

## Mozambique

**The Development Challenge:** Mozambique continues to be held in high regard internationally as a model of war-to-peace transition. The country's success is reflected in its ability to sustain strong economic growth. Gross Domestic Product (GDP) growth was 14.8% in 2001, with 10% projected for 2002. Behind solid and increasingly progressive leadership, the country continues to press forward with economic and political reforms in the face of substantial development challenges. Per capita annual GDP is now roughly \$225. With municipal elections slated for 2003 and national elections in 2004, continued growth in the effectiveness of civil society and greater government transparency and accountability are essential to curtailing corruption and building citizen confidence. Sixty percent of adults are illiterate. Despite increased vaccination rates and better access to basic health services, life expectancy remains 46 years. Given this difficult context, even if Mozambique can successfully reduce the incidence of HIV/AIDS in the medium term, the present prevalence rate of 12.6% will eventually translate into large costs for the economy and society. In the face of these challenges, donor resources and private investment are needed if Mozambique is to maintain its economic growth, reduce poverty, and stem the spread of HIV/AIDS.

Mozambique's ocean access to global markets for several landlocked countries and its proximity to the industrial heartland of South Africa underscore the fact that its political stability and economic growth contribute to the U.S. national interests of peace, stability, and economic growth throughout southern Africa. As a rapidly growing economy, Mozambique is increasingly a potential market for U.S. exports and U.S. investment in agriculture, fisheries, and minerals.

In 2002, the economy returned to the single digit inflation and double-digit growth that was interrupted in 2000 - 2001 by floods and a banking crisis. There was also progress on the structural, or macro-economic, reforms that are needed for Mozambique to achieve its Poverty Reduction Strategy Plan (PRSP) goal of realizing a significant reduction in poverty by maintaining high rates of growth.

The economy opened further in 2002, with merchandise trade increasing as a percentage of GDP, from 40.7% in 2000 to 63.9% in 2002. Exports have doubled since 2000, reflecting the government's success in attracting major new investments, particularly in the processing of aluminum and natural gas.

**The USAID Program:** FY 2003 is the final year of Mozambique's current Country Strategic Plan, and it will be the year that USAID begins the transition to a new strategy. Both ongoing activities and future activities are summarized in the following four data sheets. In FY 2003, USAID's four strategic objectives will continue to increase rural incomes, strengthen the partnership between civil society and government, increase the use of essential maternal and child health services, and improve the enabling environment for private sector-led growth. In FY 2004, the first year of its new country strategy, USAID will pursue five new strategic objectives that foster sustained and more broad-based, poverty-reducing economic growth through agriculture and increased international trade, stem the spread of HIV/AIDS, improve maternal and child health, and build constructive relations between citizens and their governance bodies. The new strategy will contribute significantly to overall peace and security in Mozambique and sub-Saharan Africa. U.S. assistance will play an increasingly critical role in the country's future if the poor are to share in the benefits of growth and reform, and if Mozambique is to become fully integrated into the global economy.

Each of these programs makes a direct and significant contribution to one or more U.S. foreign aid pillars and Mozambique's development challenges. Together, they broaden participation in political life and economic growth for all Mozambicans. USAID's new country strategy will advance this goal by ensuring broad-based gains from the economic growth Mozambique is expected to achieve over the next several years. Separate notifications will be provided to Congress once the new strategy is approved.

**Other Program Elements:** Monetized PL 480 Title II resources will complement the Mission's DA portfolio to assist food insecure families to increase food production, raise cash incomes and improve family nutrition.

In addition to the resources requested in the Data Sheets, USAID's Economic Growth, Agriculture and Trade (EGAT) Bureau provides central funding for the Conservation of Resources in African Landscape (CORAL) activity, which includes work in Mozambique. This activity increases and improves protection and sustainable use of agricultural land; natural resources, principally forests, and biodiversity; and both freshwater and coastal ecosystems. Ecotourism development is a key enterprise activity under CORAL, and a sector USAID considers a potential focus of its new country strategy. In FY 2003 USAID expects the start-up of new activities funded under the Regional HIV/AIDS Program for Southern Africa. These will target high-risk populations in the extremely active commercial centers of Namaacha, on the border with Swaziland, and Ressano Garcia, on the border with Mpumalanga Province in South Africa. The lead implementer will be an experienced U.S. private voluntary organization (PVO) already working in Mozambique and in the neighboring countries. The approach will be to identify and mobilize local partners to provide sexually transmitted infection (STI) referrals and education, HIV/AIDS behavior change outreach and education activities, voluntary counseling and testing, and condom social marketing to high-risk populations. These activities will be an important adjunct to USAID's own bilateral Maputo Corridor AIDS Prevention (MCAP) project in helping to reduce HIV transmission in southern Mozambique. Mozambique is a priority country under the Presidential Initiative for Prevention of Mother-To-Child Transmission (PMTCT) of HIV/AIDS, which will greatly expand USAID's current support in this area.

