Detailed listings of projects and other related data prepared as part of the country programming exercise are available on request. These listings include: (a) ongoing projects; (b) proposed projects; (c) distribution of resources by objective; (d) distribution of new country programme by sector.

I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

A. Current economic trends*

1. Mozambique became independent in 1975 after 10 years of armed struggle. The country, with an estimated population of 14 million in 1986 and a population growth rate of 2.6 per cent a year, is considered to have a large potential in agriculture, forestry, fisheries and minerals. The country also has abundant water resources and is believed to possess the raw materials needed to develop both basic and consumer goods industries over time.
2. During the period 1975-1981, Mozambique experienced a growth rate of about 2.6 per cent a year, despite the mass exodus of the settler community and the concomitant capital flight, as well as the economic hardship the country endured because of its adherence to the United Nations sanctions against Rhodesia. From 1981 onwards, however, the economy has been falling by about 6 per cent per year; per capita income is now estimated at below \$140. The main causes for this rapid decline are South African destabilization policies; a prolonged drought and other natural disasters; and unsuccessful economic policies.
3. South Africa has engaged in economic, political and military destabilization of Mozambique, which has intensified since late 1981. The measures taken include a reduction in the number of Mozambican miners given work permits, which peaked at approximately 120,000 in the early 1970s and declined to less than 40,000 in 1983, but reached 60,000 in 1986; the unilateral abrogation of the "gold clause", through which South Africa was obliged to pay the Government of Mozambique 60 per cent of the miners' wages in gold at the official price; the reduction in the total volume and the per-ton value of goods transshipped through Maputo, decreasing total transshipment and per-unit fees, while increasing per-unit costs to Mozambique (less transport on same amount of fixed capital, which must be maintained, and more per-unit depreciation with heavier and bulkier commodities such as coal and ore). Most important, however, is South African support to the armed bands inside the country. These groups have targeted the economy - export industries, trading posts and transport - and the Government staff in the rural areas: teachers, medical personnel and administrators. In a recent study for the Southern African Development Co-ordination Council (SADCC) region, it is estimated that the direct and indirect costs of these acts can be valued at about half the country's current gross domestic product (GDP).
4. During the period 1981-1985, large parts of Mozambique were stricken by a severe drought and, during the worst 12-month period in two provinces alone, as many as 100,000 people may have died. Though the country has historically been a net importer of foods (the urban population obtained most of its grain through imports) the rural areas had been self-sufficient until then. At the height of the drought, the country needed almost 500,000 tons of grains per year, and there is a

* Most figures are taken from the National Directorate for Statistics, "Informacao Estatistica 1975-1984", Maputo 1985, and "Informacao Estatistica 1985", Maputo 1986.

clear need for continuing food support during the rest of this decade. The mounting security problems have at the same time driven large parts of the population to more easily defensible coastal zones, reducing total cultivated land and increasing the pressures on what are often fragile coastal soils, straining the Government administrative capacity and diverting scarce resources into emergency and rehabilitation efforts, thereby weakening the country's development programme substantially.

5. The overall balance-of-payments situation has also deteriorated rapidly; the country exported only \$77 million in 1985 as compared with \$281 million in 1981, while imports were cut from \$801 million to \$424 million during the same period. At the same time, transshipment fees and remittances fell from about \$150 million to almost half this sum, leading to a chronic deficit which has depleted the country's foreign exchange reserves and increased its total foreign debt to about \$2.5 billion.

6. The impact on industry has been serious, since the country's industry is import intensive, depending on foreign exchange for the purchase of raw materials, intermediate goods, spare parts and capital goods. Furthermore, there are few trained managers, and industry has had problems adjusting itself to the new demand structure which has emerged after independence and reflects the needs of a large population with limited purchasing power. In addition, the few available resources were often allocated to develop new industries rather than to rehabilitate and upgrade existing capacity. Industrial output in 1985 was only about 40 per cent of the 1981 level, with some industries working at only 15-20 per cent of installed capacity.

7. Total production in the agricultural sector has fallen by over 25 per cent since 1981. Marketed food crop production in 1984 was about one third of the level reached a decade earlier. Agricultural exports, which once generated substantial foreign exchange earnings, have been severely reduced, though cashew nuts, the single most important export crop, has begun recovering. While it is clear that little progress can be expected until peace is restored, the poor results were also due to other important factors, among them the lack of skilled manpower; the limited resources so far committed to the smallholder sector; distorted prices for producers; and the lack of tradeable goods as incentives to production.

B. National development strategies

8. The Third Congress of the FRELIMO Party in 1977 emphasized the rapid development of heavy industry, the socialization of the rural economy through the strengthening of state farms and the establishment of communal villages, and the provision of basic education and health services to the resource-poor groups in the country. These priorities led to the adoption of a 10-year development plan, the Indicative Prospective Plan for 1981-1990, which fixed target growth rates for the various sectors. The basic policy instruments used to attain these goals were central physical planning and Government control of prices, credits and interest rates, wage levels and employment policies, exchange rates and external and internal trade levels.

9. Because of the deteriorating economy, the externally-fomented destabilization and the prolonged drought, Mozambique was unable to implement this programme. At the Fourth Congress of FRELIMO in 1983, the economic directives pointed to a number of measures to be taken: a gradual transformation of large state farm complexes into smaller production units, emphasizing the profitability of each unit; increased support to the smallholder and private farmers; emphasis on consumer goods and agricultural inputs production rather than heavy industry; concentration on better utilization and the upgrading of existing capacity rather than new investments; postponement of some of the major investment projects and programmes earlier foreseen in favour of concentrating on small-scale projects using local inputs; incentives to exporters; a greater participation of the private sector in the economy, including direct foreign investment; and a greater role for market prices in allocation decisions.

