

**PARP 2011-2014**

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**MAY 3, 2011**

**REPUBLIC OF MOZAMBIQUE**

**POVERTY REDUCTION ACTION PLAN**

**(PARP) 2011-2014**

Maputo, May 3, 2011

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### Abbreviations

BAUs	<i>Balcões de Atendimento Linicos</i> (“One-stop service windows”)
CFMP	<i>Cenário Fiscal de Médio Prazo</i> (Medium-Term Fiscal Framework)
FDD	District Development Fund
GDP	Gross domestic
GovNet	e-Government Network
IOF	Household Expenditure Survey
IPAJ	Judicial Sponsorship and Assistance Institute
MSMEs	Micro, small and medium-sized enterprises
ODM	Objetivos de Desenvolvimento do Milênio

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OE	<i>Orçamento do Estado</i> (State budget)
OLEs	Local Organs of the State
PARP	Poverty Reduction Action Plan
PARPA	Action Plan for the Production of Absolute Poverty
PERPU	Strategic Program for Urban Poverty Reduction
SSB	Basic Social Security system
TIA	Agricultural Labor Survey
TICs	Information and communication technologies
WEO	World Economic Outlook

## INTRODUCTION

The Poverty Reduction Action Plan (PARP) 2011-2014 is the medium-term strategy of the Government of Mozambique for putting into operation the Five-Year Government Program (2010-2014), focused on the objective of combating poverty and promoting a culture of work, with a view to achieving inclusive economic growth and reducing poverty and vulnerability in the country.

The PARP 2011-2014 represents the continuation of the PARPA II, which was implemented with a timeframe of 2006-2009, extended to 2010, and had as its principal goal to reduce the incidence of food poverty from the current level of 54.7 percent to 42 percent by 2014.

This medium-term instrument is part of the National Planning System (SNP) and is aligned with the vision of Agenda 2025, designed to help achieve the Millennium Development Goals (MDG). The Medium-Term Fiscal Framework 2010-2014 (CFMP) will reflect the budgetary allocation for PARP objectives, which will be pursued each year through the Economic and Social Plan and the State Budget.

Poverty is a multidimensional phenomenon, and combating poverty goes well beyond a simple discussion of the underlying characteristics of absolute poverty. Rather, it is an issue that needs to be addressed from a broader perspective, reflecting the fact that “individuals, families and communities lack the capacity or the opportunity to gain access to minimum living conditions according to the basic standards of society.”

To achieve the objective of inclusive economic growth for reducing poverty, the government has defined general objectives, to which government efforts will be directed. These are: (i) to increase output and productivity in the agriculture and fisheries sectors; (ii) to promote employment; and (iii) to foster human and social development, while maintaining a joint focus on (iv) governance and (v) macroeconomic affairs and fiscal management.

The general objectives reflect the intersectoral approach, and are designed in an integrated manner, representing priorities, strategic objectives and priority actions in which different institutions contribute in a coordinated way to achieve the overall objective.

In this context, the present document describes the country's current socio-economic situation, the challenges facing the strategy for achieving inclusive economic growth for reducing poverty, a description of the general objectives and support pillars, and their respective priorities. To ensure delivery on these priorities the document presents a projected allocation of resources over the timeframe of the plan.

The PARP is a dynamic and flexible instrument, i.e., the indicators and targets in the strategic matrix will be subject to revision whenever domestic or international conditions make this necessary. Such adjustments will have to be built into the normal planning and budgetary cycle, with participation by civil society and the country's international cooperation partners. It will be recalled that the process of preparing the PARP benefited from consultation with civil society and international cooperation partners.

This plan, and in particular the strategic matrix, which includes output and outcome indicators, will be monitored on an annual basis through regular monitoring of the Economic and Social Plan (*Balanço do PES*), and over the medium term through the National Poverty and Well-Being Assessment, as well as other surveys.<sup>1</sup>

## I. THE SOCIOECONOMIC SITUATION IN MOZAMBIQUE

Mozambique has made significant progress in terms of socio-economic development, under the combined impact of macroeconomic stability and faster economic growth. Over the period 2005-2009, annual growth averaged 7.6 percent of GDP, and income per capita rose on average by 5 percent a year.

Human development indicators – such as access to education (both primary and secondary) as well as to health services, particularly in rural areas, household ownership of durable goods and housing quality – attest to important positive trends in long-term development, as well as to success in achieving strategic government priorities. The following paragraphs describe progress against some of these indicators.

The proportion of the population with access to schooling rose from 30.8 percent in 2002-3 to 37.3 percent in 2008-9. The percentage of illiterate women fell significantly between 2004 and 2008, from 54 percent to 40.8 percent. There was also progress in reducing the gender gap in basic education enrollment.<sup>2</sup>

The percentage of the population with access to a health unit within 45 minutes' travel by foot rose from 55 percent to 65 percent between 2002-3 and 2008-9, with greater gains in rural areas (especially in the north of the country), compared to urban zones, where the ratio actually declined, reflecting rapid urban expansion.

The infant/child mortality rate dropped from 245.3 deaths per 1,000 live births in 1997 to 138 in 2008, and the infant mortality rate fell from 143.7 deaths per 1,000 live births to 93 over that same interval. The maternal mortality rate declined from 692 to 500 deaths per 100,000 live births between 1997 and 2007.

Despite this progress, there are still glaring geographic disparities: city dwellers have greater access to basic social services than do people in the countryside, in part because of the lower rural population density.

At the same time there are differences in terms of gender and also between different groups within society: it is apparent that women, children, the elderly, persons with disabilities and persons with chronic diseases are the most vulnerable.

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<sup>1</sup> Household Expenditure Survey (IOF), Demographic Health Survey (IDS); Labor Force Survey (IFTRAB); Agricultural Census; Multiple Indicator Cluster Survey (MICS); AIDS Survey (INSIDA); Agricultural Survey Project (TIA); Core Welfare Indicators Questionnaire (QUIBB/CWIQ)

<sup>2</sup> According to the Mozambique report for Beijing +15, 2011.

From the consumption viewpoint, the level of food poverty (measured by the national poverty index<sup>3</sup>) puts slightly under 55 percent of the population in this category, as shown in table 1.

**Table 1: Incidence of Poverty and Inequality, by Province, Urban-Rural and National: 1996-2009**

Zone	Poverty Incidence			Inequality Gini		
	1996-97	2002-03	2008-09	1996-97	2002-03	2008-09
Niassa	70.6	52.1	31.9	0.36	0.36	0.43
Cabo Delgado	57.4	63.2	37.4	0.44	0.44	0.35
Nampula	68.9	52.6	54.7	0.36	0.36	0.42
Zambézia	68.1	44.6	70.5	0.35	0.35	0.37
Tete	82.3	59.8	42.0	0.40	0.40	0.32
Manica	62.6	43.6	55.1	0.40	0.40	0.35
Sofala	87.9	36.1	58.0	0.43	0.43	0.46
Inhambane	82.6	80.7	57.9	0.44	0.44	0.38
Gaza	64.6	60.1	62.5	0.41	0.41	0.43
Maputo Province	65.6	69.3	67.5	0.43	0.43	0.39
Maputo City	47.8	53.6	36.2	0.52	0.52	0.51
Urban	62.0	51.5	49.6	0.47	0.48	0.48
Rural	71.3	55.3	56.9	0.37	0.37	0.37
<b>National</b>	<b>69.4</b>	<b>54.1</b>	<b>54.7</b>	<b>0.40</b>	<b>0.42</b>	<b>0.41</b>

Source: 3<sup>rd</sup> Poverty assessment

Nutrition indicators show that 46.4 percent of children under 60 months are suffering from moderate stunting (chronic malnutrition), 18.7 percent are underweight, and 6.6 percent suffer moderate wasting (acute malnutrition). The incidence of severe stunting is 23 percent. Rural areas show higher incidences of malnutrition (50 percent) than do urban zones (36 percent).

Access to electricity, sanitation and ownership of durable goods, as well as housing access and quality, are other measures of well-being. Possession of durable goods rose by 8.3 percentage points in urban zones versus 4.7 percentage points in rural areas. With respect to housing, on average there were improvements in all housing characteristics between 2002-3 and 2008-9: the proportion of families in dwellings with durable roofing material (concrete slab, zinc or fibrous cement (“*lusalite*”)) rose by around 4.4 percentage points, and the proportion using electricity, a generator or solar energy for lighting nearly doubled from

<sup>3</sup> The national poverty line in Mozambique is 18 meticaais, or about US\$0.50. There are also international poverty indices, such as the World Bank's "dollar a day".

6.9 percent to 13.3 percent. The overall rate of safe drinking water use went up from 36 percent in 2004 to 43 percent in 2008. However, there are still disparities in the use of safe drinking water between urban and rural areas – 70 percent versus 30 percent, respectively – according to data for 2008.

Despite the faster economic growth that the country has been recording, as well as progress in the human and social development indicators, there are still persistent challenges to be overcome in combating poverty and its causes. The Gini coefficient<sup>4</sup> remained virtually unchanged between 2002-3 (0.42) and 2008-9 (0.41) at the national level, but inequality increased slightly in urban areas vis-à-vis rural zones.

The Third Poverty Assessment points to various factors that contributed to the stagnation in the incidence of food poverty between 2002-3 and 2008-9. The first is the low rate of growth in agricultural productivity, particularly in the food crop component, which has a direct impact on food security and on the income of the large portion of the economically active population that depends on farming for its livelihood. The second factor is the vulnerability of the agricultural sector to climatic shocks and seasonal variations in the distribution of rural incomes. The third factor has been the worsening in the terms of trade, given the sharp increases in international food and fuel prices which have made themselves felt in the rising cost of living at the domestic level.