**Other Donors:** Overall donor assistance to Mozambique's economic growth and poverty reduction strategy is expected to total approximately \$620 million in 2003, with grants projected at approximately \$450 million and a projected \$170 million in concessional loans. The United States remains the largest bilateral donor, likely providing over \$65 million in grants and monetized food aid in FY 2003. Other major donors include the World Bank, the International Monetary Fund, the United Nations agencies, the European Union, the United Kingdom (U.K.), Japan, the Netherlands, Sweden, Denmark, Switzerland, Italy, France, and Norway. Portugal, South Africa, and the U.K. are major sources of private investment in Mozambique. Donor coordination working groups are active in all of USAID's strategic areas. An important aspect is Mozambican government leadership of each working group. USAID partners with the World Bank, the European Union (EU), and bilateral European donors, in close cooperation with the Ministry of Agriculture, to improve agricultural policy and restructure the agricultural public sector. USAID remains a leading member of the Ministry of Health-chaired donor working group that includes Canada, the Netherlands, the EU, Japan, the World Bank, and several other European countries. USAID and the World Bank continue to implement complementary efforts to improve the environment for private sector growth. Of particular note are ten public-private fora to discuss and develop policies that foster private sector-led growth and development.

## Mozambique PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2001 Actual	FY 2002 Actual*	FY 2003 Prior Request	FY 2004 Request
Child Survival and Health Programs Fund	12,953	17,677	21,800	24,200
Development Assistance	31,469	22,438	23,692	16,061
Economic Support Fund	600	400	0	0
PL 480 Title II	22,996	18,448	16,871	16,659
<b>Total Program Funds</b>	<b>68,018</b>	<b>58,963</b>	<b>62,363</b>	<b>56,920</b>

### STRATEGIC OBJECTIVE SUMMARY

656-001 Increased Rural Incomes				
DA	18,840	17,910	19,842	9,600
656-002 Government and Civil Society				
DA	1,912	1,261	1,350	1,261
ESF	600	400	0	0
656-003 Maternal and Child Health				
CSH	12,953	17,677	21,800	24,200
DA	5,250	0	0	0
656-004 Enabling Environment for Growth				
DA	5,467	3,267	2,500	5,200

\* FY 02 appropriated CSH excludes \$100,000 in polio funds programmed under Africa Regional.

## Data Sheet

<b>USAID Mission:</b>	Mozambique
<b>Program Title:</b>	Increased Rural Incomes
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	656-001
<b>Status:</b>	Continuing
<b>Proposed FY 2003 Obligation:</b>	\$19,842,000 DA
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2004 Obligation:</b>	\$9,600,000 DA
<b>Year of Initial Obligation:</b>	FY 1996
<b>Estimated Completion Date:</b>	FY 2004

**Summary:** USAID integrates development assistance with P.L. 480 Title II resources to help poor rural households raise incomes and improve food security and nutrition, through: (1) construction and rehabilitation of major and secondary roads linking producers to markets; (2) training and technical assistance for rural entrepreneurs and investors in business management and market analysis; (3) technical assistance and resources to develop commercial financial services reaching rural enterprises; (4) technical assistance and training to transfer improved sustainable agricultural technologies to small-scale and commercial farmers; and (5) technical assistance, training, and budget support to reform, reorient, and revitalize public sector policy and investment supporting agricultural development.

USAID has made considerable progress toward the goal of broadened participation in political life and economic growth under the existing strategy. Progress in each of the current strategic areas has created opportunities to move the program forward and achieve even greater success in poverty reduction and promotion of economic growth. As the transition to the new strategy in FY 2004 begins, USAID will continue to promote technologies to increase crop yields, improve market access, expand rural enterprises and rural credit availability.

### **Inputs, Outputs, Activities:**

#### **FY 2003 Program:**

Increase sustainable agriculture practices and market access (\$13,842,000 DA). In order to enhance access to rural markets, USAID will continue to fund the reconstruction/rehabilitation of rural farm-to-market roads in the provinces of Zambezia and Nampula. Some 150 km of secondary and tertiary roadways will be rehabilitated in FY 2003 under mixed DA and P.L. 480 Title II funding. The ongoing training of farmers in crop diversification, improved storage techniques and sound environmental management practices are all designed to enhance the food security of rural farm families. USAID will continue to provide budget support, project assistance and leadership guidance to the government's agricultural sector investment program, ProAgri. A major assessment of Phase I activities under ProAgri will be completed in FY 2003. Based on the findings, Phase II of ProAgri will be designed to build upon the successes of the earlier program, with assistance from USAID and other donors, and will have a FY 2004 implementation date. Principal contractors, grantees or agencies: Save the Children Federation (SCF), Food for the Hungry International (FHI), Adventist Development Relief Agency (ADRA), Cooperative American Relief Everywhere (CARE), World Vision International (WVI), Africare, the Ministry of Agriculture and Rural Development (MADER), ProAgri (prime); Michigan State University, University of Nebraska, National Roads Administration and Ministry of industry and Commerce (sub).

