

**Republic of Mozambique: Poverty Reduction Strategy Paper
Annual Progress Report**

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Price: \$15.00 a copy

**International Monetary Fund
Washington, D.C.**

(Translated from Portuguese)



REPUBLIC OF MOZAMBIQUE



***REVIEW OF THE
ECONOMIC AND SOCIAL
PLAN OF 2004***

7 JUNE 2005

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I. INTRODUCTORY NOTE

This evaluation was conducted during the final year of the Government's Five-Year Programme, 2000-2004. As recommended in the 2004 Economic and Social Plan document, this evaluation has been structured differently from previous evaluation reports in order to: (i) improve the consistency and coherence of the various planning instruments, and; (ii) monitor and evaluate the implementation of PARPA, an important instrument in the Government's strategy to reduce absolute poverty.

The present document is divided into five main chapters: International Overview, National Social and Demographic Overview, National Macroeconomic Overview, Principal Developments by Sector and Budget Execution.

This was a year in which public sector reforms were continued and consolidated. There was notable growth in social and economic infrastructure.

There are signs that the Mozambican economy is continuing to grow at the planned rate, inflation is under control and the Metical appreciated strongly.

The Government was able to honour its budget execution commitments, channelling more resources into sectors prioritised in the PARPA and keeping budget execution rates within the limits set in the budgetary legislation.

II. INTERNATIONAL OVERVIEW

With an estimated 5% growth rate (compared with 3.9% in 2003) the world economy expanded significantly in 2004. According to the International Monetary Fund (IMF) this rate is one of the highest that has been registered in the last 30 years. Growth is largely a result of the performance of the North American and Asian economies, particularly those of Japan and China. Latin America also showed signs of recovery while African economies performed relatively well.

However, increases in the price of oil caused economic growth rates to slow from the third quarter of 2004, particularly in the USA, Japan and China. In mid-August a barrel of oil cost 44.7 USD while at the end of the year the price fluctuated between 45 and 50 USD per barrel. In the coming months, the greatest risks will continue to be linked to the behaviour of oil prices (even though inflation is relatively low and stable) and the pressure that the price of oil will exert on interest rates. Interest rates tended to rise in the second half of 2004, following the movements of the United States Reserve Bank. The fiscal deficits of advanced economies continued to be a problem in 2004. These economies as a whole presented a fiscal deficit of 3.4% of Gross Domestic Product in 2004.

The United States of America

The GDP of the USA is estimated to have grown at a rate of 4.4% in 2004, compared with 3% the previous year. During 2004, the Federal Reserve Bank increased interest rates (federal funds) five times in the second half of the year to 2.25% as a method of controlling inflation in the face of strong economic growth. In 2004, private consumption and investment, whether by residents or non-residents, was relatively strong, considering that interest rates were relatively low throughout the year. The external sector was strong, particularly in the area of imports. Industrial production, at 4.4%, was higher than the previous year. The unemployment level in December was 5.4% (compared with 5.7% in 2003). The Dollar depreciated throughout the year in relation to the most important currencies, particularly the Euro.

The principal problem facing the North American economy continues to be the double deficit: fiscal and external. These debts, accompanied by changes in the price of energy, could affect the available income of families. This in turn could lead to almost non-existent levels of savings that would have implications on future consumption and the behaviour of the dollar in coming months.

Japan

Growth was estimated to be relatively high in Japan at 4% compared with 2.5% in 2003. This rate is the result of the continuation of high export rates (14%), a moderate recovery in investment and an increase in private consumption (3.4%). Industrial production grew by 1.8% compared to the same period in 2003 (December). The unemployment rate stood at 4.4% in December 2004 compared with 4.9% in December 2003.

European Union

In the European Union (countries using the Euro), there was an estimated growth in GDP in 2004 of 1.8% (0.6% in 2003). A recovery is still being hampered by many factors including higher oil prices and the appreciation of the Euro. The components of expenditure with the greatest contribution to economic growth were Gross Formation of Fixed Capital or GFFC (2.4%) and private consumption (1.2%). Industrial Production grew by only 1% and the unemployment rate continues to be relatively high at 8.9% in December 2004, unchanged from December 2003.

China

According to information from the Chinese National Statistics Bureau, the economy grew by 9.5% in 2004 compared with 9.3% the previous year. China's economy continues to expand rapidly, particularly in the agricultural and service sectors. GFFC has also made an important contribution to economic growth (25.8% of growth compared with the previous year) and retail sales grew by 14.% throughout the year. Inflation is relatively low, having been around 4% in 2004 compared with 1.2% in 2003.

Emerging Economies

Taking developing countries as a whole, GDP grew by approximately 6.6% in 2004, compared with 6.1% in 2003. Growth was supported by international trade which increased by about 9% in 2004, and by exports (approximately 11%).

There were positive results in emerging economies - particularly in Brazil, North Korea, Russia, Argentina, Chile, Mexico and India - with growth rates of between 4 and 7%. Prices to the consumer stabilised in these economies while inflation rates in Venezuela, Egypt and Russia were between 10 and 20%.

Africa

Taking African economies as a whole, growth in GDP was estimated at 4.5% for 2004 (4.3% in 2003). The average inflation rate was 8.4% compared with 10.3% the previous year.

Zimbabwe's estimated growth rate for 2004 was – 5.2% compared with – 9.3% the previous year. Inflation in was approximately 350% in 2004 compared with 431.7% in 2003.

In the other SADC economies, excluding Mozambique, South Africa and Zimbabwe, growth stood at 4.2% in 2004 compared with 3.4% in 2003. Angola, Botswana, the Democratic Republic of Congo, Mauritius and Tanzania exhibited growth rates higher than the average mentioned above. The Seychelles and Swaziland continue to present the lowest growth rates.

The inflation rate for SADC economies was between 7 and 9% between 2003 and 2004 (excluding Angola and Zimbabwe whose interest rates are far higher than the regional average).

South Africa

According to Statistics South African, GDP growth in South Africa in 2004 is estimated at 2.6% compared with 2.8% in 2003. Growth in 2004 depended mainly on the financial and business services sector, the manufacturing sector and transport and communications. Compared with 2003, growth in the agricultural sector was good in the first three quarters of the year due to improved harvests in 2004. A particular challenge for the South African authorities is the very high unemployment rate, estimated at 27.8% as at March 2004.

A 1.4% inflation rate was registered in 2004 compared with 5.8% in 2003. At the end of 2004 the Rand was being exchanged at 5.6 Rands to the American Dollar compared with 6.7 Rands to the Dollar at the end of the previous year – a 16% appreciation in twelve months. Between 2002 and 2004 the Rand appreciated by approximately 37% against the Dollar. In response to this situation the South African Reserve Bank reduced the discount rate by 7.5% in 2004.

This points to a relatively sustainable recovery for the world economy over the period the period 2004 – 2005. However, steps must be taken to ensure more equitable growth between the various regions of the world. Risks to the global economy are related to the price of oil and developed economies' fiscal deficits.

III. NATIONAL SOCIAL AND DEMOGRAPHIC OVERVIEW/REVIEW

III.1. MILLENNIUM DEVELOPMENT GOALS (MDGs)

Each year, the Review of the Economic and Social Plan allows the Government of Mozambique to take stock of progress to date towards the Millennium Development Goals (MDGs). The MDGs are a set of eight interrelated development targets set out in the United Nations' (UN) Millennium Declaration of 2000, to which Mozambique is a signatory. The goals include observable verifiable measures of national success in: eradicating poverty and food insecurity; attaining universal primary education; promoting gender equality; reducing infant mortality; improving maternal health; fighting HIV/AIDS, malaria and other diseases; guaranteeing environmental sustainability, and; developing a global partnership for development.