In the cities, informal economic activity (on which the majority of the poor depend) is predominant, and access to formal employment is still very restricted, particularly for women. Between 2002 and 2006, formal employment in the non-agricultural, private sector rose by only 1.1 percent. There is heavy concentration in small-scale (micro) commerce, operating with very low profit margins and offering few opportunities for savings and investment or other strategies for escaping from poverty.

At the same time, HIV/AIDS, tuberculosis and malaria have a higher incidence among poor families, exacting a heavy toll on their labor productivity because of the morbidity of those individuals directly affected. In relation to this situation, it has been confirmed that poverty rates have risen in the central zone of the country, where HIV/AIDS mortality rates are coincidentally the highest. It is also the case that the bulk of public spending in these areas at the local level is financed directly by the central ministries (e.g. education and health) with only limited involvement by the districts and municipalities. Better coordination and more decentralization could help improve this situation.

## **II. INCLUSIVE ECONOMIC GROWTH FOR REDUCING POVERTY**

The PARP 2011-2014 has as its primary goal a reduction in the incidence of poverty from 54.7 percent in 2009 to 42 percent in 2014, with a deliberate decision that government action must first of all promote "pro-poor" growth. In the Mozambican context, this "broad-based" growth can be achieved through investment in agriculture of the kind that will boost the productivity of the family sector and diversify the economy, creating jobs and linkages

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<sup>4</sup> The Gini coefficient measures the degree of inequality in the distribution of income. The closer to zero, the greater is the equality in the distribution of income; the closer to unity, the greater is income inequality.

between foreign investment and the local economy, supporting micro, small and medium-sized enterprises, and fostering human and social development. Such economic growth will simultaneously reduce food insecurity and chronic child malnutrition, while strengthening defense mechanisms against endemic diseases such as HIV/AIDS, tuberculosis and malaria.

*a) National economic growth forecasts*

Growth in the Mozambican economy in 2010 was 6.5 percent thanks, in large measure, to the beginnings of recovery in the world economy following the international financial crisis. Assuming that this trend continues in coming years, Mozambique can look forward to average annual growth of around 7.7 percent between 2011 and 2014 (Table 2). Expected growth during that period will be significantly determined by the expected growth<sup>5</sup> in agriculture<sup>6</sup> (10.8 percent), the extractive industries (10.6 percent), electricity and water (10.2 percent), construction (12.4 percent), and transportation and communications (10 percent).

**Table 2: GDP and Inflation (2010-2014)**

	2010	2011	2012	2013	2014
	Estimated	Projected			
Nominal GDP (USD millions)	9,912	11,607	12,688	13,574	14,403
Nominal GDP (MZM millions)	323,585	379,837	437,724	498,899	568,104
Growth rate (%)	6.6	7.2	7.5	7.9	7.8
Average annual inflation (%)	12.7	9.5	7.2	5.6	5.6

Source: MDP, IND, World Bank.

Agricultural growth will depend on greater incentives for family farming through the expansion of technical assistance services and the availability of inputs, which will have an impact on food production. The expected growth in extractive industries could have a great impact on the startup of coal production<sup>7</sup> at the Benga and Moatize operations. The growth anticipated in the electricity and water sector is related to the coming on stream of the rural electrification project as well as startup of the National Water Supply and Rural Sanitation Program (PRONASAR), which will give a major boost to water production and to the Small Water Supply Systems (PSAA).

The expected buoyancy in the transport and communications sector will reflect implementation of the recently approved Strategy for Integrated Development of the Transportation System, designed to alter the structure of transportation infrastructure and services, intended primarily to link interior areas of South Africa, Zimbabwe and Malawi to the sea.

<sup>5</sup> Annual average.

<sup>6</sup> Includes livestock and forestry.

<sup>7</sup> [Orphan footnote]



Price stability is particularly important to poor people, for whom food is the most important component of their expenditure. The government is striving to articulate fiscal, monetary and exchange rate policies with policies to increase production and productivity in order to cushion the impact of higher inflation. In this respect, the average inflation rate is projected to be at single-digit levels over the period 2011-2014.

Yet despite this government effort, there is a risk that inflation will exceed forecast levels because of exogenous factors, in particular the combined impact of the international oil market situation<sup>8</sup> and the rising trend in international food prices.

### **III. STRATEGIC ORIENTATION FOR POVERTY REDUCTION**

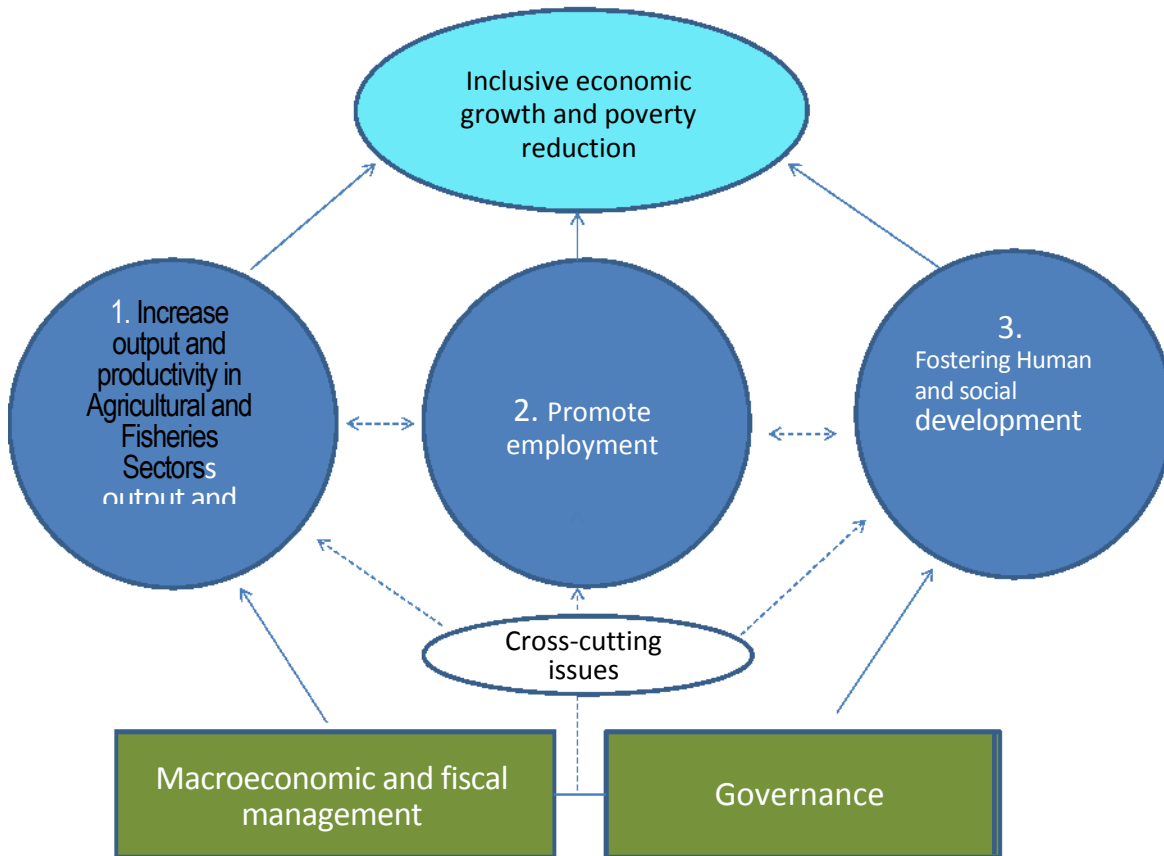
In order to achieve the global objective of the PARP, three general objectives are essential. Increasing agricultural and fisheries production and productivity, with the attendant impact on food supply, is a determining factor for reducing the incidence of poverty, and plays an important role as a source of income for around 80 percent of the country's population. In addition, there is a need to promote decent employment, as a way of facilitating and developing micro, small and medium-sized enterprises. Mozambique needs educated and healthy citizens in order to boost agricultural output and productivity and to create more jobs. Access to quality health and education services as well as to social security programs that will protect the most vulnerable members of society is indispensable for a strong and well-trained labor force. These objectives are coupled with the need to promote human and social development as a prerequisite and vital goal in its own right.

These three strategic objectives are interlinked, and achieving them will depend at once on a stable and competitive macroeconomic framework, efficient and effective fiscal management, and transparent, honest and fair governance. The relationship between these objectives is illustrated in the following diagram, which reflects the vision of the PARP 2011-2014.

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<sup>8</sup> To around USD 90 (WEO, January 2011)

The objectives below highlight the importance of ensuring greater coordination, coherence and consistency among policies and strategies and making the various sector strategies work together as a cohesive whole.



#### IV. CHALLENGES

The challenges in combating poverty are many and complex. The most important ones have to do with transforming the structure of production and economic productivity and their linkages, with a focus on economic development and the people's well-being. This transformation includes rural development, which embraces family farming so as to make it more productive, strengthening the domestic market and facilitating its integration into the national economy.

*a) Challenges facing agriculture and fisheries*

Agricultural and fisheries production, in particular at the family level, is crucial for food and nutritional security and the well-being of the population. The farming and fisheries sectors have great productive potential, yet their output (particularly of foodstuffs on small and mid-sized farms) and productivity are still very low.