Expand rural enterprises and financial services development (\$6,000,000 DA). Through partnerships with private traders, financial institutions and processors, activities to strengthen rural enterprises and their marketing capabilities will continue in FY 2003. Newly assisted rural enterprises (AREs) will receive technical and business skills training in order to promote diversification of marketable crops and focus production on exporting non-traditional crops. The Cooperative League of the USA (CLUSA) projects sales by AREs in excess of \$1.5 million in FY 2003. Over 1,000 AREs, composed of over 30,000

households, in addition to six legalized associations of AREs, are anticipated to be functioning by the end of the reporting period. Additionally, start-up of a new producer-owned trading company, with equity investment from local financial institutions, is programmed for FY 2003. Principal grantees: Agriculture Cooperative Development International/Volunteers in Overseas Cooperative Assistance; Technoserve; CLUSA (prime).

P.L.480 Title II. Monetized P.L. 480 resources will assist food insecure families to increase food production and cash incomes and to improve family nutrition. These resources finance agriculture extension activities (introduction of improved agriculture practices designed to increase crop yields; improve soil fertility; improve food security throughout the year; and safeguard the environment) mainly through farmer field schools. Reconstruction/rehabilitation of farm to market roads will continue in Zambezia and Nampula provinces targeting 150 km for FY 2003. Principal contractors, grantees or agencies: SCF, FHI, ADRA, CARE, WVI, Africare, MADER, ProAgri (prime); Michigan State University, University of Nebraska, National Roads Administration and Ministry of Industry and Commerce (sub).

In FY 2003 USAID will complete implementation of a \$132 million International Disaster Assistance (IDA) funded post-flood reconstruction program in roads (\$35 million), railroads (\$55 million) and agricultural and commercial trade recovery (\$42 million), which included resettlement grants to over 106,000 families so they could purchase basic needs and essential household goods to return to normal productive life and 274 loans to agricultural and commercial enterprises to allow them to reconstruct and restock their shops and warehouses.

Funding received in FY 2003 from the Agricultural Initiative to End Hunger in Africa will advance important agriculture-related policy and investment changes. In Mozambique, the initiative will assist private and public actors to join in implementation of programs and policies that increase investment, strengthen the competitiveness of Mozambique's farmers and farm-related businesses in the global economy, and expand the benefits of agricultural research and technology transfer.

#### **FY 2004 Program:**

USAID will initiate a new country strategy in FY 2004. While the strategy is not yet completed, the following areas are likely to be funded. New notifications will be provided once the strategy is approved.

Rural Income Growth Accelerated (\$9,600,000 DA). USAID will embark upon a new country strategic plan (CSP) in FY 2004. A shift in the rural economy - from family-consumption-oriented agricultural production to market-oriented production and value-added enterprises - is underway. This shift can be accelerated if increased technical and financial resources are directed to solve basic institutional issues of the sector: increase access to functioning input, output and financial markets and improve the technological base for cost-efficient production. The new strategic objective will integrate development assistance with P.L. 480 Title II resources to help poor rural households raise incomes and improve food security and nutrition through: (1) technical training to enhance capacity of local contractors in road construction and maintenance, and business management; (2) institutional development to improve the capacity for road operation and maintenance; (3) rehabilitating selected overland market links; (4) introduction of new technologies for road construction aimed at improving quality and reducing costs of maintenance; (5) support of emerging rural enterprises that maximize linkages along the value chain (farmers, marketing agents, input suppliers, etc.); (6) fostering public-private partnerships between supplier and farmers and/or farmer associations; (7) support capacity building of the Ministry of Agriculture and Rural Development through continued efforts in public sector outsourcing of agricultural services including: technical assistance and training in environmentally sound agricultural practices and incorporation into production systems delivered through a combination of public and private sector channels; capacity building of government in policy implementation designed to increase production; and technical assistance in agricultural research and extension. Principal contractors and grantees: To be determined.

**Performance and Results:** The fact that Mozambique has avoided the declaration of an emergency in the face of severe regional droughts is testimony to an emerging confidence and capacity within the government to deal with recurring hazards and the capabilities of the rural population to withstand

adverse situations and utilize crop diversification and improved production techniques. The farmers in three private voluntary organizations (PVO) program areas achieved an average maize yield of 1.66 metric tons per hectare (mt/ha) for the 2002 season as measured by actual crop cuts despite drought conditions. This is nearly double the average maize yield of 0.897 mt/ha that the Food and Agriculture Organization reported for Mozambique in FY 2001. Small farmers not only increased production but enhanced marketing activities as evidenced by maize exports from the focus area of 70,000 mt, almost triple FY 2001 sales. Completion of the all-weather 240 kilometer stretch of the principal north-south highway in FY 2002 is already contributing to the marketing of agricultural produce including maize, cotton, beans, sesame and honey. ProAgri, through policy reform and advocacy, facilitated marketing activities that resulted in a relaxation of administrative constraints to internal commerce and exports at the district and provincial levels, particularly noteworthy in the context of the regional drought. FY 2002 marked the first year in Mozambique's post-colonial history when commercial credit was extended to rural enterprises by a formal Mozambican financial institution. Twenty-three groups of AREs formed under a USAID grant managed by CLUSA received over \$118,000 in marketing credit, allowing them to turn over the loan a number of times by buying maize, groundnuts, beans and sesame at different periods in the harvest cycle.

By assisting smallholders in improved agricultural production techniques, opening up over 150 kilometers of farm-to-market roadways, and taking advantage of commercial loans to assist rural enterprises, the program will help to increase smallholder household incomes in target areas by 10% during the final year of the strategy period, FY2003.