10. During 1983 and 1984, Mozambique took a number of steps to implement these decisions. The Nkomati agreement was signed with South Africa in March 1984; it aimed to reduce and eventually eliminate the armed conflict inside Mozambique, to increase trade between the two countries and to encourage South African firms to invest in Mozambique. The country joined the International Monetary Fund (IMF) and the World Bank in September 1984 and later signed the Lome III Convention. Some price controls and restrictions on trade have been removed, incentives for exports have been established and a general encouragement of private enterprise has taken hold. More development assistance is being directed towards local activities and the role of national mass organizations is being emphasized. Finally, a law concerning direct foreign investment has been promulgated, and regulations for the various sectors are being elaborated with a view to attracting foreign risk capital to the country.

11. Despite the foregoing measures, the economy still faces severe problems and preparations are under way to introduce a new comprehensive macro-economic policy package to be implemented during the first three years of the coming country programme period. The package will consist of two parts: a three-year Structural Adjustment Programme, in co-operation with the IMF, and a parallel Economic Rehabilitation Programme. The latter is to be presented to the donor community through a Consultative Group meeting chaired by the World Bank in 1987.

12. However, these new programmes must be seen against the overriding goal of the Government: the war effort, which channels 42 per cent of the Government budget to national defence.

13. The second priority is the rehabilitation of agriculture, with emphasis on the traditional smallholder sector, which comprises more than 80 per cent of the population. This is to be achieved through the provision of basic inputs, primarily handtools and seeds, and the encouragement of surplus production for the market by providing tradeable goods in exchange for both foodstuffs and major export crops. Within this sector, particular attention is to be paid to women producers, who constitute the vast majority of agricultural workers in large parts of the country, yet have so far been largely excluded from the technical and organizational changes which are taking place. Private farmers who use wage labour and modern machinery are encouraged by being given priority access to new inputs and improved marketing facilities, while the state farms are being encouraged to improve their economic performance.

14. In industry, the Government is encouraging national entrepreneurs to invest in new activities by providing technical assistance, access to credit, easier access to imported inputs, foreign exchange retention when exporting, and the linkage of national enterprises with foreign firms. Various kinds of joint ventures and management service agreements are being promoted and training of technical, economic and administrative managers is being emphasized. Markets will be a crucial determinant of prices for goods and services. Though the annual Central Economic Plan is still decisive, particularly for major industries and sectors considered strategic for the economy and the defence effort, most firms now function in a market environment. Major firms which have accumulated large deficits, funded either through Government subsidies or grants of cheap credit, must reduce their costs and improve their efficiency.

15. In the transport sector, the most important objective is the strengthening of the Beira corridor: the rail, road, oil pipeline and telecommunications lines from Beira harbour to the Zimbabwean border and the port facilities in Beira itself. This corridor is of strategic importance to the SADCC countries, as it will enable Zimbabwe, Zambia, Malawi, Botswana and, to a lesser extent, Zaire, to ship their imports and exports through Mozambique, rather than through South African ports, which today handle most of this trade. The programme for the rehabilitation and upgrading of this corridor is receiving major support from the international donor community, but will need a long-term commitment and a substantial increase in technical assistance to become successful. In addition, the other two major ports, Maputo and Nacala, need to be improved, as well as the major rail lines that lead to these ports: from Zimbabwe and Swaziland to Maputo, and from Malawi to Nacala. In addition, the line running north from the Beira-Harare railway has two important connections: one into Malawi, and the other to the mineral-rich regions of the Tete province, where Mozambique plans several major investment programmes. Coastal shipping is to be improved, as is road transport, which is vital to the development of the country's agriculture.

16. As part of the overall reform of their management of the economy, the public services have had their price structure changed during the last two years; public administration is expected to be reduced, thus diminishing the public current account deficit.

17. In the area of health and education, the focus is on rehabilitating and upgrading existing infrastructure; strengthening human resources development; and providing better services in those rural areas where security conditions permit making such investments.

C. Technical co-operation priorities

18. The Government does not currently have an overall technical assistance plan, but a National Technical Co-operation Assessment and Programmes (NATCAP) exercise is foreseen for some key sectors in 1987. The terms of reference for NATCAP will be presented to the Consultative Group meeting to help ensure that the additional technical assistance needed to implement the Structural Adjustment and Economic Rehabilitation Programmes successfully is consistent with absorptive capacity and to provide the Government with an assessment of technical assistance gaps which may exist in certain critical sectors.

19. Since the lack of skilled labour is the crucial bottle-neck to longer-term development, the highest priority is human resources development. Emphasis is to be placed on the training of trainers in the productive sectors, and management and administration at the middle and higher decision-making levels.

20. In addition, a number of Government bodies need institutional support, in particular those which will be responsible for the planning, monitoring, implementation and evaluation of the new Economic Rehabilitation Programme. Technical assistance to institution-building and direct support must therefore be co-ordinated with technical skills transfers, as well as more long-term training programmes.

21. Institutional support is needed at all levels - central national, provincial and local district - since the responsibility for identifying and implementing small-scale development projects has been delegated to the lower-level authorities. Since these are usually ill-equipped to handle such tasks, major support at the lower levels is needed if the Government decentralization policies are going to become operational and meaningful.

22. In the agricultural sector, significant gains can be made with limited technical assistance inputs, particularly in the smallholder sector, by identifying cost-effective means to transmit essential technology to large numbers of producers.

23. In the industry and services sectors, there is a need to foster a truly entrepreneurial approach among managers. Before independence, few Mozambicans owned or managed even small shops, much less were responsible for major economic enterprises. During the first 10 years of independence, the major firms were largely subordinated to central plans which allocated resources on a yearly, physical input-output basis, thus reducing management decisions to technical production goals. Since losses were covered by the state in one form or another, the entrepreneurial and profit-oriented aspect of production was not considered critical. With the new policies, all firms - large and small, private and public - have to rely more on the market, and the technical skills necessary for successful competition in this new environment must be provided.