The priority challenges addressed in this document include expanding access to factors of production, particularly for women, with greater emphasis on adequate technologies, quality inputs<sup>9</sup>, and enhancing the capacity for surveillance and control of plant and animal pests and diseases, as well as improving and making better use of water for agricultural purposes.<sup>10</sup>

The lack of opportunities for marketing farm and fishery products constitutes the principal disincentive for intensifying production, and limits the growth of rural family incomes. Improving market access will require upgrading the network of infrastructure for post-harvest and post-catch handling, primarily with respect to storage, conservation and processing of products, as well as access to market and pricing information, and involvement of the banking sector to improve financial, credit and insurance services for producers in rural areas.<sup>11</sup> A further challenge is to harmonize investments in infrastructure and essential services and to gear them to reducing transaction costs so as to encourage market participation by the household sector.

The sustainable use of natural resources is essential for boosting output and productivity, and will require greater community involvement. The challenge is to improve the sustainable management of natural resources, strengthen fishery and land administration, reduce conflicts between humans and wildlife, and address such problems as uncontrolled wildfires, the over-harvesting of marine resources, and the illegal cutting and excessive consumption of timber, all of which pose grave threats to development of the agriculture and fisheries sectors.

Additional challenges relate directly to eliminating landmines in areas that would otherwise be available for economic and social activities, guaranteeing proper soil management, reducing vulnerability to natural disasters, increasing the coverage and quality of agricultural and fishery extension services, and promoting the development of traditional (“artisanal”) fishing and aquaculture.

In terms of institutional capacities among the principal stakeholders, the challenge is to improve the information management system (statistics, monitoring and evaluation), disaggregated by sex, to provide feedback with solid and reliable data and analysis for strategic planning purposes.

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<sup>9</sup> Improved seeds, fertilizers, insecticides, breeding stock and feed rations.

<sup>10</sup> Since only 8.8 percent of family farmers use irrigation of any kind (TIA 2008)

<sup>11</sup> Insurance reduces risk, makes low-cost credit more available, and boosts producers' incentive to invest.

*b) Challenges for promoting employment and the role of the private sector*

The Strategy for Improving the Business Climate 2008 - 2012, the Strategy for Development of Small and Medium-Sized Enterprises (SMEs) and the Employment and Vocational Training Strategy constitute the basis for promoting employment by strengthening the private sector.

The challenges for improving the business climate still have to do with facilitating payment of taxes by MSMEs, issues of land access and zoning for agricultural and industrial activities, as well as registration and transfer of titles for land-use and development; with respect to international trade, there is still a need to facilitate procedures, to enhance predictability and to reduce the costs associated with import and export activities.

In order to guarantee business competitiveness, economic infrastructure facilities are vital for reducing operating costs in such areas as electricity, telecommunications and transportation. Public investment in infrastructure must be more closely geared to economic potential, including better use of natural resources.

In terms of labor supply, the level of vocational and academic training remains low. Around 80 percent of the workforce has not completed the first level of primary school, and only 13 percent is doing so. In the private sector, about 31 percent of the workforce is completing at least the second level of primary school. Meanwhile, it is estimated that around 300,000 young people are entering the labor market each year and, because there are not sufficient jobs in the formal economy, they are being absorbed into the informal sector.

*c) Challenges for human and social development*

The last six years have seen progress in the private possession of durable goods and in access to public services such as health and education. Yet there are differences in terms of levels and trends across the country, as well as regional and gender disparities, and programs for building and rehabilitating social infrastructure have fallen seriously behind.

It is also important to ensure that the quality of services keeps pace with their expansion, and that user costs are accessible to all segments of the population, measuring both these goals by rates of use.

Then there is the ongoing challenge of expanding the number of beneficiaries covered by social protection programs for the most vulnerable, and by community protection networks, taking into account the need to update the amounts of subsidies.

It is important to consider the impact of faster population growth, especially in the cities, on the deterioration of urban infrastructure and services, and the attendant need for housing and for access to serviced land and support for home self-construction. In the countryside, people affected by natural disasters must be helped to reintegrate themselves into their local society and economy.

Another important aspect of efforts to promote human and social development is to continue to address diseases such as HIV/AIDS, tuberculosis and malaria, which threaten labor productivity and curtail investment, thus making low-income families more vulnerable to poverty.

*d) Challenges of governance*

The objectives of boosting production and productivity in agriculture and fisheries and promoting employment depend directly on: (i) improving the business climate (ii) the quality of the legal framework for economic activities and its effective enforcement (iii) decentralization and deconcentration of functions and resources to the local level, so that local government will have greater capacity to function and provide services to the citizens, and (iv) a true democratic rule of law in which all citizens and all enterprises have equal opportunities without discrimination.

When it comes to improving service delivery, the challenges relate to expanding the "one-stop shops" (*Balcões de Atendimento Únicos*, BAUs) for the districts and expanding the services they provide, using information and communication technologies in the delivery of public services, reducing waiting times and simplifying procedures, improving the qualifications of government officials and agents, which remain deficient (42 percent have basic-level qualifications, and only 8.1 percent have higher-level qualifications<sup>12</sup>), and the availability of essential services to citizens.

On the anti-corruption front, there are challenges to the enforcement of government procurement legislation, the implementation of anti-corruption plans at the sector and district levels, strengthening of internal and external control mechanisms, and implementing the recommendations from inspections and audits.

The decentralization process poses challenges of preparing the Local State Organs (OLEs) and municipal governments (*autarquias locais*) in technical, infrastructure and equipment terms, in speeding the transfer of responsibilities to the municipalities, in the local implementation of internal control and monitoring mechanisms, in boosting the capacity of municipalities for strategic planning and financial management, and in improving the instruments for managing the District Development Fund (FDD).

With regard to justice and the rule of law, it is important to make sure that everyone fully understands the rules and procedures for participating in the whole country's development process, on the basis of equal opportunities for access to public services, resources and employment.

The justice administration system must continue to improve its capacity to deliver services, revising the system of legal costs, criminal and procedural legislation and at the same time speeding procedures and creating conditions for better performance by magistrates.

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<sup>12</sup> *II Anuário Estatístico dos Funcionários e Agentes do Estado em 2009* (2009 Statistical Yearbook of Government Officials and Agents).

Expanding the infrastructure network of tribunals, offices and delegations of the Judicial Sponsorship and Assistance Institute (IPAJ), courts and prisons and improving their conditions is further challenge.

The pace of justice procedures does not correspond with public expectations in the country, and a bolder approach is required to managing and monitoring proceedings so that cases submitted to the judicial system will be handled and brought to a conclusion more swiftly and expeditiously, especially those involving criminal matters or affecting economic development.

An important aspect of governance is to deepen legislative reforms with respect to legal rules and procedures that are out of sync with the country's current stage of development, with particular emphasis on economic and criminal justice matters.

Maintaining public order and protecting citizens and their property are essential considerations for consolidating a climate of harmony and social peace. Strengthening the operational capacity of the police and measures to prevent and monitor crime will contribute to greater security and tranquility in local communities.

With regard to respect for and protection of human rights, the government and civil society must pay greater attention to strengthening institutional and informal mechanisms for discouraging acts of violence of any kind, human trafficking, and all practices that run contrary to the noblest human values of solidarity, equality and love of one's neighbor.

It is important to clarify the rules governing the relationship between formal justice and other forms of dispute resolution, in the context of the review of criminal legislation now underway.<sup>13</sup>

The Central Office for Combating Corruption (GCCC) is playing a key role in strengthening procedural processes, improving measures for preventing and combating corruption, and increasing the number of people prosecuted and the number of sentences handed down.

Work in this area will draw on experience in the preparation and implementation of legal provisions approved over the last five years, which will help to improve access to justice, strengthen observance of human rights, and improve the business climate.<sup>14</sup> Other instruments have yet to be approved, such as the revisions to the Criminal Code and the Code of Criminal Procedure, the Law on Community Tribunals, the Code of Legal Costs, and the package of anticorruption legislation.

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<sup>13</sup> Review of the Community Tribunals Law, preparation of the law and measures for alternative penalties to imprisonment, and their harmonization with the criminal code.

<sup>14</sup> Law on Trafficking in Persons, Especially Women and Children; Judicial Organization Law; Law on Promotion and Protection of the Rights of the Child; Law Creating the National Human Rights Commission; Law on Domestic Violence against Women; Code of the Register of Legal Entities; Labor Law; Revision of the Code of Civil Procedure; Amendment to the Commercial Code; Amendment to the Code of Civil Procedure; Consumer Protection Law; Regulation on food impact assessment, Law 12-2009, Law on people living with HIV/AIDS.

*e) Challenges for macroeconomic policy and fiscal management*

This pillar plays an important role in supporting the objectives of increasing agricultural and fisheries production and productivity and promoting employment through: (i) maintaining macro-economic stability; (ii) improving the business climate; (iii) making fiscal management more effective and efficient in order to ensure adequate levels of public investment to support sustainable socio-economic development.

The challenges in the monetary sector are: to monitor implementation of exchange regulations, one of the key instruments for improving the country's external position; to continue to encourage the expansion of financial services throughout the country, bearing in mind the need to boost savings and thereby promote investment and economic growth; to guarantee an efficient and modern national payments system, by establishing modern and universally used technical systems and means; to manage external reserves on the basis of sound practices, diversifying the portfolio, exploring new markets with appreciable rates of return and products of lower risk.

In terms of government revenues, the great challenge is to keep them growing at an annual rate of at least 0.5 percent of GDP. There should be a greater contribution in this regard from large-scale undertakings engaged in natural resource exploitation and from public-private partnerships and concessions. At the same time, pursuant to the policy of providing the basic infrastructure needed for economic development, the country will need to line up grants and contract concessional loans to finance the budget deficit.

One of the great challenges in the context of the reform of the public finances now underway is to mainstream the gender perspective into planning and budgeting and management of government property, including budget execution

## **V. GENERAL OBJECTIVES OF THE PARP**

The general objectives of the PARP and its supporting pillars are presented by priority, strategic objectives, and priority actions to be implemented by 2014.