## US Financing in Thousands of Dollars

Mozambique

	CSH	DA	DFA
656-001 Increased Rural Incomes			
<b>Through September 30, 2001</b>			
Obligations	6,200	131,139	27,895
Expenditures	5,999	81,728	27,311
Unliquidated	201	49,411	584
<b>Fiscal Year 2002</b>			
Obligations	0	17,838	0
Expenditures	201	25,506	509
<b>Through September 30, 2002</b>			
Obligations	6,200	148,977	27,895
Expenditures	6,200	107,234	27,820
Unliquidated	0	41,743	75
<b>Prior Year Unobligated Funds</b>			
Obligations	0	0	0
<b>Planned Fiscal Year 2003 NOA</b>			
Obligations	0	19,842	0
<b>Total Planned Fiscal Year 2003</b>			
Obligations	0	19,842	0
<b>Proposed Fiscal Year 2004 NOA</b>			
Obligations	0	9,600	0
Future Obligations	0	0	0
Est. Total Cost	6,200	178,419	27,895

## Data Sheet

<b>USAID Mission:</b>	Mozambique
<b>Program Title:</b>	Government and Civil Society
<b>Pillar:</b>	Democracy, Conflict and Humanitarian Assistance
<b>Strategic Objective:</b>	656-002
<b>Status:</b>	Continuing
<b>Proposed FY 2003 Obligation:</b>	\$1,350,000 DA
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2004 Obligation:</b>	\$1,261,000 DA
<b>Year of Initial Obligation:</b>	1996
<b>Estimated Completion Date:</b>	2004

**Summary:** This program uses development assistance funding to provide: (1) technical assistance, training, and commodities to modernize and improve the effectiveness of the national legislature; (2) technical assistance and training to enact and implement targeted justice sector reforms; and (3) technical assistance and training to enhance the knowledge and effectiveness of civil society organizations, enabling them to work for improved government performance, responsiveness and accountability to citizens.

During the current strategy, USAID made considerable progress toward broadened participation in political life. USAID's efforts succeeded in strengthening the National Assembly, political parties and NGOs. In the new strategy, the Mission will shift its attention to the local level and work to repair the disconnect between Mozambican citizens and their governance bodies. This will include anti-corruption activities, given the burden of petty corruption a number of Mozambicans face every day.

### **Inputs, Outputs, Activities:**

#### **FY 2003 Program:**

Increase citizen participation in governance at national levels (\$350,000 DA). USAID will continue to provide funding to Etica Moçambique, a Mozambican citizen-based anti-corruption/watchdog non-governmental organization (NGO) in efforts to develop civil society capacity to lead effective anti-corruption and conflict prevention efforts through media reporting. Data for FY 2002 reflected a 24% increase over FY 2001 in the level of media reporting of government misconduct, including substantially more reporting of inappropriate use of power and cases involving misuse of public funds. With USAID support, civil society organizations (CSOs) ability to form coalitions and effectively press for both reform and government accountability will be strengthened. Activities designed to increase the government's efforts to fight political corruption and activities aimed at fostering political dialogue between political parties, private sector and civil society through public debate will continue in FY 2003. Principal grantee: Etica Moçambique (Prime).

Ensure that key democratic institutions are more effective and accountable (\$1,000,000 DA). USAID will continue anti-corruption assistance in FY 2003, and will provide one final year of technical assistance to the Parliament to reinforce the internal procedures and staff skills built up under a previous program. USAID will augment already obligated FY 2002 ESF with a small amount of DA resources to support municipal elections in 2003. Principal contractors, grantees and agencies: U.S. Department of Justice, the State Department, and the Federal Bureau of Investigation.

#### **FY 2004 Program:**

USAID will initiate a new country strategy in FY 2004. While the strategy is not yet completed, the following areas are likely to be funded. New notifications will be provided once the strategy is approved.

Potential for Conflict Reduced Through Improved Citizen-Government Interaction (\$1,261,000 DA). USAID will embark upon a new strategy in FY 2004. Under the proposed strategic objective, the Mission



proposes to focus democracy and conflict prevention resources on improving the average citizen's encounters with authorities, especially at the local level where government touches the vast majority of citizens. This is a natural and urgent next step from the democracy and governance activities implemented under the 1996-2003 CSP. The program will use development assistance funding to provide: (1) technical assistance to strengthen the capacity of emerging political institutions; (2) technical assistance and training to increase knowledge and awareness of civil society organizations concerning: basic rights and freedoms; developing citizen oversight of government; strengthening models for community-level decision making and building on emerging public initiatives to fight corruption; (3) technical assistance and training to improve the performance of municipal governments; and (4) technical assistance and training to increase the opportunities for reducing corruption and to create positive incentives for ethical behavior and sanctions for unethical behavior aimed at creating an arena where public servants are more accountable and ethical. Principal contractors and grantees: To be determined.