D. Aid co-ordination arrangements

24. Until recently, aid co-ordination was handled directly by the Government on a Government-to-donor basis. With the emergency situation Mozambique has experienced since the early 1980s - severe drought, flash floods, hurricanes, and major internal dislocations of the population due to security problems - closer co-ordination with donors was established. The Department for the Control and Prevention of Natural Disasters was strengthened considerably and, over time, assumed responsibility for reporting, logistics, donation reception and handling and the execution of other tasks related to emergency aid co-ordination.

25. At the same time, the UNDP office, in close co-operation with the Government, took a lead role on the donor side, publishing monthly emergency bulletins based on

reports from various parts of the country as well as from the Office of the United Nations Disaster Relief Co-ordinator (UNDRO), the World Food Programme (WFP) the Food and Agriculture Organization of the United Nations (FAO), until the Department for the Control and Prevention of Natural Disasters could take this over; organized a number of donor meetings by sector; assisted the non-governmental organizations (NGOs) in co-ordinating their efforts; represented the United Nations system on the Government inter-Ministerial Committee on Natural Disasters, established in late 1985; and, with the formal creation of the Emergency Operations Group under the Resident Co-ordinator in early 1985, became the focal point in aid co-ordination within the international community.

26. With respect to development assistance, both investment and technical assistance projects, similar mechanisms are coming into existence. The Ministry of Co-operation, created in April 1986, is accumulating a number of functions which had hitherto been decentralized among different Ministries. This will also strengthen the Government capacity to co-ordinate technical assistance, monitor and evaluate ongoing activities and plan for future co-operation.

27. The Consultative Group meeting to be held in 1987 will, for the first time, allow donors and the Government to discuss general policies and overall aid needs together. A Government body as well as the donor community will have to monitor the follow-up of the meeting's decisions and recommendations; this will entail a more institutionalized and structured dialogue between the two partners and will therefore create the basis for a more coherent and active interchange of information and ideas between and among the funding agencies and the Government authorities.

28. UNDP-funded sectoral missions for industry, water, agricultural research and selected mineral resources in fact began to foster this more open and structured dialogue by including in their terms of reference a report of their findings suitable for Government presentation to the donor community in a general meeting.

II. THE COUNTRY PROGRAMME

A. Assessment of current country programme

29. The second country programme for Mozambique had as its point of departure the Government development policies outlined in the 10-year prospective plan 1981-1990. The second country programme therefore concentrated on institution-building and human resources development projects within what were considered the lead sectors, using high-level, high-cost technical assistance with an emphasis on long-term education and training at the higher levels. They had little direct impact on either production or low-income groups in the country. Training in the forestry, fisheries, veterinary and agricultural sectors took place either at the university level or was geared towards modern technological activities. Agricultural research concentrated on new crops or new varieties to be introduced and technologies most useful to capital-intensive production. In the minerals and energy sectors, priority was given to the exploration and mapping of resources, while in communications high-level training was emphasized. In industry, most of the resources were devoted to the possible development of heavy industries in the country, notably steel and aluminium.

30. From February through April 1985, a country programme review analysed the second country programme in light of the Economic and Social Directives of the Fourth Congress of the FRELIMO Party and the socio-economic conditions of the country. It was noted that the distribution of the IPF funds on a percentage basis to the various technical Ministries resulted in widely dispersed activities which were not based on any specific plan or strategy. The review also noted a certain reluctance on the part of the national authorities to utilize specialized agency expertise in both programme and project formulation. This was compounded by the 45 per cent reduction in available IPF resources since projects had to be deleted or undergo budget reductions.

31. In implementation, the major constraint has been the lack of national counterparts available for training. For this reason, many projects have experienced serious difficulties in achieving their expected outputs. This overoptimistic programming was noted as a point to bear in mind in future project design. Furthermore, the worsening of the economic situation has led to Government inability to furnish inputs that had originally been planned, among them fuel and internal travel.

32. Despite these difficulties, notable achievements were made in a number of the training projects and institution-building programmes. These projects were characterized by sound and realistic formulation and the presence of full-time, qualified counterparts.

33. Of the total anticipated expenditures for the second country programme, about \$41 million, 70 per cent was devoted to technical assistance personnel costs, a little more than 5 per cent to sub-contracts, less than 4 per cent to fellowships and group training, about 19 per cent to equipment, and the remainder to miscellaneous costs. The profile of technical assistance changed during this period: an average of 850 work-months of senior expert services was provided during 1982 and 1983, compared with an average of 700 work-months for 1985 and 1986. At the same time, the number of work-months provided by United Nations Volunteers (UNV) and other low-cost experts increased from 215 for the period 1982-1983 to 570 for 1985-1986. Efforts will be made during the forthcoming NatCAP exercise to identify other priorities, particularly those concerned with training needs.

B. New programme proposal

34. As Government bodies do not yet have the capacity to carry out the enormous tasks they must perform, the elaboration of work programmes based on a careful evaluation of priorities and capacities is fundamental. To assist in this task, several sectoral survey missions were funded by UNDP during 1986 to discuss with the technical authorities concerned an overall framework for technical assistance for the coming five-year period and to elaborate projects for the most important activities identified. The United Nations Industrial Development Organization (UNIDO) executed the mission for the industrial sector; UNDP covered the water sector with the participation of the African Development Bank (AfDB) and the United Nations Department of Technical Co-operation (DTCD); UNDP also carried

out a survey of selected minerals in the natural resources sector with the World Bank, the United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) and DTCD participation; and FAO covered agricultural research, with the participation of the Brazilian Agricultural Research Institute, with a view to strengthening technical co-operation among developing countries (TCDC). Smaller missions were fielded by a number of agencies to develop more limited programmes or to identify specific projects (FAO, the United Nations Educational, Scientific and Cultural Organization (UNESCO), UNIDO, the International Labour Organisation (ILO), DTCD, the International Civil Aviation Organization (ICAO), the Universal Postal Union (UPU), the International Telecommunication Union (ITU) and the World Tourism Organization (WTU)).