*a) General objective 1: increase output and productivity in the agriculture and fisheries sectors*

The agriculture and fisheries sectors are a pillar of the country's economy, contributing over the last five years more than 25 percent of GDP and accounting for between 7 and 11 percentage points of the economic growth rate. The principal strategy for development of the sector is set forth in the Agricultural Development Plan (PEDSA) and the Fisheries Master Plan.

The role of the family sector in achieving food and nutritional security is crucial, especially in rural areas, recognizing that the production of basic food crops (primarily millet, cassava, rice and beans) accounts for nearly 90 percent of the total, while the traditional fishery is

responsible for 85 percent of the catch for domestic consumption. One of the main characteristics of the family sector is that it uses rudimentary techniques that produce very low yields and modest returns.

The following priorities have been identified for promoting agricultural and fisheries production and productivity: improve and expand access to factors of production; facilitate market access; and improve sustainable management of natural resources (land, water, fisheries, and forests).

### **Priority 1. Improve and expand access to factors of production**

#### **Strategic objectives:**

#### **Strengthen the capacity of research services to develop food production technologies suited to the country's agro-ecological characteristics:**

- Develop improved technologies and promote their adoption.
- Enhance the quality and coverage of public and private extension services, with due regard to gender equity.
- Create research, innovation and technological development centers, agricultural technology transfer centers, and scientific and technology incubators and parks.

#### **Increase production and improve access to inputs**

- Encourage public/private investment to establish local systems for producing inputs.
- Ensure the purchase of vaccines, medications and drugs for sanitary and phytosanitary prevention and control.
- Test varieties for their adaptability to local agro-ecological environments.
- Encourage fishing activity in areas with fishery potential by providing incentives to local merchants to carry and sell fishery inputs.
- Encourage the construction and stocking of land-based aquaculture tanks.

#### **Promote producers' associations and cooperatives to create economies of scale in the use of infrastructure, services and inputs**

- Intensify the creation and training of producers' organizations.
- Promote the formation of "clusters" for the principal food products.

#### **Use public and private investment to promote the expansion of infrastructure in areas with productive potential**

- Build and rehabilitate systems for managing water resources, taking into account the country's vulnerability to natural disasters and climate change.
- Expand access to electricity and promote use of alternative sources, with priority for areas with agricultural and fishery potential.
- Continue the de-mining of areas suitable for production and for the expansion of socio-economic infrastructure.

#### **Expand and facilitate access to mechanized and animal traction**

- Improve and monitor implementation of the animal traction development program.
- Promote suppliers of services for mechanization.



- Improve and monitor implementation of the program to develop low-cost, deep-sea fishing vessels.

#### **Guarantee access to natural resources**

- Speed the process of awarding land title for local communities and economic agents, with particular attention to women.

### **Priority 2. Facilitate market access**

#### **Strategic objectives:**

#### **Improve and expand infrastructure and transportation services**

- Improve and maintain access roads in areas with high productive potential.
- Continue the program for building fuel supply stations in 31 districts not yet covered.
- Create the Mozambique Food Products Exchange.

#### **Improve post-harvest and post-catch management**

- Promote and disseminate construction of local storage facilities.
- Promote and disseminate construction of local artisanal fishing and storage infrastructure.
- Revive the Mozambique Cereals Institute (ICM).

#### **Promote the agro-processing industry to take advantage of local resources**

- Encourage market linkages between small producers and agro-industry, through production contracts.
- Revive rural commerce.
- Promote the export of nontraditional products.

#### **Facilitate access to financial services in rural areas, ensuring better scope for women**

- Promote special lines of credit and guarantee funds to support small producers and economic agents.

#### **Improve access to market information**

- Consolidate and expand an efficient system for collecting and disseminating market and price information targeted at zones with productive potential.
- Promote the production and dissemination of market information in Community Multimedia Centers (CMCs).
- Sponsor fairs for agricultural products.

### **Priority 3. Improve the sustainable management of natural resources (land, water, fisheries and forests)**

#### **Strategic objectives:**

#### **Improve regional planning and land management mechanisms**

- Implement the regional planning law with a focus on mapping, agricultural zoning and land registries.

- Prepare maps of areas at risk of natural disasters.

### **Adopt measures to reduce disaster risks and to adapt to climate change**

- Promote a strategy to reduce emissions from deforestation and forest degradation, to control wildfires, and to promote reforestation.
- Promote conservation agriculture and diversification of income sources in areas prone to natural disasters.
- Establish, train and equip local risk management committees in areas prone to natural disaster or vulnerable to climate change.
- Make the natural resource management committees operational.
- Promote a program for reforestation and reducing emissions from deforestation and forest degradation and establishing carbon stocks (REDD+).

#### *b) General objective 2: Promote employment*

This objective seeks to promote employment for citizens through multi-sectoral actions that will improve the business climate so as to attract investments and stimulate micro-enterprises and SMEs, leverage the employability of the workforce, and boost their role in facilitating linkages between employment supply and demand. This approach will also involve measures to improve the occupational prospects of target groups such as women and youth, persons with disabilities, and persons infected with or affected by HIV/AIDS.

To achieve the employment promotion objective, three priorities have been identified: encourage the creation of employment; improve people's employability; and facilitate linkages between employment supply and demand.

### **Priority 1. Stimulate the creation of employment**

#### **Strategic objectives:**

#### **Create an environment favorable to the creation and development of MSMEs and the attraction of domestic and foreign investment into labor-intensive industries**

- Approve and implement the general statute of MSMEs, establishing a new classification of MSMEs that accords them specific treatment.
- Generalize the simplified licensing regime for economic activities, and extend it to other areas; in particular, approve and implement the "negative licensing regime" for micro-enterprises.
- Special tax regime for micro-enterprises, which will simplify procedures by moving to payment of tax liabilities on a quarterly installment basis, with filing of a simple form and the NUIT ("single taxpayer identification number").
- Create "business incubators" to foster the development of MSMEs by training entrepreneurs to transform business ideas into successful projects, and ensure that entrepreneurs can make use of incubator equipment and facilities until they reach the "maturity" phase.
- Create industrial parks to attract investment for the country's development, giving pride of place to MSMEs.

- Establish the Knowledge Transfer Centers and make them operational, so that local communities can learn to use agro-processing equipment, good practices for managing industrial units, and procedures for creating a firm. The centers will also be able to process local products.
- Proceed with land zoning for purposes of agricultural and industrial activity and facilitate the award and transfer of titles for land use and management.

**Ensure comprehensive access to credit and to services for the support and development of MSMEs**

- Expand the Entrepreneurial Guidance Centers at the provincial level in order to train local entrepreneurs in the preparation of business plans, entrepreneurial management, and procedures for creating a firm, and to make useful information available to entrepreneurs.
- Create a comprehensive service to provide financing and support to MSMEs, with a focus on women.
- Promote and encourage the development of initiatives for adding value to natural resources, with special attention for those that allow greater participation by women.

**Promote labor-intensive industries**

- Make the labor law more flexible with respect to the contracting of national and foreign skilled workers, overtime, minimum wage, justified absence, and dismissal, in order to encourage labor-intensive industries.
- Issue regulations to Law 5/2000 of February 5<sup>th</sup>, governing employment of persons with HIV/AIDS.

**Promote linkages between small and big firms, with particular emphasis on megaprojects**

- Create programs for linkages/complementarity between MSMEs and big companies with a view to encouraging the provision of goods and services.
- Identify geographic sites for the creation of specialized financial markets grouping firms engaged in the same branch of activity, with a view to enhancing their competitiveness, reducing transaction costs, encouraging specialization, and attracting other businesses.

**Encourage labor-intensive public works that will offer temporary low-cost jobs in areas such as construction and local infrastructure maintenance**

- Target the entry of young people, women and entrepreneurs into the productive workforce by implementing the Strategic Program for Urban Poverty Reduction (PERPU) and the development of local infrastructure such as roads, schools, health centers and public sanitation services, using labor-intensive techniques.
- Organize labor-intensive public works schemes that will offer temporary low-cost jobs in areas such as construction and local infrastructure maintenance.

## **Priority 2. Improve people's employability**

### **Strategic objectives:**

#### **Improve the quality and opportunities for public and private vocational training in the urban and rural informal sectors**

- Enhance the quality of available private training (training of trainers, harmonization of curricula and program contents, teaching materials etc.).
- Develop vocational training programs for self-employment, with a focus on agriculture, agro-processing and industrial maintenance, including distributing the means of work for the neediest (women, youth, persons with disabilities and persons affected by or infected with HIV/AIDS).
- Develop training programs to prepare young people for employment and self-employment in specialized or promising areas with a view to involving them actively in programs for national economic development.
- Support operators in the informal sector of the economy by providing programs such as "Start Your Own Business" and "Manage Your Business Better".
- Establish traineeship programs in partnership with technical schools, vocational training centers and public and private businesses in order to build on the technical capacities of recent graduates.
- Implement the Human Resource Development Plan for Science and Technology (PDRHCT) in the context of strengthening the technical and scientific capacities of MSMEs and meeting the needs of emerging industries in the productive sectors.
- Develop and implement the Human Resources Training and Development Plan for Mozambique.

#### **Align vocational training with the needs of emerging industries in strategic sectors**

- Review and harmonize vocational training programs and curricula at levels I and II, with priority to the following sectors: hotels and tourism, industrial maintenance, agriculture, processing, mining, management and administration;
- Expand and provide institutional training for the Community Centers for Skills Development and the Vocational Training Centers.

#### **Recognize previous learning acquired outside the formal vocational education systems**

- Generalize the traditional apprenticeship approach and the use of mobile training units as a method or means of access to vocational training for rural people.
- Create a National System for Certification of Vocational Skills.