**Performance and Results:** Targeted USAID investments are designed to help government institutions in the legislative, executive, and judicial branches become more capable, accountable and better focused on service delivery, representation, and citizen interests in the newly-formed democracy in Mozambique. The Attorney General's Office put its Anti-Corruption Unit to work and the first corruption cases are being investigated. Mozambican civil society, especially the media, Etica Moçambique and business associations continue to put pressure on the government to be more active in fighting corruption. USAID continues to be the only donor supporting these efforts. Civic awareness of the issue is reflected in a 24% increase over FY 2001 in the level of media reporting of government misconduct. The reports emphasized human right violations, inappropriate use of power and the misuse of public funds (up from three cases in FY 2001 to eight in FY 2002). Efficiency in the Maputo City Court continued, witnessed by the increase in the proportion of cases processed in 12 months or less (44% in FY 2002, up from 39% in 2001 and 19% in FY 2000) and increase in the average caseload per judge to 168 cases sentenced up from 106 in FY 2001. Four years of USAID assistance have demonstrated positive impact in the capacity and operation of political parties in Mozambique. Frelimo, the ruling party, has used technical assistance to adopt more sophisticated polling messages, increase discussion with different interest groups and develop a more efficient internal records and communications systems. Renamo, the main opposition party, has begun to implement very basic internal democratic practices as well as new, more effective organizational and administrative procedures.

By the end of the program it is anticipated that Mozambicans will be more aware of their rights and responsibilities; the courts will function more efficiently in part by reducing judicial delays; the National Assembly will operate more efficiently; and the capacity and operation of political parties will be enhanced.

## US Financing in Thousands of Dollars

Mozambique

656-002 Government and Civil Society	DA	DFA	ESF
<b>Through September 30, 2001</b>			
Obligations	15,187	18,200	6,650
Expenditures	12,967	18,146	5,841
Unliquidated	2,220	7	809
<b>Fiscal Year 2002</b>			
Obligations	1,261	0	400
Expenditures	1,190	0	204
<b>Through September 30, 2002</b>			
Obligations	16,448	18,200	7,050
Expenditures	14,157	18,146	6,045
Unliquidated	2,291	54	1,005
<b>Prior Year Unobligated Funds</b>			
Obligations	0	0	0
<b>Planned Fiscal Year 2003 NOA</b>			
Obligations	1,350	0	0
<b>Total Planned Fiscal Year 2003</b>			
Obligations	1,350	0	0
<b>Proposed Fiscal Year 2004 NOA</b>			
Obligations	1,261	0	0
Future Obligations	0	0	0
Est. Total Cost	19,059	18,200	7,050

## Data Sheet

<b>USAID Mission:</b>	Mozambique
<b>Program Title:</b>	Maternal and Child Health
<b>Pillar:</b>	Global Health
<b>Strategic Objective:</b>	656-003
<b>Status:</b>	Continuing
<b>Proposed FY 2003 Obligation:</b>	\$21,800,000 CSH
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2004 Obligation:</b>	\$24,200,000 CSH
<b>Year of Initial Obligation:</b>	1996
<b>Estimated Completion Date:</b>	2004

**Summary:** This program increases the use of essential maternal and child health and family planning services in Mozambique and improves the management of the public health system by providing: (1) technical assistance, training, and commodities to improve the reach and quality of child survival services delivered by the public health system; (2) targeted technical assistance, training, and commodities to improve the management and effectiveness of the overall public health system to make basic services more available and sustainable; (3) technical assistance, training, and commodities, including condoms, to enable key Mozambican organizations to lead and manage extensive and effective HIV/AIDS prevention and care efforts; and (4) technical assistance, training, and commodities, including contraceptives, to improve the reach and quality of reproductive health services, including family planning.

### **Inputs, Outputs, Activities:**

#### **FY 2003 Program:**

Reduce child mortality (\$4,600,000 CSH). Both facility-based and community-based child survival activities will continue in FY 2003. To further reduce infant mortality rates, USAID will target vaccine preventable diseases, malaria prevention, diarrheal diseases, and malnutrition through the Integrated Management of Childhood Illnesses approach, which is designed to make services more effective by examining and treating the whole child, managing clinical resources more efficiently and making families better aware of danger signs and when to seek care for sick children. Efforts at the community and village levels will be implemented by subgrantees under the supervision of a USAID-funded contractor. USAID will provide support to the Ministry of Health (MOH) in resource management and policy implementation, as well as in training, management and commodity logistics to improve the quality and cost-efficiency of MOH services. USAID will continue policy and financial management assistance to strengthen the MOH's capacity to align resources with priorities, improve operational management and technical capacity and formulate policy in support of health sector reform. Principal contractors, grantee or agencies: John Snow Incorporated (JSI) and the MOH (prime); World Vision International, Save the Children Federation, Health Alliance International, Medical Care Development International, Terre des Hommes and Project Hope (sub).

Prevent the spread of HIV/AIDS (\$12,000,000 CSH). Funding will be utilized for community-based prevention efforts, for expansion of voluntary counseling and testing (VCT) services and for medical equipment/supplies to improve bio-safety practices in public health facilities. In addition to continuing prevention and care activities started in 2002, USAID will fund an additional three VCT centers and provide technical support and training to the counseling staff. A Mozambican non-governmental organization will expand home-based care and orphan and vulnerable children programs to include 2,600 families and 900 orphans in FY 2003; these activities are implemented under subgrants to NGOs and community-based organizations. Principal contractors, grantees or agencies: Population Services International (PSI), Foundation for Community Development FDC (prime); National Aids Council (NAC), MOH and nine subgrantees under the FDC award (sub).