35. The third country programme for Mozambique was prepared in close consultation with UNDP Headquarters, United Nations system executing agencies, and major multilateral and bilateral funding agencies with programmes in Mozambique. The point of departure was the evaluation of the previous country programme undertaken with UNDP; the various documents produced by UNDP concerning the country's situation and its development objectives and plans; and the sectoral and project identification missions' reports. These activities became the basis of a careful analysis of the country's current situation with respect to its most important needs and its absorptive capacity for technical assistance; priority objectives for the country programme were established; and specific project ideas were elaborated. However, because of the possible changing conditions of the country, and the expectation that the NatCAP might identify certain important technical assistance needs not yet covered (particularly in human resources development), the UNDP-funded programme has had to be flexibly planned.

36. In light of the assessment of the second country programme, the following principles for the third country programme were agreed upon:

(a) Due to the rapidly changing geo-political and economic circumstances in the region and the country, the programme should be flexibly designed, with financial commitments made only for the first three years of the cycle. About 40 per cent of the IPF will be held in reserve for later programming. Long-term projects should be drawn up in phases, so that modifications and expansions can more easily be introduced.

(b) Where the programme gives support to production, it should concentrate on technical assistance to small-scale, labour-intensive activities. Furthermore, emphasis should be given to rehabilitating and upgrading existing productive capacity, with incremental technological change.

(c) Projects should be cost-effective in design and implementation, saving both on scarce foreign and domestic inputs; particular attention should be given to the possibilities of using low-cost technical assistance. Projects related to economic activities should, as far as possible, be based on economic criteria.

(d) The programme should strengthen the country's capacity to implement the new Structural Adjustment and Economic Rehabilitation programme successfully, focusing on a few key sectors.

(e) Projects should be concentrated in a few selected geographic areas.

(f) Projects should, to the greatest extent possible, complement or link with other efforts undertaken by the Government or other donors. The co-ordination of investment and technical assistance projects is particularly important.

(g) The programme should promote TCDC.

First objective: strengthening economic and financial planning and management capacity

37. The Structural Adjustment and Economic Rehabilitation Programme which Mozambique is adopting will necessitate an increased capacity to manage and plan the main economic policy instruments at the disposal of the Government; better tracking of the economy's performance; and careful co-ordination and basic policy agreement among the Government institutions responsible for decision-making.

38. Since the Economic Rehabilitation Programme is to begin in early 1987, the relevant institutions concerned with economic and financial management need immediate direct technical assistance as well as longer-term institution-building support.

New projects

39. UNDP will concentrate its efforts on the National Directorate for Planning, the Ministry of Co-operation, and the Ministry of Finance. In the National Directorate for Planning, UNDP will provide assistance in two major areas: investment, and conjunctural analysis. In the Ministry of Finance, emphasis will be placed on fiscal policies, debt-servicing and investment budget analysis and auditing. A possible fourth area might be the national customs services. In both projects, senior advisers will provide policy advice, analyses, training of counterparts and the definition of longer-term training needs at various levels. In the Ministry of Co-operation, support will be given to the restructuring of the Ministry; the establishment of a comprehensive reporting, archival, monitoring and planning system; training of the Ministry technicians; and the preparation of a longer-term human resources development programme.

40. An umbrella project will be set up to fund consultancies and studies in areas considered important by the Government and to deploy rapid assistance related to emergencies and the implementation of the Economic Rehabilitation Programme.

Linkages

41. The World Bank will probably provide assistance to the Ministry of Finance in the areas of budgetary control and accounting; assist 15-20 major enterprises with their current accounting problems and provide a longer-term programme in accountancy training; and, jointly with the IMF, provide high-level policy analysts.

42. The IMF has an adviser in the Central Bank currently working on the appropriately disaggregated plan of accounts. The World Bank would strengthen this

activity by training staff and provide equipment for better information processing and control and may extend this activity to include the National Development Bank. The World Bank may also help with external debt management and its reporting and, finally, strengthen the capacity of the Central Bank research department to analyse issues and recommend policy alternatives.

43. In the National Directorate for Statistics, the World Bank is being asked to support the development of improved national accounts and price information.

44. A total of \$6,020,000 has been earmarked for this sector, of which \$1,870,000 is unprogrammed.

Second objective: improving co-ordination and management in strategic sectors

45. The Structural Adjustment and Economic Rehabilitation Programme will require careful resource allocations and management in the sectors affected by the Programme, with respect to both national resources and international support funds. The areas where UNDP assistance has been requested, are (a) transport and communications, (b) agriculture, (c) agriculture-linked industry, (d) regional planning, (e) water, and (f) mineral resources.

Transport and communications

46. Because of the strategic location of Mozambique, the regional dimension is significant in a number of sectors. The most important is transport and communications; the country hosts the Southern African Development Co-ordination Conference's (SADCC) technical secretariat for this sector, the Southern Africa Transport and Communications Commission (SATCC), and also has three of the region's five major corridors: Maputo, Beira and Nacala. This places even greater demands on the authorities to plan and implement projects well, since the port and rail infrastructure of Mozambique are important to the country's inland neighbours, as well as for the development of the country's own considerable mineral resources in the northeast. Security problems and diminished demand, particularly from South Africa, has reduced utilization considerably, though internal problems related to lack of skilled manpower, low labour productivity, a deteriorating physical plant and inadequate rolling stock has also created problems for transshipment services.

47. With respect to internal transport, road, ship and air transport, whether cargo or passenger, needs improvement. The road network has deteriorated during the last programme period, and both trunk, secondary and tertiary roads need upgrading. The country's highway Number One, however, is the 2,600 kilometre-long coastline. Coastal shipping is poorly developed, but can clearly play an important part in the economic development and integration of Mozambique. The civil aviation authorities also need to strengthen their capacity to develop the sector further, increasing the benefits from more over-flying rights, better airport services, more efficient use of foreign exchange, improved safety standards, etc.