This year's assessment is of particular interest because the first comprehensive five year review of progress towards the MDGs is set to take place in September 2005 at the UN's Millennium +5 Summit. This will summarise the global position *vis-à-vis* the MDGs and aim to map a way forward for the remaining ten years to 2015. It is also significant because the nation's principal strategic tool for the delivery of the MDGs, the Programme for the Reduction of Absolute Poverty (PARPA I), is in the process of being revised.

This Section therefore provides a brief overview as to how far Mozambique has progressed towards meeting the MDGs, building on the assessment featured in the Review of the 2003 Economic and Social Plan.

1. Eradicate Poverty and Food Insecurity

Goal: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. The latest Household Survey (IAF) for 2002 – 2003 provides the most up-to-date data on poverty available. According to this data, 54% of the population is presently living in poverty (defined as those living on less than US\$1 per day), down from 69% in 1996/7 (as measured by the previous IAF). This means that the PARPA I target of reducing poverty incidence below 60% by 2005 has been met. In the light of 8.2% economic growth in 2004, it seems that some further progress has already been made since the IAF. Since, however, there is no baseline data for poverty prevalence in 1990, a specific MDG target for 2015 is hard to define, although a simple extrapolation of PARPA I targets would lead us to aim for a reduction of the proportion of the population in poverty to 44%. While this seems an achievable objective on present trends, we

must bear in mind the fact that full brunt of the HIV/AIDS pandemic has yet to be felt.¹

Finally, as mentioned in last year's PES Review, we also need to consider incorporating more sophisticated definitions and measures of poverty into, for example, PARPA II which as mentioned is being revised in 2005.

2. Attain Universal Primary Education

Goal: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling. The net enrolment rate for Ensino Primario 1 or EP1 (the first 5 years of primary schooling) stood at 75.6% in 2004, up from 43.6% five years ago. This has been made possible by the expansion of the EP1 school network, with an average annual increase of around 3,300 new schools per annum since 1999. However, while the overall enrollment rate is promising, there remain serious underlying problems. The EP1 repetition and completion rates need to increase dramatically if the 2015 target is to be met, and regional disparities also need to be addressed. For example, at EP1 level in 2004, repeating students represented around 21% of all students (compared to 21.9% in 2003).

3. Promote Gender Equality

Goal: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015. In 2004 the net enrolment rate for girls in EP1 stood at 73.2%. The female participation rate at EP1 level was 45.9%, and stood at 40.7% for EP2 level. These levels are similar to those observed in 2003 (45.3% and 40.0% respectively). Clearly, the levels attained to date show the need for a major increase in enrollment, retention and completion patterns for girls in order to meet the requirements of the MDGs.

4. Reduce Infant Mortality

Goal: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate. The under five mortality rate (U5MR) stood at 201 per 1,000 live births in 1997 according to the results of the 1997 Demographic and Health Survey (DHS). The 2003 DHS indicated that the rate had fallen to 180 by last year. This is partly as a result of efforts to extend coverage of the Diphtheria, Tetanus, Pertussis and Hepatitis B vaccination, which in 2004 achieved 96% coverage.

However, in order to reduce the U5MR by two thirds on the 1990 level, Mozambique will need to meet a target of target of 82 deaths per 1,000 live births

¹ Arndt C., 2003, 'HIV/AIDS, Human Capital and Economic Growth Prospects for Mozambique,' Africa Region Working Paper Series, No. 48, World Bank.

by 2015. This suggests that more rapid progress needs to be made, especially in the light of the impact of HIV/AIDS.

5. Improve Maternal Health

Goal: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio. The only available baseline for this indicator is a 1995 figure of an estimated 1,062 maternal deaths per 100,000 live births.² This in turn gives a 2015 target maternal mortality rate of 266/100,000. According to the 2003 IDS, the maternal mortality rate in Mozambique is now around 408 deaths per 100,000 live births, suggesting a reduction of more than half in ten years. A simple extrapolation suggests that the 2015 target is feasible.

6. Fight HIV/AIDS, Malaria and Other Diseases

Goal: Have halted by 2015 and begun to reverse the spread of HIV/AIDS. The HIV/AIDS pandemic is a grave cause for concern in Mozambique. The adult HIV prevalence rate stood at 13.6% in 2002, based on sentinel surveillance of pregnant women. To prevent and combat HIV/AIDS, the Government (through the National Council to Combat HIV/AIDS) has focused on implementing a nationwide HIV/AIDS education, information and communication campaign; setting up Voluntary Counselling and Testing Centres; improving the diagnostic capacity of laboratories and introducing antiretroviral treatment. About 8000 people were receiving antiretroviral treatment in 2004, including more than 4000 pregnant women to prevent vertical transmission to their babies.

Goal: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases. Combating malaria remains a key developmental objective, especially since its effects are exacerbated by HIV/AIDS. Moreover, the challenge in reducing it is a huge one. For example in 2003 only 17.8% of mothers with children under five possessed mosquito nets. In rural areas the figure was 12.2%.

7. Guarantee Environmental Sustainability

Goal: Halve, by 2015, the proportion of people without sustainable access to safe drinking water. By 2004, the rate of coverage of safe water supply in rural areas had reached 43.2% (an increase of 3.8% on 2003) and in urban and peri-urban areas it had reached 36.8% (an increase of 0.8%). While these increases are promising (taking into account an estimated population growth rate of 2.4%), significant investments will need to be made to meet the 2015 MDG target.

² Cited in 'Report on the Millennium Development Goals: Mozambique,' United Nations, August 2002.

IV. NATIONAL MACROECONOMIC OVERVIEW

In 2004, the Government's economic and social policy focused on attaining the objectives of the Government Programme (Plano do Governo, 2000 – 2004). Actions were prioritised that contributed towards sustainable economic growth and reduction of absolute poverty and social inequalities. The strategy to combat absolute poverty is implemented through the Poverty Reduction Action Plan (PARPA) which sets out the major sectoral actions needed to attain the following objectives:

- promote sustained economic growth as a way of reducing poverty, particularly through supporting rural development;
- extend and improve the network of socio-economic infrastructure;
- develop human resources by increasing the quantity and improving the quality of education and health services, and strengthen the social protection networks that support the poorest and most vulnerable members of society.

Hence, the principal macroeconomic objectives for 2004 were to:

- achieve growth in Gross Domestic Product in the region of 8%;
- ensure that the average annual inflation rate is restricted to 8 - 9%;
- achieve approximately 2% growth in the export of goods (excluding those from the large-scale projects);
- continue creating an environment that attracts investment to Mozambique whilst ensuring responsible environmental management;
- expand and improve the quality of public education, health and judicial services and construct basic water, sanitation and road infrastructure;

The preliminary results of the 2004 evaluation are as follows:

- 7.2% growth in GDP;
- 4.6% growth in production compared with the planned 4.5%;
- accrued inflation in the region of 9.3% (MABENA) and 9.1% (Maputo);
- 21% appreciation of the Metical;
- 1451.9 million USD of goods exported, compared with the planned 1274.5 million.

IV.1. GLOBAL AND SECTORAL PRODUCTION

There was 4.6% growth in economic activity in 2004 in relation to 2003, mainly due to the performance of the manufacturing and mining industries and the transport and communications sector.

The significant contribution of the manufacturing industry is explained by Mozal's increase in productive capacity with the start of its second aluminium production phase in the last six months of 2003. Excluding aluminium production, the overall production rate increased by 2.2%. The growth of the mining industry is almost entirely due to the fact that the Pande Temane gas field began producing large volumes of natural gas in February 2004. The positive performance of the transport sector can be explained by an increase in the number of air passengers. The entry of a second mobile phone operator (VODACOM) into the market has greatly increased the competitiveness of mobile and terrestrial telephone operators.