## **Priority 3. Facilitate linkages between employment supply and demand**

### **Strategic objectives:**

#### **Reduce information asymmetries between employment supply and demand**

- Expand and enhance the capacity of the network of public employment centers in terms of human and material resources to make them more effective in providing information and vocational guidance, in supporting micro-enterprise and facilitating access to credit, and in promoting vocational internships.

**Improve dialogue between the public and private sectors on employment and business trends**

- Establish an employment and training observatory, as a focal point for discussion and consultation with government on the current situation and outlook for the labor market and vocational training and for the presentation of results from the various employment support programs or funds (FDD, PERPU, *Pro-Jovem*, among others).

**Improve the quality, frequency and relevance of information on the labor market and developments in the business sector**

- Establish systems for monitoring the performance of the private sector and the labor market as a basis for producing timely and reliable statistics on the structure and dynamics of the market, and enhance the capacity of the bodies responsible for gathering, processing and disseminating such information.

*c) General objective 3: Human and social development*

Human and social development plays a preponderant role in achieving the general objectives of increasing agricultural and fisheries production and productivity and promoting employment, through the provision of public services in education, health, food and nutritional security, water and sanitation, housing, social security and employment protection. Social infrastructure serves as a direct tool for the development of social well-being and a catalyst for generating employment and integrating science and technology into local and national development processes, thereby contributing to economic growth.

There are three priorities here: the availability and quality of social services; basic social security; and social infrastructure.

**Priority 1. Availability and quality of social services**

**Strategic objectives:**

**Promote equity in access to health care, with special attention to health and nutrition for women, children and other vulnerable groups**

- Reinforce measures to increase access for pregnant women to institutionalized child care through financing and greater numbers and quality of service providers, as well as incentives to boost demand for services.
- Institute preventive and curative nutritional surveillance to reduce mortality from malnutrition among children under five.
- Introduce multi-sector intervention packages for reducing chronic malnutrition.
- Train trainers and health professionals to provide humanized maternal and neonatal care including support for exclusive breast-feeding and infant feeding in the context of HIV/AIDS.
- Compile and disseminate good practices in food consumption and hygiene within the community, by providing training to local structures and organizations.

**Improve human resource management, making services more "humanized" with the emphasis on providing quality care and meeting user needs**

- Strengthen human resource management, planning and administrative capacities, consistent with the current public sector reform and the decentralization of functions.
- Ensure that health professionals are adequately trained and allocated.
- Provide non-financial incentives for recruitment, rotation and retention of human resources.
- Introduce mechanisms for users of the national health system and for civil society to participate in providing feedback on the quality of services.

**Universal access to seven years of primary education, of sufficient quality to ensure the learning of basic skills**

- Continue with the accelerated construction of classrooms and improving their quality and sustainability.
- Continue to strengthen and implement programs to improve the quality of instruction and to keep children in school through to grade 7 (this includes the reform of teacher training programs, with greater emphasis on in-service training, and better monitoring of the teaching-learning process in the classroom).
- Prioritize activities in order to improve school management, in particular in terms of implementing the school calendar and timetable, making rational use of school facilities, use of teachers' time, including their recruitment, and school financing).
- Together with other stakeholders, prepare an integrated strategy for early childhood development.
- Continue efforts to retain children in school, with particular attention to girls, through better monitoring of the teaching-learning process in the classroom.

**Expand access for youth and adults to literacy and life skills programs, by consolidating and harmonizing the activities of various partners**

- Provide literacy training for 1 million youth and adults each year through various programs involving different partners within and outside the state apparatus.
- Adapt and align the literacy and post-literacy programs, including encouragement for the creation of community libraries in cooperation with other providers (within and outside government), enhance opportunities for non-formal, short-term vocational training for students who complete primary school, as well as youth and adults outside the system, by creating (for example) Community Centers for Skills Development.

**Expand opportunities for youth and adults to develop meaningful and useful life skills, with a focus on post-primary (secondary, technical and higher) education**

- Expand secondary education through distance instruction, the construction of secondary schools closer to communities, and incentives for private sector participation.
- Pursue reforms to the secondary curriculum, with a vocationally oriented perspective that will ensure a sound education grounded in relevant disciplines.
- Consolidate and expand curriculum reform in vocational and technical education (intermediate level) to ensure better linkages with the labor market.

- Consolidate institutional reforms in higher education to improve the quality of instruction.

## **Priority 2. Basic Social Security**

### **Strategic objectives:**

#### **Expand the coverage and impact of Direct Social Action Programs, contributing to economic and nutritional security for the most vulnerable groups**

- Ensure a gradual and sustained expansion in the coverage of the Direct Social Action Programs to a growing proportion of family units, based on a mapping of social vulnerabilities and a costing exercise for the various options and an analysis of financing options so as to guarantee their financial sustainability.
- Define harmonized eligibility criteria for basic Social Security program beneficiaries, with a view to reducing gender inequalities, and taking into account the impact of HIV/AIDS and the child malnutrition situation.
- Establish a systematic mechanism for annual review of the amount of subsidies so as to maintain their purchasing power.
- Promote the financing of social and economic integration projects

#### **Enhance the operational efficiency and transparency of the sector by developing better operating systems and securing greater coordination and harmonization among the various components**

- Make the Coordination Council for the Basic Social Security (SSB) Subsystem operational.
- Establish an SSB information system including a database (disaggregated by sex) to record program beneficiaries and develop a monitoring system.
- Establish operational mechanisms to expand the geographic coverage and the efficiency of basic social protection programs, including alternative payment solutions.

#### **Ensure access to supplementary assistance services for the most vulnerable groups**

- Provide a mechanism that guarantees access to civil registry services for all children and all beneficiaries of SSB programs.
- Develop and implement a plan for expanding and reinforcing the quality of social programs for persons living in situations of poverty and vulnerability, including programs of psychosocial support, based on preparation of a social charter.
- Establish integrated services for preventing and responding to violence against women and children, including expansion and strengthening of the care units (*Gabinetes de Atendimento*), access to justice, social and psychological assistance.
- Ensure that orphans and street children benefit from supplementary social protection assistance programs including protection, legal assistance and access to justice, healthcare, and psychosocial support.

#### **Develop and implement mechanisms to give the most vulnerable groups access to the education and health systems through the respective social action programs (*Acção Social Escolar* and *Acção Social Saude*).**

- Continue with free distribution of school books, introducing reforms in their acquisition and distribution in order to save resources, and increase the allocation of funds for schools through the Direct Support for Schools program.
- Conduct a study and implement the resulting recommendations on the possibility of expanding the "school nutritional support program" to all primary schools and, eventually, to other levels of education.
- Introduce social transfer (monetary or in kind) for assisted childbirth in a public health unit.
- Strengthen the link between health units and the community by training and employing traditional midwives and community health workers.
- Reinforce nutritional education at the various levels of the school curriculum.

**Design and implement a National Program for Productive Social Action in response to chronic food insecurity and vulnerability to climatic shocks, price fluctuations, and the seasonal variability of agricultural production**

- At district or municipal level, implement a program of social assistance in exchange for community work, ensuring the inclusion of the most vulnerable groups.
- Promote mechanisms to give the most vulnerable people, and women in particular, access to income generating activities.
- Create financing mechanisms to make this initiative sustainable and expand it to a growing number of districts and municipalities, taking into account geographic and gender disparities.

**Priority 3. Social infrastructure**

**Strategic objectives:**

**Expand access to and use of water supply and sanitation services in rural and urban/peri-urban zones**

- Build or rehabilitate water sources distributed across rural areas.
- Pursue strategies to ensure the sustainable use of water and sanitation infrastructure (new and existing) in rural and peri-urban areas.
- Establish household connections and build additional public water supply points in cities and urban areas.
- Promote construction of new connections to conventional sewerage systems, septic tanks and improved latrines in urban and peri-urban zones.
- Promote construction of family latrines (improved and traditional) in rural areas.

**Ensure urban mobility by guaranteeing accessibility of transport services, minimizing travel times and distances and waiting times at terminals and bus stops**

- Liberalize transport fares, while maintaining protection for workers and students traveling to and from work or school, as well as the most vulnerable population groups, regardless of their commuting destination.
- Create conditions for purchasing more buses, boats and other collective transport equipment, standardizing trademarks and ensuring that they are adapted to local operating conditions and are mechanically simple.



### **Expand energy supply services for health and education**

- Pursue the installation of solar energy systems in rural areas without access to the National Electricity Network (REN), with priority to schools and health centers in all provinces.
- Electrify all district capitals not yet connected to the REN, as well as administrative posts.

### **Promote access to and secure tenure of serviced land and support self-construction with special focus on women**

- Proceed with local development planning and zoning in order to promote housing construction, and adopt measures to control the use of urban and peri-urban land.
- Promote dissemination of new housing construction technologies that are cheaper and accessible to the citizens, in particular young people, government employees and agents, promoting self-construction and the establishment of industries producing construction materials.
- Continue to encourage people living in disaster-prone areas to move to safer localities.

### **Promote the construction of new housing**

- Create tax incentives to encourage the construction of new housing, and promote public-private partnerships.
- Promote financial mechanisms for implementing housing programs.

### **Upgrade informal human settlements**

- Take coordinated action to install infrastructure and basic services (access roads, water, sanitation, energy and recreational spaces).
- Promote improved layouts for housing and the demarcation of plots.

### **Involve local labor in projects in the sector**

- Support training for the local private sector (local artisans) including NGOs (non-governmental organizations) and CBOs (community-based organizations) to participate in water supply and sanitation programs in rural and peri-urban areas (harmonized with objective 2, employment).