Ongoing projects

48. A regional project, Transit-Transport for the Land-Locked Developing Countries of the Southern African Sub-region, (RAF/77/017), has been extended into the fourth cycle and will provide technical assistance in the areas of standardization, simplification of transshipments and training in port and rail management, as well as overland truck transport for the SADCC region. In civil aviation, the project for Improvement of Flight Safety and Technical Capabilities (MOZ/78/008) has provided services in sector administration and organization, airworthiness inspection and control and a number of consultancies in areas related to airport safety, airspace planning, civil aviation economics and training. MOZ/81/01/NOR, supported by Norwegian funds-in-trust, for the training of maritime officers, engineers and machinists, will continue into the fourth cycle. The project on Land-based Road Construction, Betterment and Maintenance (MOZ/85/007) developed labour-intensive techniques for tertiary road maintenance and improvement. During the third country programme, additional brigades for the agricultural zones in Gaza and Inhambane provinces will be created.

New projects

49. Technical assistance is foreseen in the areas of civil aviation economics, general management, and flight safety.

Linkages

50. The extension of the regional transport project during the fourth cycle will reinforce the efforts of the SADCC countries to create a truly regional transport network. In addition, the programme is receiving major support from the European Economic Community (EEC), Italy, France, the Netherlands, the United States, the Nordic countries, the German Democratic Republic and the AfDB and World Bank. The other corridor programmes are receiving support from the Soviet Union, Canada, and the United Kingdom. The civil aviation project links with national schemes in the neighbouring countries, as well as with regional plans for closer integration and standardization for the sector. A new Norwegian-funded project for sea transport will include rehabilitation of coastal terminals, direct assistance to the national shipping line and a port training school. WFP is considering a major Food for Work programme for the dock and rail workers to help improve port handling productivity, a major bottle-neck in the regional transport scheme. The road betterment project will receive UNDP funding only during the first phase, since other donors have shown interest in following up and expanding the programme once security conditions improve.

Agriculture

51. Agriculture is the single largest export earner and will provide the main source of income for the vast majority of the population until well into the next century. It is one of the major recipients of foreign aid and faces complex technical, organizational and economic issues, yet has enormous potential and will have to make a major contribution to the country's overall economic development.

New projects

52. Within the Ministry of Agriculture, new project activities will aim to assist the National Directorate for Agricultural Economics in establishing a department for policy analysis and long-range planning, while another will provide institutional support to this Directorate. The National Directorate for Forestry and Wildlife will continue to receive support for the development of forestry management and forest industries at central and provincial levels, while assistance is also being contemplated to strengthen the ability of the State Secretariat for Fisheries to support and develop coastal fisheries. Further, a programme for the training of district and provincial administrators in those areas where UNDP will conduct other field activities is being elaborated as part of the general support to the Ministry National Directorate for Rural Development.

Linkages

53. The National Directorate for Agricultural Economics is being reorganized into four departments: planning and policy analysis; annual plans; statistics and pricing; and projects. While UNDP will concentrate on the first, the major agricultural programme in Mozambique, funded by the Nordic countries, will assist the annual plan and projects departments, with the World Bank perhaps assisting the pricing department. The United Kingdom will provide an additional project analyst, while the EEC will provide two senior staff in the projects department to work on EEC-funded activities. The WFP "Food for Work" project in the forestry sector guarantees crucial implementation capacity for the programmes of the Forestry Directorate in the field. The Scandinavian countries have fostered the institutional development of the fisheries sector for a number of years and will continue with support in the areas of research, training, and equipment. This project will also link with the fisheries training school in Matola.

Agriculture-related industry

54. Agricultural production for market has dropped over the last years, in large part because producers have limited incentives to enter the market as few consumer goods and investment inputs are available. The Government intends to give priority to industry which processes agricultural output, and provides inputs for both production and consumption in the rural areas. This requires both physical rehabilitation of existing industry, encouragement for new, local small-scale undertakings, manpower training, and active Government support in pricing, credit, foreign exchange and technical assistance policies. UNDP funded a UNIDO sector survey mission to analyse the problems the sector is facing and to propose priority areas for action. On the basis of the mission's conclusions, UNDP is requested to provide assistance to an overall Industrial Policy Development project as well as for the National Institute for Local Industry, in addition to the provincial authorities in Gaza and Inhambane.

Linkages

55. The World Bank has been asked to fund a major industrial rehabilitation programme and participated in the work of the sector survey mission, using this as its point of departure for identifying industrial subsectors and specific firms to

fund. A number of donors - Denmark, Italy, France, Japan, plus approximately a dozen NGOs, notably the Friedrich Ebert Stiftung from the Federal Republic of Germany - have shown an interest in the small- and medium-scale projects developed by UNIDO, and the Government expects the UNDP-funded project to generate additional interest and funding for local supply and processing industries.

Regional planning

56. Though Mozambique has a small population compared with its potentially arable land, pressures on the land are growing and are exacerbated by drought and security problems. Erosion caused by soil exhaustion, deforestation and over-grazing have become serious in some areas. A project which just terminated, Human Settlement Planning (MOZ/79/002), has helped establish the training centre of the National Institute for Physical Planning and has trained district and provincial personnel in physical planning.

New projects

57. A regional planning project will continue this work, and also develop a pilot regional plan for parts of southern Gaza.

Linkages

58. The project will serve as a framework for other UNDP-funded activities - agricultural extension, support to local industry, road betterment, rural water supply - as well as for other development projects in the Gaza area and as a model for similar work in other districts.

Water resources

59. One of the country's most abundant and important resources is water, though its distribution over space and across time is uneven. Furthermore, most of the rivers which cross Mozambique originate in other countries, making Mozambique dependent on negotiated rights to downstream water. In the southern parts of the country, long-term agricultural development will depend largely on irrigation because of recurrent drought cycles, while the country's overall power supply should be hydroelectric. The ability to plan and use these resources well is thus fundamental to the economic growth of Mozambique but it is also a complex issue because of the regional aspects and the major investment considerations involved. The sector survey mission which took place suggested a reappraisal of the large investment projects; concentration on better use of existing resources; more intensive manpower training; better planning, monitoring and evaluation of water resources allocation, pricing and costing policies, hydrology studies, river basin development, and water use co-ordination.