Improve reproductive health services (\$5,200,000 CSH). Family planning and reproductive health funding will focus on activities to reduce maternal mortality and the spread of sexually-transmitted diseases through training and technical assistance. Training of community health workers will improve services related to safe pregnancy practices, child spacing, control of sexually-transmitted infections (STI) and adolescent health. Funding also will provide contraceptive commodities, including 12 million condoms, and training in modern methods of contraception, and STI prevention. Principal contractors, grantees or agencies: PSI; JSI (prime); MOH (sub).

**FY 2004 Program:**

USAID will initiate a new country strategy in FY 2004. While the strategy is not yet completed, the following areas are likely to be funded. New notifications will be provided once the strategy is approved.

Use of Quality Health Services Increased (\$9,200,000 CSH). Building on successful health sector experience under the 1996-2003 strategy, the Mission will continue to dedicate resources to increase the use of maternal and child health services in target areas. These resources will improve the quality of basic services and make them available, on a sustainable and equitable basis, to more Mozambicans, particularly in rural areas. The program will provide: (1) training, technical assistance, and commodities to improve delivery and quality of child and maternal health services; (2) technical assistance, training, and institutional development support to improve and decentralize the MOHs management systems; (3) training and support to communities in health promotion, including strengthening the capacity of local groups to conduct successful behavior change communication activities; and (4) training and support to the MOH and communities in health planning, the use of data for decision making, financial management and development of priority services and protocols. Principal contractors and grantees are to be determined.

Behavior Changes Enhance HIV/AIDS Prevention and Care (\$15,000,000 CSH). The Mission will expand HIV/AIDS prevention and mitigation efforts to reduce HIV transmission and help affected families. This program will build on experience to date, new information about the disease path in Mozambique, and an increasing array of partners and approaches. Resources will provide: (1) technical assistance and training to community-based organizations to provide information, education, communications, and mentoring programs that will improve the skills and incentives of individuals to reduce personal risk of HIV infection; (2) technical assistance, training, and commodities, including condoms and anti-retroviral medications, to enable key Mozambican organizations including the MOH to lead and manage effective prevention and care efforts; (3) technical assistance and training to mobilize local leaders, including traditional leaders, to be active in, for example, assistance referral systems, community support networks and "safe" zones, denunciation of predatory adult sexual behavior, and safe social events for youth; (4) essential supplies and services at community level both for HIV prevention and for maximizing the well-being of people living with HIV/AIDS, through counseling and HIV testing; referral systems for advice and services; special support services targeting orphans as well as HIV-positive individuals and their families; and condom social marketing; and (5) technical assistance and training to strengthen Mozambique's national leadership and the coordinated national response to HIV/AIDS. Principal contractors and grantees are to be determined.

All family planning agreements will incorporate clauses that implement the President's directive reinstating the Mexico City policy.

**Performance and Results:** Significant progress in maternal and child health programs is highlighted below. The upcoming 2003 Demographic and Health Survey should further demonstrate progress on a number of key national health indicators.

USAID funded the refurbishing of 33 obstetrical units and the training of 256 MOH personnel and 809 traditional birth attendants to help reduce Mozambique's extremely high maternal mortality rate. In addition, the number of women seeking first time antenatal consultation grew from 213,471 in 2001 to 302,146 in 2002 (based on provisional data). Traditional healers are becoming increasingly critical links between the community and the formal health system. In order to strengthen these linkages, USAID funded- partners trained traditional healers (1,053 in 2002 in sexually transmitted disease diagnosis and

referral and STD/HIV counseling) adding to an increase in outreach services to 4,417 communities, versus 1,257 in 2001.

The Health Delivery Support project assisted the MOH to strengthen its capacity to train public health workers; 1,110 were trained in integrated management of childhood illnesses, including 184 MOH master trainers.

HIV/AIDS prevention and awareness activities were significantly amplified in FY 2002 through new partners. Behavior change activities reached 473,000 youth, while a new clinic-based STI control program extended services to 10 of Mozambique's 11 provinces and distributed 44,717 kits resulting in a 27% client referral rate (up from 23% in FY 2001). In addition, 25 new VCT centers were established, bringing the total to 27 and more than 24,000 clients were served. USAID directly funds four of these VCT centers as well as a nationwide program of prevention activities and condom social marketing. Total sales of the JeitO condom exceeded 14,000,000, significantly above the target of 11,500,000 and total private sector condom outlets increased to 4,304 (against target of 3,800). Finally, other new activities included psychosocial and economic support to 530 families and 302 orphans infected and affected by HIV/AIDS under an NGO grant.

Ongoing progress under this objective will result in increased childhood immunization coverage nationwide; reduction in the maternal mortality rate; increased use and availability of modern methods of contraception; increased accessibility to counseling services for STIs and HIV/AIDS; and noticeable behavior changes concerning STIs and HIV/AIDS awareness.