#### *d) Support pillars: Good Governance*

In combating poverty, the government recognizes the need to deliver high quality public services, swiftly and across-the-board, in order to meet the basic needs of citizens and economic agents. With the progressive decentralization of decision-making powers and funding district, administrative post and municipality level, services have been brought closer to the people, while strengthening citizen participation in government activity at the local level. At the same time the government seeks to guarantee the fundamental rights and freedoms of citizens, and to contribute to social harmony and to the strengthening of

democratic institutions and the rule of law, fostering a culture of integrity, impartiality, transparency, efficiency and effectiveness in the delivery of public services.<sup>15</sup>

The government has defined the following priorities in this context: to improve accessibility to and the quality of public services throughout the country; to combat corruption in public institutions; to pursue decentralization and local governance; and to consolidate the democratic rule of law.

### **Priority 1. Improving accessibility to and the quality of public services throughout the country**

#### **Strategic objectives:**

#### **Improve the quality of government services, in particular the BAUs ("one-stop shops")**

- Implement the African Public Service Charter.
- Introduce the use of ICTs in service delivery.
- Simplify services and eliminate red tape.
- Train government officials and agents.
- Expand the scope of user satisfaction surveys to cover more districts.
- Computerize BAUs and connect them to state institutions.

#### **Broaden the range of services offered (physical and thematic)**

- Expand the BAUs to selected districts.
- Increase the quantity of services available through the BAU to, at least, those described in Decree 14/2007 of May 30<sup>th</sup>.
- Expand the registration network in all institutions.

#### **Make more efficient use of the ICTs in the functioning of public institutions and the delivery of public services**

- Broaden the bandwidth of the e-government network (GovNet) to improve communications in the public sector.
- Connect districts to GovNet to ensure better inter-linkage and service delivery.
- Broaden coverage of the government e-mail system for districts.

### **Priority 2. Combat corruption in public institutions**

#### **Strategic objectives:**

#### **Enhance transparency and accountability**

- Expand the number of government procurement contracts handled via competitive tendering.

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<sup>15</sup> The present time is crucial, both from the viewpoint of public-sector reform and that of combating corruption, for the documents guiding these two processes are due to expire, and the new approaches that are to provide guidance in these two areas are now in the course of preparation. The Global Strategy for Reform of the Public Sector (EGRSP) 2001-2011 is now in its last year, and the Anticorruption Strategy (DAC) 2006-2010 expired at the end of last year.

- Implement the recommendations from the Second National Survey on Governance and Corruption.
- Implement the Extractive Industries Transparency Initiative.
- Publish data on disciplinary proceedings, disaggregated by sector.

#### **Strengthen internal and external control mechanisms**

- Improve the functioning of internal control bodies, and publish and implement the recommendations from internal inspections and audits.
- Audit a growing proportion of the State budget (OE) at all territorial levels.
- Publish and implement the recommendations of external audits.

### **Priority 3. Decentralization and local governance**

#### **Strategic objectives:**

#### **Guarantee institutional reform and capacity building for local administration**

- Continue with the organizational and institutional reform of local organs of the state (OLE).
- Endow the OLEs with human resources and working means through the National Program for Decentralized Planning and Finance and other supplementary training activities for local leaders.
- Strengthen the capacity of OLEs to manage public resources (planning, financial management and implementation) for local development in a participatory and transparent manner.
- Implement a system for monitoring district development and the implementation of local development.
- Construct or rehabilitate administrative infrastructure for OLEs and economic infrastructure.
- Increase budget transfers to OLEs and municipalities.

#### **Consolidate and enhance the functioning of municipalities and improve urban development**

- Continue the transfer of functions and competencies to the municipalities.
- Train the municipalities in administrative management, revenue collection, service delivery, territorial planning, and land use management.
- Implement projects under the Strategic Plan for Urban Poverty Reduction in 11 municipalities.

#### **Strengthen citizen participation in governance**

- Promote participatory budgeting in the municipalities.
- Integrate cross-cutting issues into district development plans.
- Strengthen citizen participation in the formulation, implementation, monitoring and assessment of development plans at all levels.

#### **Priority 4. Consolidate the democratic rule of law**

##### **Strategic objectives:**

##### **Guarantee access to justice for all citizens, in particular the economically disadvantaged**

- Broaden the judicial network, with particular emphasis on provincial and district courts.
- Expand the Judicial Sponsorship and Assistance Institute (IPAJ) network.
- Consolidate mechanisms for access to justice at all levels, including channels for hearing and resolving citizens' disputes and claims.
- Proceed with legislative reforms (detailed in the Technical Note).
- Make the police more effective in guaranteeing public order and safety for persons and property.

##### **Prevent and combat crime, with particular emphasis on corruption and embezzlement of state funds**

- Pursue inter-agency coordination and cooperation in the administration of justice to bring speed, efficiency, effectiveness and transparency to proceedings.
- Make the police more effective in guaranteeing public order and safety for persons and property.
- Review the package of anti-corruption legislation and strengthen mechanisms for preventing and combating corruption.
- Prepare and implement guidelines for good governance and combating corruption for the period 2011-2014.
- Create mechanisms to improve the performance of magistrates.

##### *e) Support pillar: Macro-economic Measures*

Macro-economic stability is essential for inclusive economic growth and poverty reduction, in a situation where the Mozambican economy is subject to external shocks such as rising international prices for food and fuel.

To promote growth and transform the national economy so as to generate employment, it is essential to create competitive macro-economic conditions that will boost the national economy by ensuring a low inflation rate and a stable exchange rate, without neglecting the country's external competitiveness.

To reach the levels of public investment necessary to support sustainable economic growth and socioeconomic development, government revenues will have to rise through an improvement in direct taxes, and public investment will have to grow faster than public consumption.

In this context, the government has established the following priorities: monetary and exchange policy, and management of the public finances.

## **Priority 1. Monetary and exchange policy**

### **Strategic objective:**

#### **Consolidate macroeconomic stability**

- Maintaining a low level of inflation will serve to: (i) stimulate new private investment, both domestic and foreign; (ii) improve the business climate; (iii) allocate available resources within the economy in an efficient manner; (iv) improve the distribution of income; and (v) maintain consumers' purchasing power.
- “Meticalization” of the economy: the growing use of the Metical in transactions conducted within Mozambique is a national imperative, both for purposes of protecting the value of the Metical, and also as a way of facilitating transactions in various market segments, including rural areas.
- External competitiveness. Promote external competitiveness through the exchange policy.
- “Banking penetration”. The government will continue its efforts to promote the expansion of financial services throughout the national territory.

## **Priority 2. Public financial management**

### **Strategic objectives:**

#### **Increase revenue collection in a sustainable and fair manner**

- Decentralize the system for paying taxes by opening more tax offices, including mobile tax collection posts, to allow border customs facilities to accept payment of domestic taxes, and to involve local administrative authorities and communities in tax collection.
- Implement the "single electronic window" mechanism for customs clearance, thereby facilitating foreign trade.
- Facilitate payment through banks, strengthen the Large Taxpayers division, and reduce transaction costs for taxpayers.
- Adopt and implement electronic revenue collection and management systems via "*e-Tributação*" (“e-taxation”).
- Promote tax education, with a view to making the public aware of tax issues and expanding the tax base, and extending it to the informal sector.

#### **Earmark public resources to priority areas for poverty reduction**

- Improve planning and budgeting processes with a view to improving their integration, effectiveness and efficiency in the context of implementing a program budgeting approach.
- Establish a National Planning System.

#### **Promote sustainable investment financing**

- Mobilize concessional funding for financing priority investments for economic and social development.

- Prepare a coherent debt strategy consistent with balanced and sustainable growth over the medium and long term.
- Implement the new system for selecting investment projects and, in particular, adopt the project selection protocol and the standard assessment model for enhancing the capacity to identify and implement high-potential investment projects.
- Adopt the Integrated Investment Plan.

**Promote greater comprehensiveness, transparency, effectiveness and efficiency in the management of public funds.**

- Expand direct and timely payment, via e-SISTAFE, to suppliers of goods and services and other beneficiaries, including payment of wages, allowances and pensions.
- Prepare the conceptual model for the Asset Management System to permit a linkage between the process of procuring goods and the keeping of inventories.
- Improve the transparency and integrity of the procurement system to reduce the fiduciary risk and enhance the efficiency of public expenditure.
- Strengthen internal control capacity and increase transparency in the use of public funds.
- Increase the efficiency and effectiveness of the external audit function.
- Prepare the General Government Account with the due rigor, quality and timeliness.
- Improve the system of follow-up to audit recommendations from the internal control organs (OCIs).
- Improve public procurement processes through mechanisms to monitor and assess transparency, information, integrity, and capacity and mechanisms for recourse in procurement transactions conducted by state organs and institutions.

**Improve the management of natural resources so as to enhance their contribution to the national economy and to local communities**

- Implement the Extractive Industries Transparency Initiative and improve the information published on mega-projects.
- Develop an effective system for control over large taxpayers and megaprojects.
- Increase the benefits flowing to communities from the exploitation of natural resources.
- Enforce legislation to ensure that local communities and areas where natural resources are exploited will receive a portion of the revenues from those activities.

## **VI. THE PARP PROGRAM BUDGET**

The priority actions of the PARP will be implemented and financed through the actions contained in each of the programs shown in the Medium-Term Fiscal Framework and will be put into practice each year by the Economic and Social Plan (PES) and the State Budget (OE).

*a) The funding envelope*

The current national and international macro-economic situation and the outlook for the next few years will determine the envelope of domestic and external resources, which in turn will

have implications for efforts to ensure that adequate levels of investment are channeled to PARP priorities for the period 2011–2014.