Ongoing activities

60. Creating a National Water Resources Institute (MOZ/81/001) has helped create a water information system/data centre, and trained middle-level technicians while the United Nations Children's Fund (UNICEF) has trained basic level technicians, and a parallel Dutch project has provided help in the area of hydrology.

New projects

61. Among the projects proposed by the survey mission, one is the improvement of the water management capacity in the National Directorate for Water to strengthen its water information system, water resources development capacity, including management of (a) the major water works, (b) the planning and investment analysis and (c) its water supply and sanitation department. This department is responsible for a large number of small-scale rural and peri-urban water supply and sanitation schemes, which will include the follow-up project to Environmental Health (MOZ/81/031).

Linkages

62. This sector has one of the country's largest investment programmes, with several major multipurpose dams funded by Italy and AfDB and large urban waterworks, with the Netherlands as major donor, under construction or being planned. Furthermore, many small water supply and sanitation projects are being executed, with the support of many donors, including: Portugal, the Soviet Union, Switzerland, the United States, Austria, UNICEF, and many NGOs. The sector survey mission analysed the investment and technical assistance programmes, presenting a work programme for the coming five-year period with a list of priority projects. A framework for co-operation in this sector, around which the authorities and the donors can plan their future activities, has been agreed upon.

Mineral resources

63. Mozambique is believed to have important mineral resources, particularly coal, iron, natural gas and perhaps petroleum. In addition, the country has quantities of various metallic and non-metallic ores, most of which have been mined only on a limited scale. The sector is considered one in which important gains in export earnings can be achieved the medium to long term and a mission therefore came to survey several selected minerals and to discuss their development prospects. The country is actively trying to attract foreign risk capital, has promulgated a mining law and regulations and is negotiating with a number of foreign companies for rights to explore and exploit certain minerals.

Ongoing projects

64. UNDP has funded a number of geological exploration and institutional support projects which have emphasized human resources development. Currently, the activities funded include direct support to the Ministry of Mineral Resources and evaluation of bauxite deposits in Manica, as well as continued assistance to the National Institute of Geology.

New projects

65. The Ministry is requesting further assistance to the Institute of Geology as well as the National Directorates for Mines, and for Economics and Planning, develop small- and medium-scale mining and also evaluate certain mineral deposits. Institution-building and training are the key areas to be covered, though direct assistance, particularly in sensitive situations related to contract negotiations, will also be provided.

Linkages

66. A large number of public and private companies from the Soviet Union, the German Democratic Republic, Yugoslavia, Italy, the United States and the United Kingdom are involved in various aspects of geological surveying, exploration and production. The first agreements with private companies have recently been signed. The UNDP projects are thus providing important support to Ministry efforts to manage the development of the mineral sector efficiently.

67. A total of \$11,507,000 has been allocated to the activities covered by this objective, of which \$3,660,000 is unprogrammed.

Third objective: training in strategic sectors

68. Mozambique lacks skilled manpower in most sectors and, despite the substantial efforts already made in this area, human resources development will remain a priority goal for many years to come. In order to make maximum use of UNDP funds, the Government wishes to concentrate on middle- to higher-level training for the same sectors in which UNDP will be providing other kinds of assistance, notably in (a) general economic and financial management, (b) management in industry and agriculture, and (c) middle- and higher-level technical training in agriculture, forestry, fisheries and industry.

General economic and financial management

New projects

69. A preparatory assistance project in management training at the Faculty of Economics began in August 1986 to help create a two-year management training course. In the first phase, recent graduates with three years of economics will be given a two-year upgrading course. In the second phase, a new five-year economics programme will be designed with a three-year core programme, with two subsequent two-year specializations: economics and management. UNDP will continue to support the management branch. A project in the Ministry of Trade for export promotion is closely linked with another funded by the Swedish International Development Agency (SIDA) for import management; together the two projects are creating a capacity to train trade managers.

Linkages

70. The Faculty of Economics project will train managers and provide high-level counterparts to the technical assistance projects in the central Ministries, as well as future teachers for training projects in the industrial and agricultural sectors. The project is promoting TCDC by creating institutional links to one or more faculties of economics and management in Brazil, and will also prepare a project for the economics course for possible funding by the World Bank. The foreign trade project will help the implementation of major import-support programmes, such as those funded by the International Fund for Agricultural Development (IFAD), the World Bank and bilateral donors, by providing better-qualified administrators for the preparations, analyses, monitoring and reporting of bids.

Industrial and agricultural management

71. The lack of experienced managers, particularly in industry and agriculture, constitutes a major problem for the transformation of the management principles of enterprises in these two sectors as the macro-economic environment in which they work changes. Human Resources Development in Industry, (MOZ/82/012) was a one-year preparatory assistance project aimed at providing short but intensive, "hands-on" training for middle- and higher-level managers within an integrated approach in a few selected firms.

New projects

72. An industrial training project continues the work of MOZ/82/012, concentrating on those firms given priority by the Government rehabilitation programme because of their direct links to agriculture. In agriculture, a management project for large farms is intended to provide a comprehensive training programme for the managers of large agricultural complexes, whether private or public.

Linkages

73. Both projects are to establish ties to the project at the Faculty of Economics; close co-operation and the exchange of personnel are expected to take place over time. The management projects are also good examples of UNDP-funded technical assistance complementing investment and rehabilitation projects, such as those funded by the World Bank and bilateral donors (the Nordic countries, France, the German Democratic Republic, Romania, and the Soviet Union). These projects also have important TCDC components; the industrial project has established institutional linkages with the Brazilian Industrial Training Authority.