Global and Sectoral Production - % growth rates in volume			
Production	2002	2003	2004
Agriculture, fisheries & forestry	10.0	8.6	9.1
	7.3	9.8	9.0
	23.3	17.4	12.8
Timber	18.3	-8.7	5.6
Fishery	-4.6	11.1	-3.8
Mineral Extraction Industry	52.1	31.6	215.7
Manufacturing Industry	3.9	14.9	12.7
Electricity and Water	10.2	-12.6	5.7
Construction	104.6	-7.6	-14.6
Trade	1.1	5.3	-0.1
Repair Services	4.0	2.1	0.1
Restaurants and Hotels	2.8	8.6	1.1
Transport & Communications	-8.0	8.6	16.4
Financial Services	1.7	0.8	0.9
Property Rental	2.5	2.4	2.5
Services to Business	12.0	2.0	1.9
Services to Government	1.5	6.1	5.6
Other Services	7.1	9.7	8.5
Total Production	16.7	4.8	4.6
Total Production wtht aluminium	17.1	2.3	2.2
Total Production wtht aluminium and gas	16.8	2.4	1.3
Total Production wtht large-scale projects	4.6	7.4	5.1

On the negative side, there was a reduction in construction, explained by the conclusion of the construction phase at Mozal II and Temane and by the incomplete execution of the road building and maintenance plan. It is hoped that performance in the construction sector will improve in 2005 with the rehabilitation of National Highway N°1 and the implementation of other planned activities.

However, this sector as a whole performed as planned for the year according to the 2004 Economic and Social Plan. Without the large-scale projects, production in the traditional sectors of the economy grew by 5.1%, not significantly higher than the overall economic growth rate of 4.6%. It would seem that the negative effects of the conclusion of the construction phases of the large projects have been offset by the positive effects of their entry into production.

With a growth rate of 9.1%, the agricultural/livestock sector has been expanding more rapidly than the economy as a whole. However, this sector is still highly vulnerable to climatic conditions.

A. AGRICULTURE, LIVESTOCK AND FORESTRY

The 2003/2004 agricultural season was affected by irregular rains nationwide, particularly during the first half of the rainy season (October and December 2003). However, the more regular rainfall in the country as a whole at the end of December and during the first quarter of 2004 greatly increased food crop production. In the country as a whole, inputs in terms of seeds and agricultural equipment were sufficient to meet the needs of subsistence farmers, except in Gaza, Tete and Nampula provinces. There were shortages of pesticides and seeds in these provinces and subsistence farmers lacked the purchasing power to buy agricultural equipment. The Government and its partners have made great efforts to make seeds available through agricultural fairs and normal business channels, as well as distributing kits of inputs free of charge to the most disadvantaged communities.

AGRICULTURAL PRODUCTION (% VOLUME GROWTH RATES)

	2002	2003	2004
Total	7.3	9.8	9.0
Business	57.2	109.3	10.5
Family Total	5.2	3.4	8.8
Family Produce Sold	9.5	4.3	12.1
Own Consumption	2.9	2.8	6.9

The 2003/2004 agricultural season was a success, with high crop yields (particularly of cereals) in the northern provinces thanks to an increase in productivity and the total area of cultivated land.

A total of 4,027,000 hectares were sown during the agricultural season. 55% of this area was used for cereals, 27% for cassava and 18% for vegetables. Approximately 111,095 hectares of sown land were lost to droughts, floods, pests and diseases, corresponding to 2.7% of the total sown area, affecting about 75,000 families.

Growth in agricultural production in the region of 9% was registered in 2004. Business production and family cash crop production (excluding food produced for personal consumption) grew by 11.7%. The Government made a significant contribution towards these results by providing agrarian services and offering farmers incentives to use inputs and improved technologies.

There was a 10.5% increase in exports in contrast to the results of the previous year. This can largely be explained by the increase in cotton production (69.9%), Mozambique's major export crop. In contrast, there have been reductions in the production of cashew nuts (-32.6%), copra (-3.1%) and sugar cane (-3.3%).

Cashew nuts and copra production was affected by adverse weather conditions in the provinces producing these crops. There was also a high incidence of diseases such as helopeltis and anthracnose affecting cashew trees in the south of the country and the country's ageing cashew trees are becoming increasingly less productive. The lethal yellowing of coconut palms also affected coconut production.

Great efforts were made to monitor the trade in cashew nuts and prepare a technical assistance programme for the General Union of Cooperatives' cashew processing factory in an attempt to increase production. In addition, approximately 900,000 cashew tree saplings were distributed to the family and private sectors to replace aging cashew trees and increase the number of these trees nationwide.

PRODUCTION OF THE FAMILY AND BUSINESS AGRICULTURAL SECTORS			
(% rates of growth in volume)			
	2002	2003	2004
EXPORT CROPS	17.3	-4.4	10.5
Cashew	-6.4	27.2	-32.6
Cotton	16.8	-34.8	69.9
Copra	-5.9	14.7	-3.1
Sugar Cane	127.8	21.9	-3.3
Citrus	80.4	5.0	1.6
Tea	39.3	0.9	19.2
BASIC FOOD CROPS	4.8	13.6	6.0
Maize	8.3	7.9	16.1
Rice	1.6	8.5	-5.5
Sorghum	0.2	-0.4	5.1
Cassava	-0.5	4.2	4.6
Shelled Peanuts	0.7	0.1	19.6
Beans	14.9	1.7	7.1
Horticulture	7.2	60.5	10.5
Onions	45.3	105.6	-22.3
PRODUCTS FOR INDUSTRY	98.5	80.5	28.4
Tobacco	58.3	73.2	68.3
Tomato	148.3	86.5	0.0
TOTAL	14.9	20.5	11.7

The dramatic fall in sugar cane production was caused by various factors: production was delayed until the second quarter of the year by adverse weather conditions; production was halted for three weeks at the Marromeu and Xinavane sugar processing plants in June and July and the Marromeu and Mafambisse sugar plantations suffered from a plague of *Chilo* caterpillars.

The production of basic food crops grew by 6%. As most of the crops produced for sale fall into this category, these crops are crucial for family well being in that they ensure food security and provide families with the means to meet their basic needs. Although production in this group as a whole increased, there was a decrease in the production of rice and onions (-5.5% and -22.3%, respectively).

The sale of maize increased by 16.1% due to Maize shortages in neighbouring Malawi and the bulk purchases made by the World Food Programme (WFP) in partnership with the Cereals Institute of Mozambique, particularly in the provinces of Manica, Tete, Zambezia, Niassa, Nampula and Cabo Delgado.

Agricultural production indicators reveal that there was a notable increase in the productivity of food crops due to progressive increases in yield per hectare and increases in sown areas. However, methods of dealing with agricultural surpluses need to be improved. The high levels of production registered for family consumption (6.9%) partly reflects the difficulties that families face in selling their surpluses. This also partly explains the country's 430,000 tonne cereal shortage (mainly of rice and wheat) which had to be covered by imports.

There was a dramatic growth in the production of crops for industry (28.4%) resulting from the high levels of tobacco production (68.3%).

The sale of family sector produce was positive in 2004. The recovery of export crops was particularly notable thanks to the dramatic increase in cotton production (79.1%). Great efforts were made by rural producers who were forced to replant their land three times in several regions, particularly in Nampula and Sofala where extensive areas were lost due to irregular rainfall.