## US Financing in Thousands of Dollars

Mozambique

656-003 Maternal and Child Health	CSH	DA	DFA
<b>Through September 30, 2001</b>			
Obligations	44,491	17,894	28,639
Expenditures	19,061	6,673	28,637
Unliquidated	25,430	11,221	2
<b>Fiscal Year 2002</b>			
Obligations	16,977	0	0
Expenditures	10,894	4,575	0
<b>Through September 30, 2002</b>			
Obligations	61,468	17,894	28,639
Expenditures	29,955	11,248	28,637
Unliquidated	31,513	6,646	2
<b>Prior Year Unobligated Funds</b>			
Obligations	0	0	0
<b>Planned Fiscal Year 2003 NOA</b>			
Obligations	21,800	0	0
<b>Total Planned Fiscal Year 2003</b>			
Obligations	21,800	0	0
<b>Proposed Fiscal Year 2004 NOA</b>			
Obligations	24,200	0	0
Future Obligations	0	0	0
Est. Total Cost	107,468	17,894	28,639

## Data Sheet

<b>USAID Mission:</b>	Mozambique
<b>Program Title:</b>	Enabling Environment for Growth
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	656-004
<b>Status:</b>	Continuing
<b>Proposed FY 2003 Obligation:</b>	\$2,500,000 DA
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2004 Obligation:</b>	\$5,200,000 DA
<b>Year of Initial Obligation:</b>	1996
<b>Estimated Completion Date:</b>	2004

**Summary:** This program focuses on overcoming constraints to investment and trade. It provides: (1) technical assistance to improve the institutional and analytical capacity of government agencies responsible for trade policy and negotiations; (2) technical assistance and institutional support to improve the ability of the private business sector to engage actively with government agencies charged with policy formulation and the reduction of red tape; (3) technical assistance and commodities to expand access to competitive private sector Internet services throughout the country, and to support policy and institutional reforms in the telecommunications sector; (4) technical assistance and institutional support for the establishment of a non-judicial alternative dispute resolution facility to relieve an overburdened civil court system and increase investor confidence in contract enforceability; and (5) technical assistance and institutional support to increase private sector participation in environmental policy formulation and enhance the environmental soundness of private investments.

### **Inputs, Outputs, Activities:**

#### **FY 2003 Program:**

Increase private sector role in development of economic policy legislation and regulations that encourage trade and investment (\$2,000,000 DA). Activities will continue to target areas of concern to the private sector (such as tax reform, customs reform, red tape reduction, telecommunications reform and implementation of free trade agreements). FY 2003 will mark the establishment of nine wide area networks and local area networks in the Ministry of Agriculture and Rural Development (MADER), Ministry of Health (MOH), Catholic University (Beira, Nampula and Pemba branches) and within four provincial government divisions in the central/northern provinces. The Confederation of Mozambican Business Associations (CTA), under USAID funding, will continue to assist in conducting timely analysis to increase the range of issues on which it is able to engage government intelligently in FY 2003. Principal contractors, grantees or agencies: Nathan Associates, CTA, the Ministry of Industry and Commerce and the Ministry of Transport and Communications, five Internet Service Providers that grew from the Leland Project (prime); and various individuals/organizations providing technical support (sub).

Increase participation in environmental policy formulation and enhance the environmental soundness of private investments (\$500,000 DA). The Business Forum for the Environment (FEMA in Portuguese) is composed of a body of leading private companies and serves as a representative association and advocate on environmental issues. With USAID assistance, the forum will continue to play a role in analyzing proposed policies and/or legislation, with a target of six policies or legislative actions set. A pilot environmental project will be implemented to create an environmental management plan for protecting the Matola River, located near a major aluminum smelting plant. The Cleaner Production Center will work towards implementing environmental management systems in eight major companies nationwide during the reporting period. USAID will promote the forum's sustainability by encouraging an increasing number of businesses to pay membership fees, with a target of 100 business in FY 2003. Principal contractors and agencies: FEMA (prime); various individuals/organizations providing technical support (sub).

**FY 2004 Program:**

USAID will initiate a new country strategy in FY 2004. While the strategy is not yet completed, the following areas are likely to be funded. New notifications will be provided once the strategy is approved.

Labor Intensive Exports Increased (\$5,200,000). USAID will embark upon a new country strategy in FY 2004. The Mission proposes to expand its private sector development program to help Mozambique create and sustain a policy, legal and regulatory environment that will actively promote private investment and trade, particularly in agriculture and other sectors with broad employment-generation potential and large poverty-reduction implications. The planned new strategic objective builds upon reforms to the enabling environment for private enterprises realized during the 1996-2003 strategy period. To that extent the program will focus on overcoming constraints to investment and trade through: (1) technical assistance, training, institutional development for selected government units and non-government entities to improve the institutional and analytical capacity of those responsible for trade policy and negotiations including establishment of a Mozambican trade coordinating body and creation of a trade database; (2) technical assistance and institutional support to improve the policy, legal and regulatory environment in order to enhance the ability of the private business sector to engage actively with government agencies charged with policy formulation and the reduction of red tape; (3) technical assistance and institutional support to improve public-private partnerships to transfer skills through apprenticeships, mentoring and more effective use of existing training facilities to include supporting training of Masters degree students in economic development; and (4) capacity building of labor intensive industries through training and technical assistance in business development services; utilizing the Internet as a business tool; techniques on penetrating new markets and activities to reduce the impact of HIV/AIDS in the work place. Principal contractors and grantees are to be determined.