Technical training in agriculture and industry

74. Two projects at the University, Veterinary Faculty (MOZ/81/019) and Forestry Engineering (MOZ/81/023), have been increasing the capacity of the University in these fields. The project in marine fishery training (MOZ/82/007) has been supporting the fisheries school near Matola and links the higher-level training with that at the Nautical School funded by MOZ/81/01/NOR. Technical training has been given to foremen and skilled labourers through the project for the development of the Machava Technicians Training Centre (MOZ/80/024) at which United Nations Volunteers (UNV) are instructors. Support for university-level training will continue, with the expectation that by the end of the fourth cycle, no further UNDP assistance will be required. The fisheries school is also continuing to receive aid, though this, too, will diminish by the end of the programme period, while only two more years of assistance is deemed necessary for the Machava Training Centre.

New projects

75. Increased attention will be paid to the training of agricultural administrative personnel and extension agents through support to the Rural Training Centres. The Centre in Maputo will be responsible for the development of curriculum and instructional materials, as well as the training of teachers for the

provincial centres. This Centre, which has been supported for some time by the Nordic countries, is now receiving FAO assistance to elaborate the national programme. The Government proposes to make it a regional centre, initially for the Lusophone countries of Africa with regional project support. Later it might be expanded to include a SADCC dimension and a more general regional approach. The IPF resources for Mozambique will provide the necessary additional support and fund the centres in Gaza and Inhambane. In the broader area of educational development, a project to improve elementary school curricula and training for primary school teachers' has been proposed, along with a continuation of UNDP aid to the civil aviation school in aircraft maintenance training.

76. Assistance is also being requested for a national institute to foster small-scale industries by providing support of various kinds, such as credit schemes, training programmes, assistance in dealing with national authorities and access to foreign exchange for raw materials and machinery. The institute will have a central office in Maputo and will assist the provincial authorities and other provincial bodies to set up localized services. It will also develop training materials, advise the Government on policy matters and the concerns of local industry and help channel external support to initiatives which merit aid. Over time, the institute is expected to acquire a significant technical assistance capacity to serve local and small-scale industries.

Linkages

77. The fisheries training centre is one element of the general support to the fisheries sector provided by a number of donors, most of whose activities involve physical inputs, while UNDP supports the training of coastal and deep sea fishermen. Similarly, the Machava Training Centre is providing skilled workers for industries being assisted by management training and by physical inputs for rehabilitation. With respect to agriculture, national support is expected for a number of provincial Rural Training Centres, and other donors, including UNICEF, are also interested. By transmitting new knowledge and orientations to extension agents, these Centres will provide the crucial linkage between agricultural research and general agricultural policy developments on the one hand, which take place largely at the national level, and on the other, implementation at the local level.

78. A total of \$12,378,000 has been allocated for this objective, of which \$3,450,000 has not yet been programmed.

Fourth objective: support to small-scale production

79. Agriculture employs nearly 85 per cent of the population of Mozambique and the vast majority of these people work in what are known as the family and co-operative sectors. The technology used is generally rudimentary: shifting (slash-and-burn) agriculture, is widely practiced in large parts of the southern and central regions. Moreover, a substantial decline in production for market has taken place over the last years because of a variety of factors which must be addressed simultaneously: the depletion and degeneration of seeds and other sowing stock due to the drought; the lack of tools, storage facilities, roads and other support

infrastructure; the deterioration of productive fixed capital such as perennial crop plants, irrigation and drainage canals, livestock herds and pastures; the decline of the rural trading network, with respect to trading localities and the means of reaching them, as well as the availability of tradeable commodities; the rapid and massive dislocation of the local population in many areas due to drought and insecurity and, consequently, the pressures on the land in the more fertile and safe areas; and a general turning from official markets towards increased barter and parallel market activities. All these problems are compounded by the insufficient capacity of the authorities at the district, provincial and central levels to deal with the planning and managerial tasks involved in providing the necessary services and goods.

80. Labour-intensive industrial and extractive activities have so far received limited attention. This is now changing, given the emphasis on decentralization of economic activities, greater support to small enterprises and private business, and the perceived need for creating labour-absorbing productive activities. A number of small village-based processing activities are encouraged and assisted, among them grain mills and oil presses, as well as local handicrafts, small-scale artisanal production and high-skill occupations such as carpentry, masonry and blacksmithing. In most cases, what is needed are physical inputs, both capital goods and raw materials, and some elementary training assistance. However, once the activities begin expanding significantly, technical assistance for improving organizational, managerial and financial skills becomes important.

81. In agriculture, a coherent programme of (a) direct assistance/extension services; (b) a training programme for extension agents; (c) applied research on the most important crops in the family and co-operative sectors, and (d) a strengthening of local, provincial and central authorities to identify, implement, monitor and evaluate projects for these sectors. This should be supported by (e) an auxiliary programme to improve productivity and living conditions in the rural areas, particularly for women. Finally, (f) a programme for small-scale industry and extractive activities should be put in place. Skills of district, provincial and central authorities in identifying input and technical assistance needs and viable projects must be upgraded, well-founded credit schemes established, and a national capacity to develop and assist small-scale industries created. Such projects should also be linked with WFP Food for Work schemes which are being set up.

82. Although women constitute the great majority of agricultural producers in many regions, they have not so far benefited fully from the changes which have taken place in the sector. The approach chosen in Mozambique is not to create specific projects for women, but to integrate them in the overall development process. Special attention must be paid to the training of women, and concrete targets and quotas must be established to ensure the extra effort necessary to include them. Special training materials must also be developed to take into consideration the particular needs of women as producers, consumers and mothers, as well as their social position in the local society.

Direct assistance/rural extension

83. Because settlement in large parts of Mozambique is highly dispersed, the cost of information distribution is high. Mozambique is therefore building up a rural extension service based on local "enquadradores": groups of 30-60 households select an "enquadrador", usually a capable producer with high standing in the local community, who becomes the key link to the local authorities. Local extension agents, who are trained at provincial Rural Training Centres, give the "enquadradores" basic technical information and assist them in applying this knowledge. The land of the "enquadradores" therefore serves as demonstration plots. The technology applied will necessarily depend largely on existing agricultural practices in the community so as to make the changes more acceptable; and the changes themselves must depend primarily on locally available resources, basically the smallholders' own labour time, so that the technological development will be incremental in nature.