There were substantial increases in every crop group as a result of the increased yields of rural households, leading to a greater likelihood of food security.

FAMILY SECTOR TRADE			
(% volume growth rate)			
	2002	2003	2004
EXPORT PRODUCTS	-1.3	-4.7	17.3
Cashew	-6.4	27.2	-32.6
Cotton	-0.1	-27.1	79.1
Copra			
Sugar Cane	1.4	1.4	3.7
Citrus	66.7	0.0	0.0
Tea			
BASIC FOOD PRODUCTS	4.1	5.4	7.8
Maize	8.1	1.0	15.0
Rice	0.6	19.0	-6.5
Sorghu	0.1	0.3	5.1
Cassava	-0.8	3.8	4.3
Shelled Peanuts	0.8	0.0	20.0
Beans	15.1	1.7	7.2
Horticultur	5.6	7.4	13.9
Onions	41.0	55.6	6.5
PRODUCTS FOR INDUSTRY	74.6	8.7	33.1
Tobacco	56.7	40.9	46.9
Tomato	102.1	-29.7	0.0
TOTAL	9.5	4.3	12.1

7.8% growth was registered in basic food crop production. There were significant increases in maize, peanut and horticultural production.

There was also growth in the production and sale of livestock in the business and family sectors. The increase in livestock production in the family sector was largely the result of a successful livestock support programme. According to recent data there are now more than a million cattle in the country: rapid progress is being made towards exceeding the peak of 1,500,000 cattle registered in the 1980s.

LIVESTOCK PRODUCTION (% growth in volume)

	2003		2004	
	SECT.	SECT.	SECT.	SECT.
Cows/bulls	36.	27.	13.	11.
Pigs	0.0	5.8	0.0	4.9
Poultry	31.	0.2	19.	12.
Fresh eggs	784.	242.	41.	35.
Total	36.	16.	18.	12.

Animal health activities continued to be implemented to increase the production, productivity and quality of livestock. There are excellent prospects for livestock production – in the cooperatives sector UGC has resumed egg production; a Mauritian project has been launched to produce chickens and eggs in Maputo province; a livestock project is being discussed between Mozambican and South African partners; two industrial abattoirs are nearing completion in Manica and poultry farms are being set up in Niassa.

A national cattle breeders' association was recently established which should be of great value in developing this sector.

Approximately 110 head of cattle were distributed to the family sector in Massingir, Guijá, Chibuto and Mabalane districts under the ambit of the livestock re-stocking programme. 10 rams (of the *sanne* breed) were acquired by the same programme for the Napaha Livestock Support Posts, the Mapupulo Agrarian Station and for the Pemba/Metuge Agrarian Training Centre for breeding and subsequent distribution in Cabo Delgado. 1,680 small ruminants were also distributed in the districts of Lichinga, Sanga, Nipepe, Majune, Cuamba and Mecanhelas and 9 pigs were distributed in Nipepe district.

The increase in the number of pigs was offset by an outbreak of swine fever - the greatest constraint to the development of this sector in Africa.

The forestry and timber subsector registered a growth in production levels comparable to 2003 (5.6%), maintaining the steady growth registered over recent years. The production of tree trunks in the business sector increased by 15.8%, with a total of 111,523 trunks produced. Approximately 38% of these are extracted from Cabo Delgado province, 21% from Zambezia and 17% from Sofala. There was also an increase in the production of firewood and charcoal as a result of the increased volume of forestry licensing.

B. FISHERIES

In 2004 production rates in this sector were affected by adverse climate conditions. The unusually low temperatures during the cold season had a negative effect on production and average income over the course of the year and led to a reduction in exports of seafood, particularly fish. Fish production decreased during 2004 in both the small-scale and business sectors, down by 4.4% and 3.2% respectively.

Overall, fisheries production decreased by 3.8% in 2004. Activities are in progress to control fishing levels on the Sofala Bank to allow shrimp stocks to recover. At the same time, efforts are being made to stimulate the production of more stable resources such as Kapenta. Kapenta production in the business sector increased by a very significant 67.6% in 2004.

Approximately 20,500 tonnes of various types of seafood were exported this year. Improved hygiene and sanitation in the fish processing units led to increases in the number of exporters and the volume of exports.

FISHERIES PRODUCTION (% volume growth rate)			
	2002	2003	2004
TOTAL	-4.6	11.1	-3.8
Business	-6.5	-9.2	-3.2
Family Total	-1.4	41.6	-4.4
Family Produce Sold	0.6	53.8	-5.5
Own Consumption	-3.0	30.8	-3.2

ARTISANAL FISHERY – (% volume growth rate)			
	2002	2003	2004
Lobster	-5.0	10.0	0.0
Crab	18.1	-55.6	-57.9
Gamba	0.0	0.0	0.0
Fresh & Frozen Fish	0.3	66.7	-4.3
Kapenta	0.0	0.0	0.0
By-catch	0.0	0.0	0.0
Shrimp *	-10.2	-8.3	-26.3
Crayfish	0.0	0.0	0.0
Squid &	-6.5	-38.4	-40.9
INDUSTRIAL FISHERY – (% volume growth rate)			
	2002	2003	2004
Lobster	-4.4	7.7	100.0
Crab	11.3	-50.4	175.0
Gamba	-10.0	-9.7	-28.2
Frozen & Fresh Fish	-8.4	68.0	-53.1
Kapenta	46.9	16.2	67.6
By-catch	16.5	0.6	-8.5
Shrimp *	4.3	-17.5	9.3
Crayfish	-11.1	37.5	20.0
Squid &	-11.1	-25.0	73.5

* Including aquaculture

Fisheries extension activities were conducted to promote family production. Activities included experimental fishing, disseminating fishing techniques, demonstrating the use of outboard motors and providing training in new fish handling, processing and preservation methods.

The artisanal fishing community was encouraged to form fishing associations and participate in savings and credit schemes. There is also a growing number of projects collecting and processing artisanal products. It is hoped that these measures will increase the productivity of the national fishery and increase the value of produce.

The planned rehabilitation of the Angoche fishing port and its subsequent return to full operational capacity will stimulate fishing activity in the northern region of the country.

C. THE MINING INDUSTRY

Total mineral production increased by 215.7% in 2004 compared with the previous year. Particularly high growth was registered for products such as natural gas, tantalite, limestone, gold and sand for construction purposes.

In February 2004 natural gas began to be produced at the Pande-Temane field as planned. There were significant increases in production from June.

The national natural gas network is due to be extended to Ancuabe at the end of 2005 creating good perspectives for the reactivation of graphite production in this area.

MINERAL RESOURCES - (% volume growth rate)			
	2002	2003	2004
Coal	57.7	-15.6	-55.0
Bauxite	6.1	29.3	-23.9
Graphite	0.0	0.0	0.0
Crude Bentonite	0.0	0.0	0.0
Treated Bentonite	128.3	18.0	-15.5
Sorted Bentonite	-23.0	57.9	-32.5
Activated Bentonite	0.0	0.0	0.0
Marble Slabs	-34.8	2.5	33.6
Marble Blocks	41.6	-0.2	36.5
Uncut garnet	0.0	-61.3	511.0
Cut stones	0.0	0.0	0.0
Gold	-23.2	271.6	-10.8
Aquamarine	-44.9	-69.4	132.1
Tourmaline	578.6	370.4	170.2
Tantalite	73.7	302.3	277.4
Beryl	6687.	44.2	-65.1
Sand	71.3	72.4	4.2
Limestone	78.4	3.6	18.2
Riolite	57.2	-9.6	5.8
Granite	1.2	-19.5	-3.4
Dumortierite	-20.0	0.0	182.5
Natural gas	94.6	4.1	91405.
TOTAL	52.1	31.6	215.7

There was a 55% decrease in coal production over the year: production ceased during the first quarter of 2004 while a new mine transportation system was being installed.