The national economy is forecast to grow steadily at an average rate of 7.8 percent and this, together with a broadening of the tax base and planned improvements in tax administration, should lead to greater tax efficiency and higher tax revenues.

However, Mozambique's cooperation partners are facing budgetary pressures as a result of the global financial crisis and this has led those countries to be more cautious in forecasting their disbursements for the period 2011–2014.

Domestic resources are expected to show significant growth (averaging 20 percent over the period of the CFMP 2012-2014), reflecting the growth in government revenues. Table 3 shows projected domestic and external funding, part of which will be earmarked for sectoral allocation during 2011-2014.

**Table 3. Summary of the Funding Envelope**

MT Millions	2011	2011	2012	2013	2014
	OE	Proposed OE Rev.	Projections		
<b>Total Resources</b>	<b>132,40</b>	<b>141,757</b>	<b>153,80</b>	<b>168,357</b>	<b>186,892</b>
<b>Domestic resources</b>	<b>74,338</b>	<b>81,776</b>	<b>93,311</b>	<b>107,851</b>	<b>127,120</b>
State revenues	<b>73,275</b>	<b>79,165</b>	<b>90,726</b>	<b>106,987</b>	<b>125,742</b>
Domestic credit	1,064	2,611	2,585	864	1,378
<b>External resources</b>	<b>58,065</b>	<b>59,981</b>	<b>60,495</b>	<b>60,506</b>	<b>59,772</b>
Grants	35,769	35,285	33,696	34,061	35,303
Loans	22,296	24,697	26,799	26,445	24,469

Source: MPD/MF - QM, REO,  
CGE and OE

The total funding envelope program for the period 2011-2014 will rise from 132 to 187 billion Meticaï. Over that same time, government revenues are expected to increase from 73.3 to 125.7 billion Meticaï.

*b) Strategic allocation of resources*

In PARPA II, priority spending was defined by sector, covering operating and capital outlays relating to the areas of education, health, HIV/AIDS, infrastructure, agriculture, rural development, governance, and the judicial system. In this PARP, budgeting is done by objectives, based on the program planning and budgeting methodology (POP), the approach that guides planning and budgeting processes in Mozambique.

This methodological approach replaces allocation by sectors and is intended to establish a closer link between planning and budgeting processes, giving priority to programs and activities that will contribute to achieving the objectives set forth in a results-targeted plan.

As a result, 88 government programs were selected to be implemented at the central and provincial levels, containing priority actions identified for achieving the PARP objectives. The programs and their connection to PARP priorities are shown in Annex 1.

The remaining programs are classified under "others", as being of relatively less importance in achieving the PARP objectives. This category includes primarily programs of institutional support, such as rehabilitation and outfitting of buildings.

Assuming a constant level of external assistance, the CFMP 2012-2014 calls for an increase in total investment from 60 to 86 billion Meticaís. Given the limited fiscal room for increasing the funds channeled to priority PARP programs, financing for "other" programs will have to be reduced.

Between 2011 and 2014, the portion of total investment spending that goes to programs linked to the general objectives of the PARP is expected to increase from 57 percent to 60 percent (Table 4). Funding for the support pillars (macroeconomic and fiscal management, and governance) rises overall from 13 to 14 percent.

Including investment outlays for the districts (district development fund and infrastructure fund), resources geared to PARP priorities as a whole rise from 76 percent to 82 percent over the three years. The other programs, not linked directly to poverty reduction, decline from 24 percent to a range of between 16-18 percent as a proportion of total investment spending over the three years.



**Table 4. Investment Spending for PARP priorities (does not include operating expenses)<sup>16</sup>**

Investment line (Millions of Meticals - nominal prices)	OE			Projectio								
	2011			2012			2013			2014		
	Internal	External	Total	Internal	External	Total	Internal	External	Total	Internal	External	Total
<b>Boosting agricultural and fishery Productivity</b>	<b>4,978.0</b>	<b>13,569.3</b>	<b>18,547.3</b>									
<i>% of total investment</i>	26%	33%	31%	28%	33%	31%	30%	33%	32%	35%	33%	34%
<b>Promoting employment</b>	<b>870.0</b>	<b>1,132.6</b>	<b>2,002.6</b>									
<i>% of total investment</i>	5%	3%	3%	5%	3%	4%	7%	3%	4%	8%	3%	5%
<b>Human and social development</b>	<b>1,192.4</b>	<b>12,501.9</b>	<b>13,694.3</b>									
<i>% of total investment</i>	6%	30%	23%	7%	30%	22%	8%	30%	22%	8%	30%	21%
<b>Central Objectives of PARP 2011-2014</b>	<b>7,040.4</b>	<b>27,203.8</b>	<b>34,244.2</b>									
<i>Percentage</i>	37%	66%	57%	40%	66%	56%	45%	66%	58%	51%	66%	60%
<b>Macroeconomic and fiscal management</b>	<b>837.8</b>	<b>5,615.9</b>	<b>6,453.7</b>									
<i>% of total investment</i>	4%	14%	11%	5%	14%	10%	5%	14%	10%	7%	14%	11%
<b>Governance</b>	<b>615.0</b>	<b>813.3</b>	<b>1,428.3</b>									
<i>% of total investment</i>	3%	2%	2%	4%	2%	3%	4%	2%	3%	5%	2%	3%
<b>SUPPORT PILLARS</b>	<b>1,452.8</b>	<b>6,429.1</b>	<b>7,882.0</b>									
<i>Percentage</i>	8%	16%	13%	9%	16%	13%	9%	16%	13%	10%	16%	14%
<b>INVESTMENT IN THE DISTRICTS</b>	<b>1,943.5</b>	<b>0.0</b>	<b>1,943.5</b>									
<i>% total investment</i>	10%	0%	3%	13%	0%	5%	24%	0%	9%	18%	0%	7%
<b>Total of PARP resources</b>	<b>11,889.6</b>	<b>33,633.0</b>	<b>45,522.5</b>	<b>16,724.7</b>	<b>36,155.4</b>	<b>52,880.1</b>	<b>23,231.0</b>	<b>39,011.7</b>	<b>62,242.7</b>	<b>28,146.0</b>	<b>42,054.6</b>	<b>70,200.6</b>
<i>% of total investment</i>	63%	82%	76%	62%	82%	74%	78%	82%	80%	81%	82%	82%
<b>Investment in other objectives</b>	<b>6,950.0</b>	<b>7,571.4</b>	<b>14,521.4</b>									
<i>% of total investment</i>	37%	18%	24%	38%	18%	26%	22%	18%	20%	19%	18%	18%
<b>Total Investment</b>	<b>18,839.5</b>	<b>41,204.3</b>	<b>60,043.9</b>	<b>26,822.2</b>	<b>44,294.7</b>	<b>71,116.9</b>	<b>29,638.6</b>	<b>47,793.9</b>	<b>77,432.6</b>	<b>34,597.0</b>	<b>51,521.9</b>	<b>86,118.8</b>

<sup>16</sup> Operating expenses are not sufficiently detailed to be allocated among PARP priorities.

## VII. MONITORING AND EVALUATION OF THE PARP

The PARP assigns great importance to monitoring and evaluation as an indispensable component for providing input and guidance to the decisions that will be needed to implement it effectively and efficiently, to achieve its targets, and to comply with the indicators associated with its priorities, strategic objectives, and priority actions.

### *a) Fundamental principles*

The Monitoring and Evaluation Strategy of the PARP 2011-2014 contains five fundamental principles:

1. Alignment with the existing mechanisms for monitoring government programs.
2. Differentiation between, on the one hand, *outcome indicators*, which assess the scope of specific objectives and, on the other hand, *output indicators*, which measure the degree of fulfillment of activities performed.
3. A combination of quantitative and qualitative monitoring, with the resulting implications as to procedures for collecting information and institutional partnerships to this effect.
4. The dynamic approach of the PARP, using the PARP monitoring process as a mechanism for ongoing review of targets and programs, maintaining key strategic objectives.
5. The participatory approach of the monitoring and evaluation process, particularly as it relates to the use of institutionalized forums for participation at the central, provincial and district levels in order to ensure involvement of other development stakeholders.

### *b) Instruments for monitoring and evaluation*

The instruments and mechanisms to be used for monitoring and evaluation are contained in the National Planning System, and include the following:

- (i) Annual monitoring of activities and targets associated with the output indicators, through the Monitoring Report of the Economic and Social Plan (BdPES) and the Budget Execution Report.
- (ii) The monitoring and evaluation mechanisms will be participatory, involving government, civil society and international cooperation partners, and using among other forums the Development Observatories, the annual review process, and the planning meeting process based on the strategic matrix.

### *c) Evaluation of the PARP 2011-2014*

The impact evaluation, which reflects the performance of sector programs, will be conducted in 2015, through the Fourth National Poverty Assessment, which will represent a quantitative evaluation of the poverty situation in Mozambique and its associated trends. As the IOF does not assess all areas of PARP activity (in particular, the governance area), other surveys and

studies will be rolled into the PARP evaluation, namely the Demographic Health Survey (IDS), Labor Force Survey, Core Welfare Indicators Questionnaire (QUIBB/CWIQ), Agricultural Survey Project (TIA), Multiple Indicator Cluster Survey (MICS), the Assessments of Public-Sector Reform, and other social and anthropological studies.

The successful monitoring and evaluation of the PARP 2011-2014 will depend on the sound functioning of the Statistical Information System headed by the lead body of the National Statistics System, as well as the sharing of information among the principal development stakeholders. Thus, monitoring and evaluation activities will be conducted by the Ministry of Planning and Development, in coordination with the National Institute for Statistics (INE).