Ongoing projects

84. Two projects have provided assistance to the smallholder sector: Small-scale Irrigation for Food Production (MOZ/84/U01) in southern Inhambane, where UNDP funds equipment and some low-cost technical assistance for limited irrigation and related activities in an integrated project approach, and where the Italian Government will finance a larger-scale follow-up programme; and Rural Services in the Food and Cotton Producing Areas (MOZ/81/016), which is providing technical assistance based on the "enquadrador" scheme to small producers in the rainfed areas in the north of the country. It is envisaged that UNDP will continue to provide assistance to MOZ/84/U01 under the same financial arrangement.

85. Four projects have been providing support to the National Institute for Agricultural Research: Soybean Development (MOZ/80/020), Wheat Development (MOZ/82/005), Agricultural Research (MOZ/81/014), and Land and Water Resources Evaluation (MOZ/81/015). While the first two were crop-specific, MOZ/81/014 not only studied maize, rice, and sorghum, but also began carrying out research on farming systems in the family sector in the irrigated areas of southern Gaza. MOZ/81/015 prepared inventories and analyses of the productive potential in the major agricultural regions of the country.

New projects

86. A preparatory assistance project began late 1986 to assist the National Directorate for Rural Development of the Ministry of Agriculture in analysing the country's experience in rural extension. This will include evaluation missions for the two projects mentioned above, MOZ/84/U01 and MOZ/81/016, and examine other rural extension work. These activities will lead to the identification of principles for low-cost rural extension in southern Gaza, the selection of project sites and the elaboration of a programme in that region. This is to be funded through a major umbrella project for direct technical assistance to the family and co-operative sectors.

87. Substantial gains can be made by improvements in basic production technology. Knowledge of such subjects as local farming systems, including soil and water management, crop rotation patterns, food security strategies (risk minimization approaches), and household time allocations should be increased. A UNDP/FAO mission has discussed priority activities with the Government and prepared concrete project proposals for a comprehensive programme in this area.

88. A new project at the Agricultural Research Institute will provide senior expert services in studies of soil and water, farming systems and the most important crops: manioc, maize, irrigated rice and oil seed products. Some assistance will be provided in research on beans, tubers, legumes and ground-nuts and training will be given high priority. Rehabilitation of regional research centres to undertake local applications is suggested, as is continued work in natural resources evaluation for support to agricultural development planning.

Linkages

89. While UNDP will fund technical assistance, other inputs, such as tools and seeds, will be needed. It is hoped that links can be established with the second IFAD-financed import programme for family sector inputs. At a later stage, when security and economic conditions permit, infrastructure investment projects such as the rehabilitation of existing irrigation and drainage systems and the installation of new small-scale irrigation schemes, based on the experiences of MOZ/84/U01, will be developed and submitted to other funding institutions for consideration. A major Food for Work programme to help support physical infrastructure rehabilitation in southern Gaza - irrigation systems, roads and trading posts - is under consideration, to support the current technical assistance and inputs programmes.

Auxiliary programme

90. A number of other economic and social activities are being considered to complement and diversify income sources and to improve living and working conditions, especially for women. Particularly important are initiatives which can reduce the time spent on household chores such as fetching water, gathering fuel, storing and preparing food, which take up a very high percentage of women's work hours and limits their investing more time in agricultural production. Better food storage and processing is important not only to minimize food losses, but also because local food processing can become an important source of employment. The establishment of a complementary food technology programme to be undertaken in close co-operation with the United Nations Development Fund for Women (UNIFEM) is proposed for the southern Gaza and Inhambane areas.

91. A total of \$13,364,000 is foreseen for projects falling under this objective, of which \$3,700,000 is not yet programmed.

92. Other United Nations system agencies, such as UNICEF and the United Nations Fund for Population Activities (UNFPA) will provide assistance to Mozambique during the period 1985-1990. The direct relationship of all of their assistance to the third country programme exercise cannot be identified at this stage. The UNICEF

Executive Board has approved a commitment of \$13,370,000 from general resources for Mozambique for the period 1985-1990. UNFPA will provide \$6,000,000 during 1986-1990, of which \$4,000,000 is to be committed by UNFPA and the remainder either by UNFPA or from bilateral and multilateral sources.

C. Unprogrammed reserve

93. An unprogrammed reserve of \$3,500,000 is being held for new needs which might arise during the country programme period. A particular concern is the ability of UNDP to provide assistance quickly for situations which might arise because of the rapidly changing geo-political conditions in the southern African region. This concerns both the strategic position of Mozambique due to its geographic importance for transport and communications, as well as the strong repercussions of any changes in the South African economy on the economy of Mozambique and the region as a whole.

Annex

FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

<u>A. UNDP-administered resources</u>	\$	\$
Third cycle IPF balance		
Fourth cycle IPF	47 059 000	
Subtotal IPF		47 059 000
Special Measures Fund for Least Developed Countries	-	
Special programme resources	-	
Government cost-sharing	-	
Third-party cost-sharing	-	
Operational Funds under the Authority of the Administrator (UNIFEM)	261 400	
UNDP special trust funds	-	
Subtotal, UNDP non-IPF resources		261 400
 <u>B. Other sources</u>		
Funds from other United Nations agencies or organizations firmly committed as a result of the country programme exercise	-	
Parallel financing from non-United Nations sources	-	
Subtotal, other sources		-
 TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING		<u><u>47 320 400</u></u>

II. USE OF RESOURCES

Ongoing projects	13 050 000	
New project proposals	18 766 400	
Programmed reserve	12 004 000	
Subtotal, programmed resources		43 559 000
Unprogrammed reserve		3 500 000
 TOTAL USE OF RESOURCES		<u><u>47 320 400</u></u>