The production of granite, bauxite, bentonite and dumortierite was affected by market problems as these particular minerals are only produced to order.

The production of tantalite increased dramatically (227.4%) with the opening of the new Naquissupa mine and the reopening of the Morrúa and Marropino mines in Zambezia province.

There was a significant increase in small-scale production due to the performance of licensed operators in Manica, Sofala, Zambezia and Nampula provinces. The Government also provided support to small-scale operators and rehabilitated access roads to production areas.

D. MANUFACTURING INDUSTRY

Manufacturing industry as a whole, including aluminium production, grew significantly (12.7%) as predicted in the PES evaluation of the first six months of 2004.

The manufacturing industry's industrial sector, including aluminium production, expanded by 17.2% as Phases I and II of Mozal became fully operational. The Phase II plant began operating in the second half of 2003. Mozal produced 547,606 tonnes of aluminium in 2004 compared with 409,407 in 2003, representing a 33.8% increase.

Discounting aluminium production, the industry grew by only 5.2% due to the poor performance of various industries (see table below). However, 9.8% growth was registered in the food industry, partly due to its weight in the total structure of industrial production and partly due to the industry's dynamism in recent years. Growth in this area has had a multiplier effect on the performance of agriculture, transport, trade and other subsectors.

MANUFACTURING INDUSTRY- (%volume growth rate)			
SECTOR	2002	2003	2004
Food Production	6.5	3.9	9.8
Drink & Tobacco	10.4	12.7	3.7
Textiles & clothes	-1.3	-7.6	10.9
Coir & coir articles	-36.2	33.6	-4.7
Timber industry	0.0	17.9	-51.4
Paper & graphic arts	36.8	-9.5	45.5
Chemical products	0.8	14.2	-5.3
Non-metallic minerals	12.8	21.4	3.4
Base metals	-1.5	51.1	33.7
	-0.5	51.6	33.8
	0.0	0.0	0.0
Others	-63.2	-40.5	2.1
Metal products, equip. & machinery	-3.3	53.3	5.0
Furniture and other manuf. goods	-76.4	161.5	13.7
TOTAL	3.8	23.7	17.4

A decrease in growth in the first half of 2004 in the drinks and tobacco sub-sector was reversed as a result of investments in the tobacco industry. This has had a multiplier effect on agricultural tobacco production.

The textile and clothing industry registered 10.9% growth in contrast to poor performance in recent years. The following factories contributed to the clothing industry's positive performance in 2004: Ninita, Belita and Maputo Clothing and factories working under the ambit of AGOA and SADC agreements. The Cicomo and the new CIMA company, producing fishing nets, contributed to the growth of the textile industry.

There was a significant decrease in the industrial production of wooden furniture (-51.4%) with reduced demand for national timber.

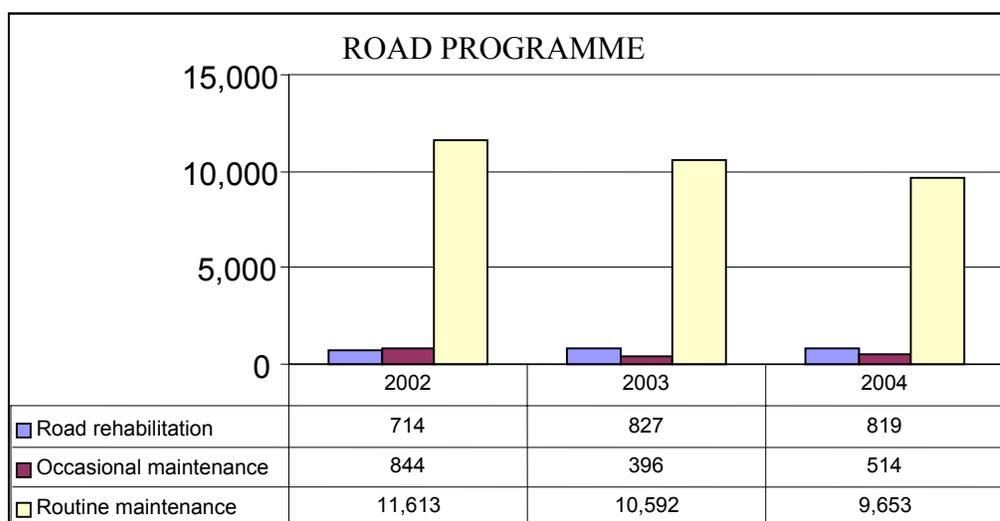
E. ELECTRICITY AND WATER

The electricity and water sector grew by 5.7%, with the electricity sub-sector growing by 6.1%: a notable result considering that no increases in the production of energy in megawatts/hour were planned this year because of the rehabilitation, modernization and automation work being carried out at Cahora Bassa. Fewer generators were producing energy for export to Zimbabwe (ZESA), Botswana (BPC) and the short-term regional market (STEM).

Energy production for the national market was unaffected by rehabilitation work at Cahora Bassa, growing by a considerable 12%. This reflects the increase in internal demand resulting from economic growth and the electrification of rural areas. The national grid has now been extended to cover the entire country and generators have been installed to provide electricity in district administrative centres. The supply of water continues to expand to meet the additional needs of the growing rural and urban population.

F. CONSTRUCTION

In 2004 there was a drop in levels of production owing to the conclusion of the construction phases of two large projects (Phase II Mozal and the construction of the gas pipeline to South Africa) and the fact that the road construction programme was not fully executed.



Overall, the construction sector decreased by 14.6%. As shown in the table above, the total number of kilometres of road rehabilitated or maintained by the programme decreased by 7% compared with 2003.

G. BUSINESS

Business activity has remained stable in 2004 (-0.1%) with a fall in the level of imported goods. The majority of business activity revolved around the trade in internal sector goods: agriculture, fisheries, livestock, manufacturing industry (not including Mozal) and mining. Taken as a whole, the indicators reveal substantial increments in trade in these areas and a consequent increase in profit margins.

H. RESTAURANTS AND HOTELS

The restaurant and hotel sector has expanded steadily over recent years. In 2004 performance was stimulated by the growing numbers of air passengers (as illustrated in the table in the following section) and by high-profile events held in Maputo such as the World Economic Forum and the ACP (Africa, Caribbean and Pacific) Conference. The balance of payments indicated that tourism revenue was in the region of 95.3 million USD.

Growth in the service sector has made Mozambique more attractive to both investors and tourists. New investments worth approximately 480 million USD were approved over the course of the year.

I. TRANSPORT AND COMMUNICATIONS

This sector grew by 16.4% in 2004 largely due to an increase in air travel. There were a variety of factors responsible for this increase, including: new points of entry into the country, the implementation of a new civil aviation policy, the simplification of licencing procedures, the entry of new aircraft operating out of Mozambique, the growth of tourism and the high-profile international events held in the country.

TRANSPORT AND COMMUNICATIONS (% volume growth rate)			
	2002	2003	2004
Rail Transport	5.7	68.8	13.6
Road Transport	-24.3	-4.2	19.2
Oil Pipelines	17.8	-13.1	3.5
Sea Transport and Coastal Trade	-73.0	171.7	61.4
Air Transport	4.2	156.9	238.2
Transport-related Services	12.2	29.3	-47.0
Communication Services	28.8	2.8	15.7
TOTAL	-8.0	8.6	16.4

Compared to the results achieved in 2003 there has been a 19.2% increase in road transport, explained by the performance of the privately-owned bus and minibus sector (*'semi-coletivos'*). There was a decrease of -2.4% in public transport due to several factors including an increase in the price of fuel and the greater elasticity of demand for public services in the face of fare increases. It is hoped that public transport services will improve with the purchase of new buses in 2005. Positive performance is also expected from private passenger transport

services with growing urbanisation and legislation to stimulate the licencing of vehicles with over 25 seats.