**Annex 1. Government Program to Achieve the Objectives of the PARP 2011-2014**

<b>PARP Objective</b>	<b>Designation of the Government Program</b>	<b>Objective of the Government Program</b>
Increase output and productivity in agriculture and fisheries	Rural finance and micro-finance	Promote productivity, competitiveness, and the accumulation of rural wealth.
	Management of natural resources for local development	Promote productive and sustainable management of natural resources and the environment.
	Empowerment of local communities	Good governance and planning for the market.
	Drought management	Reduce vulnerability to hunger caused by drought in regions prone to cyclical water shortages, where precipitation is less than 500 mm per year.
	Management of floods, cyclones and earthquakes	Avoid loss of human lives and destruction of property caused by natural disasters.
	Agricultural production and productivity	Guarantee increased output and food security in the country.
	Research, support, development and infrastructure services	Boost productivity of agricultural activities and throughout the value chain.
	Production for market	Encourage greater agricultural output geared to the market.
	Agricultural infrastructure and capacity building	Promote construction and rehabilitation of agricultural infrastructure.
	Land use and exploitation	Facilitate access to and exercise of rights to land use and exploitation.
	Forestry	Define and implement a policy for sustainable exploitation of forest resources.
	Food and nutritional security	Stability of food consumption at all times.
	Land-use planning	Promote land use planning nationwide with the emphasis on cities, villages and coastal areas and ensure that environmental priorities are duly integrated into development programs.
	Climate change	Promote environmental quality and policies and strategies for mitigating and adapting to climate change.
	Environmental education, communication and dissemination	Promote environmental education and the raise community awareness of the importance of preserving the environment.
Environmental management	Adopt and implement strategies and measures to combat erosion, deforestation, wildfires and pollution, and disseminate good	

		environmental management practices.
	Human resource development at all levels in science and technology	Outreach campaign to foster an attitude and culture of innovation, entrepreneurship and technological development throughout Mozambican society as an instrument for combating poverty and promoting development.
	Promotion of grassroots research and innovation	Promote mechanisms, platforms, infrastructure and facilities for disseminating and adopting technologies in local communities, in small and medium-sized enterprises.
	Promotion of the Science, Technology and Innovation System	Strengthen and promote the Science, Technology and Innovation System in order to yield new or improved products, services and processes that will maximize the value of the country's resources.
	Renewable energy and new energy sources	Create the capacity to use new and renewable energy sources in the country, encourage the development of technologies for producing and installing solar, wind and water-powered energy systems, and prioritize their installation and use in health centers and schools.
	Access to electrical energy	Expand access to energy at the lowest possible cost, by broadening the geographic coverage of energy supply infrastructure and services.
	Marketing of food products	Promote marketing on domestic and external markets to achieve food security and improve the balance of trade.
	De-mining	Accelerate and complete the destruction of antipersonnel mines and unexploded devices and implement programs of victim assistance, as well as civic education.
	Road and bridge maintenance	Preserve the assets inherent in the country's road network.
	Road rehabilitation and improvement	Improve travel conditions over the country's road network.
	Increase fisheries production for food security	Enhance the contribution of the fisheries sector to the population's food and nutritional security.
	Improve living conditions for fishing communities	Improve living conditions for small-scale fishing and aquaculture communities.
	Develop commercial fishing and aquaculture	Enhance the contribution of industrial fisheries and aquaculture to achieving national economic and social development objectives.
	Enhance the contribution of fisheries to the balance of payments	Increase the net contribution of the fisheries sector to the country's balance of payments.
	Development of transportation	Develop safe intermodal or combined transportation systems that are

	systems	sufficiently competitive, attractive and sustainable to facilitate investment.
	Technical and vocational education	Consolidate the reform underway and expand the formal and informal system at the various levels, with a special focus on learning opportunities for young people not in school.
	Strengthen the financial system	Strengthen the financial system, including greater access to credit and financial services at competitive prices.
	Promote industrial development with a focus on SMEs	Promote industrial development with a special focus on micro, small and medium-sized industries that can develop the country's productive resources and capacities in an appropriate and sustainable manner.
Promotion of employment	Improve the business climate for SMEs	Improve the business climate.
	Promote national entrepreneurship	To have a strong, dynamic, competitive entrepreneurial class committed to boosting production and productivity and promoting social well-being.
	Road and bridge maintenance	Preserve the assets inherent in the country's road network.
	Promote economic growth and social development	Promote the growth of production and accelerated, balanced economic and social development focused on the district.
	Boost productivity	Stimulate the growth of productivity through the transfer of technologies, research and innovation.
	Promote and attract investment	Promote Mozambique as a preferred and safe destination for direct investment, national and foreign, guaranteeing stable growth in the levels of annual investment, and its balanced expansion across sectors at the national level, bearing in mind the need to diversify the sources of foreign direct investment.
	Employment and vocational training	Improve the quantity and quality of vocational training, in order to make citizens more employable and to promote work and employment opportunities in rural areas, with special attention to young people, women, persons with disabilities and those affected by HIV/AIDS.
	Production of statistics	Produce statistics on the labor market.
	Environmental quality management	Develop facilities for managing urban solid wastes and environmental cleanup.
	Primary education	Expand quality education to ensure that, by 2015, all children have the opportunity to complete seven years of basic education of standardized

		quality.
	Literacy and adult education	Expand access for youth and adults to literacy and life skills programs, through consolidation and harmonization of various programs.
Human and social development	Secondary education	Expand secondary vocational education on a sustainable basis, through the formal system and distance education, with due regard to quality.
	Access to electrical energy	Expand access to energy at the lowest possible cost, by broadening the geographic coverage of energy supply infrastructure and services.
	Promotion of gender equity	Promote gender equality by enhancing the status of women and boosting their participation in the country's political, economic and social life.
	Attention to target groups unable to work or in situations of vulnerability	Provide assistance for the social integration of vulnerable groups, in particular women, children, the elderly and persons with disabilities.
	Access to serviced land and support for housing self-construction	Guarantee access to and secure tenure of serviced land.
	Construction of new housing	Guarantee access to decent housing.
	Improvement of informal settlements	Ensure the provision of infrastructure and basic services in informal settlements.
	Provision of and access to drinking water in rural areas and villages	Increase the coverage of water supply in rural areas and villages
	Urban water supply	Increase the coverage of water supply in urban areas and villages.
	Rural sanitation	Increase the coverage of sanitation services in rural areas.
	Urban sanitation	Increase the coverage of sanitation services in urban areas.
	Public health, with special focus on women and children and medical assistance	Promote equity in access to health care, with priority to women and children and other vulnerable groups.
	Public health, with focus on reducing the impact of major epidemics and malnutrition	Reduce the impact of major epidemics such as malaria, tuberculosis and HIV/AIDS, intestinal parasites, diarrhea and other pandemics, and help reduce chronic malnutrition and protein-calorie and micronutrient malnutrition.
	Human resource development	Improve human resource management, humanizing services with emphasis on quality and on satisfying users' needs.
	Prevention and mitigation of HIV/AIDS	Help reduce the prevalence of HIV/AIDS.
	Development of the Social Security	Consolidate the strategy for developing the compulsory social security

	system	system, and to guarantee its financial sustainability.
Good governance	Decentralization and empowerment of local communities	Pursue the decentralization process with a view to empowering local communities.
	Deconcentration, reform and capacity building for local organs of state	Implement the Institutional Reform for Local Administration of the State.
	Local economic development	Promote institutional development and infrastructure.
	Promotion of information and communication technologies (ICT)	Take action to make ICT a strategic tool for all Mozambicans in the exercise of democracy and citizenship, good governance and entrepreneurship.
	Improving the delivery of services to the public	Consolidate results-based government devoted to the citizens, guaranteeing the quality of services provided and ensuring that citizens participate in monitoring the quality of services provided to them.
	Transparency and integrity	Encourage administrative and financial transparency, as well as integrity in public administration systems, raising the level of individual responsibility among government officials and agents in terms of providing quality services to the citizens.
	Strengthening and consolidation of document management in the public administration and in government archives	Ensure preservation of the institutional memory and citizen access to information on public administration.
	Strengthening the capacity of local organs of government	Strengthen the capacity of local organs, consolidate decentralization and deconcentration, ensure that they have the capacity to carry out their powers and responsibilities, and to meet the growing needs of local communities.
	Effectiveness of the justice system	Reinforce the rule of law and prevent practices that violate the law.
	Access to justice	Guarantee access to justice, by consolidating and expanding legal and judicial assistance services for economically disadvantaged citizens.
	Reform of the correctional system	Undertake further reforms to the prison system as a means of ensuring the decent treatment of prisoners and their social reintegration.
	Preventing and combating crime	Pursue measures to prevent and combat crime, with particular emphasis on corruption and embezzlement of state funds.



	Maintaining public order, security and combating crime	Guarantee the security of persons and property, maintain public peace and tranquility, and wage an effective campaign against organized crime and crime in general.
	Promoting labor legality	Prevent and resolve labor disputes, promote and supervise labor legality, with a view to improving working conditions.
Macroeconomic and fiscal management	Reforms in the management of the public finances in the context of SISTAFE	Improve the efficiency and effectiveness of the management of the public finances over the medium term, in order to promote economic growth and social development.
	Management and improvement of the planning system	Improve the quality of the planning process in the context of fiscal reforms.
	National Program of Decentralized Planning and Finances (PFD)	Consolidate the functioning of PFD by ensuring that the local levels of government have the institutional capacity for participatory and transparent planning and management of resources allocated to local social and economic development.
	Improvement in the quality and dissemination of official statistics	Improve the quality and the dissemination of official statistical data.