**Performance and Results:** The economy opened up further with merchandise trade increasing as a percentage of the GDP from 40.7% in FY 2000 to 63.9% in FY 2002 and with exports doubling since 2000. This trend reflects the government's success in attracting major new investments, particularly in the processing of aluminum and natural gas. Early in the year, CTA negotiated a new procedural arrangement with the government; for each of nine ministries, a joint committee was established, staffed by private sector leaders and high-level officials. The committees establish agendas, meet monthly on progress, and report semi-annually to the Prime Minister and annually (in a public meeting) to the President. This system, which is accompanied by CTA's willingness to expose failure in the press, has led to government taking "dialogue" more seriously.

A two-person policy unit reporting to the Minister was established under telecommunications reform. It proved critical to the awarding of a second cellular license in July and overcoming regulator reluctance to take on the powerful parastatal fixed line monopoly over the issue of interconnection fees. In addition, it established lines of communication with the private sector, including business consumers. Training sessions were completed for over 100 arbitrators in the newly opened Alternative Dispute Resolution Center. The challenge now is to ensure that arbitration clauses are widely incorporated into contracts. CTA worked closely with the Ministry of Labor to revise the requirements concerning the hiring of foreigners, requirements that in practice have increased corruption and diminished foreign investment.

By program completion, FY2003, CTA will continue to analyze proposed policies or legislation while diversifying its budget sources, less than 50% of core budget provided by USAID; internet access will be available in nine provincial capitals; and trade will continue to increase as a percentage of the GDP facilitated by continued reduction of "red tape" barriers specifically those targeted in the CTA government action plan.



## US Financing in Thousands of Dollars

Mozambique

	DA	DFA
656-004 Enabling Environment for Growth		
<b>Through September 30, 2001</b>		
Obligations	11,545	38,335
Expenditures	2,082	37,586
Unliquidated	9,463	749
<b>Fiscal Year 2002</b>		
Obligations	3,267	0
Expenditures	6,025	80
<b>Through September 30, 2002</b>		
Obligations	14,812	38,335
Expenditures	8,107	37,666
Unliquidated	6,705	669
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2003 NOA</b>		
Obligations	2,500	0
<b>Total Planned Fiscal Year 2003</b>		
Obligations	2,500	0
<b>Proposed Fiscal Year 2004 NOA</b>		
Obligations	5,200	0
Future Obligations	0	0
Est. Total Cost	22,512	38,335

**Data Sheet**

**656-005: No Summary and/or Pillar information entered for this SO.**

## US Financing in Thousands of Dollars

Mozambique

656-005	DA
<b>Through September 30, 2001</b>	
Obligations	0
Expenditures	0
Unliquidated	0
<b>Fiscal Year 2002</b>	
Obligations	0
Expenditures	0
<b>Through September 30, 2002</b>	
Obligations	0
Expenditures	0
Unliquidated	0
<b>Prior Year Unobligated Funds</b>	
Obligations	0
<b>Planned Fiscal Year 2003 NOA</b>	
Obligations	0
<b>Total Planned Fiscal Year 2003</b>	
Obligations	0
<b>Proposed Fiscal Year 2004 NOA</b>	
Obligations	0
Future Obligations	15,574
Est. Total Cost	15,574

**Data Sheet**

**656-006: No Summary and/or Pillar information entered for this SO.**

## US Financing in Thousands of Dollars

Mozambique

656-006	DA
<b>Through September 30, 2001</b>	
Obligations	0
Expenditures	0
Unliquidated	0
<b>Fiscal Year 2002</b>	
Obligations	0
Expenditures	0
<b>Through September 30, 2002</b>	
Obligations	0
Expenditures	0
Unliquidated	0
<b>Prior Year Unobligated Funds</b>	
Obligations	0
<b>Planned Fiscal Year 2003 NOA</b>	
Obligations	0
<b>Total Planned Fiscal Year 2003</b>	
Obligations	0
<b>Proposed Fiscal Year 2004 NOA</b>	
Obligations	0
Future Obligations	10,000
Est. Total Cost	10,000

**Data Sheet**

**656-007: No Summary and/or Pillar information entered for this SO.**

**Data Sheet**

**656-008: No Summary and/or Pillar information entered for this SO.**

**Data Sheet**

**656-009: No Summary and/or Pillar information entered for this SO.**



## US Financing in Thousands of Dollars

Mozambique

	DA	ESF
656-009		
<b>Through September 30, 2001</b>		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
<b>Fiscal Year 2002</b>		
Obligations	0	0
Expenditures	0	0
<b>Through September 30, 2002</b>		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2003 NOA</b>		
Obligations	0	0
<b>Total Planned Fiscal Year 2003</b>		
Obligations	0	0
<b>Proposed Fiscal Year 2004 NOA</b>		
Obligations	0	0
Future Obligations	2,400	1,000
Est. Total Cost	2,400	1,000