Telecommunications services expanded with the entry of another mobile telephone operator into the market (VODACOM).

IV.2. MONETARY AND FOREIGN EXCHANGE SECTOR

A. Monetary and Financial Programme

The medium-term objectives of the 2004 monetary programme are based on Government's principal economic objectives: inflation should not rise above 11%; the GDP Growth Rate should rise by 8%, the Bank of Mozambique's Net Domestic Assets should expand by 8.608 billion Meticaïs and the Net Foreign Reserves balance should be maintained at 778 million USD. These objectives were based on an estimated 15% expansion of the Money Supply and 18.4% expansion of credit to the economy (consonant with nominal GDP expansion).

Although the increase in Monetary Base was greater than expected (at approximately 68.4 billion Meticaïs) the fact that Net Foreign Assets were also higher than expected (at 736 billion Meticaïs) meant that the Bank of Mozambique's Net Domestic Assets fell below the planned limit. The expansion of Credit to the Economy was far lower than expected due to the impact of retrenchment efforts to recover credit and the effect of the appreciation of the Metical. This also influenced the behaviour of the Money Supply which registered a very moderate annual variation (6.1%, compared with the planned 15% and the annual variation of 18.7% in 2003). The behaviour of the above aggregates contributed to the deceleration of annual inflation to 9.1% (IPC Maputo) compared with the expected 11%.

The table below shows the Monetary Programme's goals and execution rates up to the end of December (1st and 2nd semesters of 2004).

Aggregates			Dec/03	Mar	Jun	Sep	Dec	Goals/Dec04
Net Domestic Assets			1,577	1,184.7	1,918.9	-9,760	-9,115.9	-7,260.5
(billions of Meticaïs)								
Net Internat. Reserves—			738	741	747	837	850	816.7
millions of USD								
Net Foreign Assets (billions of Meticaïs)			7,103	6,685.0	6,756.9	18,886	19,549	18,813
Monetary Base (billions of Meticaïs)			8,682	-7,869.7	8,675.8	9,126.2	10,433.4	10,365
Money Supply (balance variation)			18.7	15.1	16.4	11.7	6.3	15.0

Credit to the Economy (balance variation)	-1.1	3.6	1.1	-1.1	-5.6	18.4
Annual Inflation - %	13.8	13.5	13.3	11.1	9.1	11.0
Exchange Rate % annual variation	0.01			-10.3	-20.8	-

Monetary Policy

The macroeconomic environment was affected by several internal and external factors during the period in question. The following were particularly influential:

- The strengthening of the Rand on the international market with an impact on the continuing depreciation of the Metical and the unpredictability of inflation in Maputo City (imported inflation).
- Continuing increases in the price of oil on the international market and consequent adjustments in the domestic market;
- Delays in the disbursement of external support (deficit of 14.5 million USD up to June).

Monetary policy continued to be supported by interbank, monetary and exchange market operations, complemented by banking persuasion and supervision. In this context, an intervention was made in Interbank Money Market (IMM) to regulate the liquidity of the system using Treasury and Monetary Authority Bills (*BTs* and *TAMs*).

Interventions in the Interbank Money Market included:

- Issuing Pre-announced Treasury Bills on a weekly basis with various terms (including from 1 to 6 days);
- Offering a greater volume of Treasury Bills, particularly longer-term Bills of 91 to 182 days.

The Bank of Mozambique's interventions in Interbank Markets (Money and Exchange), aimed at controlling liquidity, culminated in December 2004 with the freezing of approximately 10,414 billion Meticaís (compared with 5,188 billion in the same period in 2003) and with net sales of foreign exchange that exceeded sells in 2003 by approximately 46.7 million USD.

In view of improvements in macroeconomic indicators, the Bank of Mozambique proceeded to revise the main IMM intervention rates at the end of September, lowering the Permanent Outstanding Liquidity Facility rate from 18.5% to 13.5% and the Permanent Outstanding Absorption Facility rate from 8.25% to 6.25%. From 14th September, under Law n° 22/2004, Treasury Bills began to be issued for both State Treasury financing and for the purposes of monetary policy.

Regarding exchange policy, liquidity freezing was intensified as planned via Interbank Exchange Market operations. The methodology for calculating the Central Bank's exchange rate of reference was altered in an effort to clarify the signal transmitted to the market concerning exchange rate trends.

In quantitative terms, foreign currency was sold on the Interbank Exchange Market to a value of 104.3 million USD, compared with purchases totalling 16.6 million USD, resulting in a net volume of sales of USD 87.7 million (with a total of 1,989.29 billion Meticaís frozen).

Changes in the Principal Monetary and Financial Aggregates

A. Money Supply

The Money Supply (M2) aggregate stood at 34,236.7 billion Meticaís in December, representing an annual variation of 6.1%, compared with the ceiling of 15% specified in the monetary programme. Compared with the same period in 2003, the aggregate decelerated by 12.6 percentage points, thereby negating the effect of the appreciation of the Metical against the USD. M2 registered 15.1% growth in the Total Deposits and Credit to the Economy in foreign exchange.

Growth in M2 was stimulated by the increase in (i) Notes and Coins in Circulation (by 22%), associated with the pressure on the cash supply to satisfy the requirements of the trade in cereals at the end of the 1st semester³, in cotton and tobacco in the 3rd quarter and in cashew nuts in November and December; (ii) increases in Net Foreign Assets and (iii) the reduction of Net Credit to the Government and the increase in other liquid assets and liabilities in the system.

The growth in total expenditure was essentially supported by total deposits which increased by 3.6% with variation reduced by decreasing the number of notes and coins in circulation. It is important to note that as a consequence of the stability of the Metical against the USD a greater volume of deposits was made in Meticaís. Consequently the weight of the Metical within M2 rose from 49% in December 2002 to 52% in December 2003 and to 60.3% in December 2004.

B. Credit to the Economy

Credit to the Economy registered a balance of 13,512.5 billion Meticaís, an annual reduction of 5.6% against -1.1% observed in December 2003. Negating the effect of the Metical's appreciation, the retrenchments (1,177 billion Meticaís) and the recovery of mature loans (144 billion Meticaís) annual variation

³ Available data indicate that agricultural production in 2004 was higher than in recent years, putting greater pressure on the notes and coins in circulation than in previous years.

registered at 24.5%. Foreign exchange credit also increased, representing 58% of Credit to the Economy in December 2004 compared with 56% in the same period in 2003, an increase of 83 million USD in the stock of foreign exchange credit.

There was a slight alteration in the structure of internal debt by sector. The three sectors with the highest debt levels in 2004 were Business (21%), Industry (18%) and Agriculture (11%). Over the past four years, the contribution of agriculture and industry to internal debt has decreased in line with the deceleration of real growth in these sectors over the same period. It should also be noted that the other sectors are responsible for approximately 38% of the total stock of credit allocated to the economy by the banking system.

C. Interest Rates

The Bank of Mozambique lowered its intervention rates in MMI: the Permanent Outstanding Liquidity Facility (*FPC*) rate fell to 13.5% and the Permanent Outstanding Absorption Facility (*FPA*) rate fell to 6.25%. The average rates set according to the volume of transactions in Treasury Bills, Monetary Authority Bills and Exchange Liquidity followed the same tendency, falling to 10.9%, 6.4% and 8.9%, respectively.

The interest rates for credits and deposits in domestic currency continued the downward trajectory that began in 2001, in response to the downward signal from the monetary authority throughout the year. The interest rate for credit operations with a one year term fell from 28.1% in December 2003 to approximately 23.7% in 2004. Deposit operations also fell from 12.6% to 9.7%, a relative reduction in spread between the two rates to approximately 14%.

The interest rate for credit in foreign currency rose from 6.7% to 8.4% and for deposits from 1.1% to 1.8%. This behaviour, contrasting with that of operations in domestic currency, can be explained by the Dollar's depreciation against the Metical.

D. Exchange Rates

In 2004, the Metical strengthened against the two principal currencies traded on the internal exchange market (the Dollar and the Rand). The Metical's annual appreciation rate against the USD escalated from 0.01% in December 2003 to approximately 21% in December 2004.

The Metical's behaviour on the domestic exchange market can be explained by the following factors:

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- The weakness of the USD on the international market, explained fundamentally by the successive worsening of the current account deficit in the USA allied to the conflict in Iraq and the volatility of oil prices.
- The increased supply of foreign exchange from the Bank of Mozambique on the Interbank Exchange Market, with liquid sales increasing from 139.7 million USD in 2003 to 187 million USD in 2004.
- A moderate increase in monetary supply in 2004.

The Metical also strengthened against the Dollar on the parallel market (20.8% in 2004) with a difference between the average official and parallel exchange rates of approximately 2.6%.

Exchange Market - The Value of the Metical Against the American Dollar

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Average Rates - MT/USD												
2000	13,448	13,983	14,933	15,764	16,006	16,007	16,065	16,154	16,171	16,242	16,513	16,987
2001	17,323	17,869	18,492	19,105	20,081	21,299	21,797	21,821	22,065	22,401	23,077	23,153
2002	23,314	23,415	23,513	23,603	23,639	23,650	23,708	23,815	23,877	23,931	23,836	23,687
2003	23,801	23,809	23,817	23,810	23,815	23,777	23,668	23,744	23,735	23,775	23,802	23,835
2004	23,688	23,840	23,844	23,829	23,747	23,436	23,048	22,674	22,244	21,201	20,419	19,483
Accumulated Growth Rate (%)												
2000	1.5	5.5	12.7	19.0	20.8	20.8	21.3	21.9	22.1	22.6	24.6	28.2
2001	2.0	5.2	8.9	12.5	18.2	25.4	28.3	28.5	29.9	31.9	35.8	36.3
2002	0.7	1.1	1.6	1.9	2.1	2.1	2.4	2.9	3.1	3.4	2.9	2.3
2003	0.5	0.5	0.5	0.5	0.5	0.4	-0.1	0.2	0.2	0.4	0.5	0.6
2004	-0.6	0.0	0.0	0.0	-0.4	-1.7	-3.3	-4.9	-6.7	-11.1	-14.3	-18.3
Annual Growth Rate (%)												
2000	8.8	12.9	20.3	26.5	28.1	27.6	26.9	26.5	25.7	25.2	26.1	28.2
2001	28.8	27.8	23.8	21.2	25.5	33.1	35.7	35.1	36.4	37.9	39.7	36.3
2002	34.6	31.0	27.1	23.5	17.7	11.0	8.8	9.1	8.2	6.8	3.3	2.3
2003	2.1	1.7	1.3	0.9	0.7	0.5	-0.2	-0.3	-0.6	-0.7	-0.1	0.6
2004	-0.5	0.1	0.1	0.1	-0.3	-1.4	-2.6	-4.5	-6.3	-10.8	-14.2	-18.3

In the first six months of the year, the Metical depreciated by 8% against the Rand, associated with a strengthening of the South African currency on the international market in the context of the Mozambican market's high dependency on South African imports. However, the tendency was reversed during the last six months of the year, with the Metical having appreciated by 4% against the Rand by December 2004.

In comparative terms, the Metical performed better against the Rand in 2004 than in 2003. During the equivalent period in 2003, accumulated annual depreciation was approximately 14% with annual depreciation standing at 29.8%.

Exchange Market Value of the Metical against the Rand

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Average Rates MT/USD												
2000	2,210	2,257	2,339	2,460	2,351	2,347	2,385	2,426	2,349	2,272	2,262	2,279
2001	2,332	2,377	2,405	2,442	2,579	2,749	2,743	2,717	2,682	2,564	2,533	2,322
2002	2,178	2,186	2,175	2,244	2,416	2,442	2,439	2,398	2,382	2,410	2,527	2,687
2003	2,775	2,904	3,006	3,117	3,210	3,031	3,172	3,228	3,243	3,419	3,485	3,662
2004	3,510	3,531	3,613	3,673	3,520	3,605	3,724	3,611	3,449	3,358	3,382	3,393
Accumulated Growth Rate (%)												
2000	2.4	4.6	8.4	14.0	8.9	8.7	10.5	12.4	8.8	5.3	4.8	5.6
2001	2.3	4.3	5.5	7.2	13.2	20.6	20.4	19.2	17.7	12.5	11.1	1.9
2002	-6.2	-5.9	-6.3	-3.3	4.1	5.2	5.0	3.3	2.6	3.8	8.8	15.7
2003	3.3	8.1	11.9	16.0	19.5	12.8	18.0	20.1	20.7	27.2	29.7	36.3
2004	-4.2	-3.6	-1.3	0.3	-3.9	-1.5	1.7	-1.4	-5.8	-8.3	-7.6	-7.4
Annual Growth Rate (%)												
2000	5.1	9.7	13.8	19.4	15.4	14.1	14.6	16.4	10.4	6.6	6.0	5.6
2001	5.5	5.3	2.8	-0.7	9.7	17.1	15.0	12.0	14.2	12.8	12.0	1.9
2002	-6.6	-8.1	-9.6	-8.1	-6.3	-11.1	-11.1	-11.8	-11.2	-6.0	-0.2	15.7
2003	27.4	32.9	38.2	38.9	32.9	24.1	30.1	34.6	36.1	41.9	37.9	36.3
2004	26.5	21.6	20.2	17.8	9.6	19.0	17.4	11.9	6.4	-1.8	-2.9	-7.4

E. Supervision and Regulation

In the first six months of the year a merger took place between *Banco Comercial de Investimento* (BCI) and the *Banco de Fomento* (BF), reducing the total number of banks operating in the market to 10.

In the same period, mechanisms were adopted to strengthen bank supervision, establishing the respective legislative revisions and financial regulations. These include the Credit Institution Law and the Financial Association Law recently approved by parliament.

IV.3. INFLATION

The analysis of inflation rates is based on the aggregate index known as *MABENA*, combining the price indices in the cities of Maputo, Beira and Nampula to provide a balanced index for the country as a whole.

The table below shows that the accumulated inflation rate from January to December stood at 9.3%. The accumulated inflation rate in Nampula was slightly higher than average at 11.9% while the rates in Maputo and Beira were marginally lower at 9.1% and 8.5% respectively.

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MABENA PRICE INDEX – BASE DEC 1998 = 100

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
INDEX												
2002	141.4	144.0	142.9	141.7	140.6	141.4	142.8	143.7	144.9	145.7	148.0	151.7
2003	153.1	155.5	158.4	159.8	160.6	160.3	160.9	161.3	161.9	163.1	164.4	169.0
2004	174.1	175.7	177.5	178.9	179.2	178.7	179.3	179.1	179.2	180.2	181.2	184.7
MONTHLY VARIATION (%):												
2002	1.6	1.8	-0.7	-0.9	-0.7	0.6	1.0	0.6	0.9	0.6	1.5	2.5
2003	0.9	1.6	1.8	0.9	0.5	-0.2	0.4	0.3	0.4	0.7	0.8	2.8
2004	3.0	0.9	1.0	0.8	0.2	-0.3	0.3	-0.1	0.0	0.6	0.6	1.9
Annual GROWTH RATE (%):												
2002	24.5	25.9	24.0	21.5	19.7	18.9	17.2	14.7	13.9	11.4	9.6	9.0
2003	8.3	8.0	10.8	12.8	14.2	13.3	12.6	12.3	11.7	11.9	11.1	11.4
2004	13.7	13.0	12.1	11.9	11.6	11.5	11.4	11.1	10.6	10.5	10.2	9.3
ANNUAL ACCUMULATED GROWTH RATE (%):												
2002	1.6	3.5	2.7	1.8	1.1	1.6	2.7	3.2	4.2	4.7	6.4	9.0
2003	0.9	2.5	4.4	5.3	5.8	5.6	6.0	6.3	6.7	7.5	8.4	11.4
2004	3.0	3.9	5.0	5.8	6.1	5.7	6.1	6.0	6.0	6.6	7.2	9.3

Source: National Statistics Institute

The fall in inflation was associated with the performance of the real sector of the economy, the moderate expansion in the Money Supply and the positive trend in public accounts. In addition, the appreciation of the Metical against the Rand and Dollar absorbed the pressure on the price of non-food goods associated with the continuing rise of the oil price on the international and domestic market.

Although there was a variation of -0.1% in June and none at all in July, the rising tendency of Maputo City's price index continues to be of concern. In accumulated and annual terms, however, the rate stood at 9.1% compared with the 11% estimated for the end of the year.

In contrast to 2003, inflation has been strongly influenced by the index of non-food goods which has increased in accumulated terms by 4.8% . In particular, the accumulated variation in housing prices was registered at 22.4% to December, associated with the continuing rise in the price of oil on the international and domestic market and consequent price adjustments. The slight depreciation of the Metical against the Rand also influenced the index, particularly the behaviour of food prices.

ECONOMIC AND SOCIAL PLAN EVALUATION 2004

PRICE INDEX - MAPUTO - BASE DEC 1998 = 100

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
INDEX:												
2002	144.1	146.0	145.0	145.4	145.6	147.1	148.6	149.4	149.6	150.2	153.0	157.5
2003	157.1	160.7	164.9	166.9	169.7	168.3	168.3	169.4	170.6	172.3	173.8	179.2
2004	184.4	185.3	187.1	189.6	190.8	190.7	190.7	189.8	189.5	190.6	192.7	195.5
MONTHLY VARIATION (%):												
2002	-0.2	1.3	-0.7	0.3	0.1	1.1	1.0	0.6	0.1	0.4	1.9	2.9
2003	-0.3	2.3	2.6	1.2	1.6	-0.8	0.0	0.6	0.7	1.0	0.9	3.1
2004	2.9	0.5	1.0	1.3	0.6	-0.1	0.0	-0.5	-0.2	0.6	1.1	1.5
ANNUAL GROWTH RATE (%):												
2002	22.9	24.9	23.2	22.2	19.5	18.3	16.6	15.2	14.3	10.5	8.9	9.1
2003	9.0	10.1	13.7	14.8	16.5	14.4	13.2	13.3	14.0	14.7	13.6	13.8
2004	17.4	15.3	13.5	13.6	12.5	13.3	13.3	12.0	11.1	10.6	10.8	9.1
ANNUAL ACCUMULATED GROWTH RATE (%):												
2002	-0.2	1.2	0.5	0.7	0.9	1.9	3.0	3.5	3.6	4.1	6.0	9.1
2003	-0.3	2.0	4.7	6.0	7.7	6.9	6.9	7.5	8.3	9.4	10.4	13.8
2004	2.9	3.4	4.4	5.8	6.5	6.4	6.4	5.9	5.7	6.3	7.5	9.1

Source: National Statistics Institute

PRICE INDEX BEIRA - BASE DEC 1998 = 100

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
INDEX:												
2002	146.3	147.7	146.2	142.1	140.8	142.3	143.5	144.9	148.0	149.0	150.3	151.1
2003	153.4	153.5	155.9	157.2	158.5	160.5	161.8	161.4	161.2	162.3	163.6	166.4
2004	171.2	174.4	176.4	176.5	175.9	174.9	176.6	177.3	177.6	178.4	178.2	180.5
MONTHLY VARIATION (%):												
2002	5.1	0.9	-1.0	-2.8	-0.9	1.0	0.9	1.0	2.1	0.7	0.9	0.5
2003	1.6	0.1	1.5	0.9	0.8	1.3	0.8	-0.2	-0.1	0.7	0.8	1.7
2004	2.9	1.8	1.2	0.1	-0.3	-0.6	1.0	0.4	0.1	0.5	-0.1	1.3
ANNUAL GROWTH RATE (%):												
2002	28.4	25.5	22.9	17.7	18.2	18.9	17.3	14.2	14.8	14.9	11.7	8.5
2003	4.9	4.0	6.6	10.6	12.5	12.9	12.8	11.4	8.9	8.9	8.8	10.2
2004	11.6	13.6	13.2	12.3	11.0	9.0	9.1	9.8	10.1	9.9	9.0	8.5
ANNUAL ACCUMULATED GROWTH RATE (%):												
2002	5.1	6.1	5.0	2.1	1.2	2.2	3.1	4.1	6.4	7.1	8.0	8.5
2003	1.6	1.6	3.2	4.0	4.9	6.3	7.1	6.9	6.7	7.4	8.3	10.2
2004	2.9	4.8	6.0	6.1	5.7	5.1	6.1	6.5	6.7	7.2	7.1	8.5

Source: National Statistics Institute

ECONOMIC AND SOCIAL PLAN EVALUATION 2004

PRICE INDEX - NAMPULA - BASE DEC 1998 = 100

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
INDEX:												
2002	125.4	133.2	132.6	131.4	126.7	123.9	125.4	125.1	126.3	127.2	129.2	136.1
2003	141.4	144.3	143.6	142.9	136.9	135.2	136.7	136.8	137.2	136.6	137.6	142.9
2004	148.3	149.1	150.3	150.5	150.1	149.3	149.8	150.7	151.8	152.9	152.7	160.0
MONTHLY VARIATION (%):												
2002	1.4	6.2	-0.5	-0.8	-3.6	-2.2	1.2	-0.3	1.0	0.7	1.6	5.4
2003	3.8	2.1	-0.5	-0.5	-4.2	-1.2	1.1	0.1	0.3	-0.4	0.7	3.8
2004	3.8	0.6	0.8	0.1	-0.3	-0.5	0.4	0.6	0.7	0.7	-0.1	4.7
ANNUAL GROWTH RATE (%):												
2002	23.2	32.0	30.8	29.1	25.3	22.3	20.6	14.7	11.5	8.1	7.9	10.0
2003	12.7	8.3	8.3	8.7	8.0	9.1	9.0	9.4	8.7	7.5	6.5	5.0
2004	4.9	3.3	4.7	5.3	9.6	10.4	9.6	10.2	10.7	11.9	11.0	11.9
ANNUAL ACCUMULATED GROWTH RATE (%):												
2002	1.4	7.7	7.1	6.2	2.4	0.1	1.3	1.1	2.1	2.8	4.4	10.0
2003	3.8	6.0	5.5	5.0	0.5	-0.7	0.4	0.5	0.8	0.4	1.1	5.0
2004	3.8	4.4	5.2	5.3	5.0	4.5	4.9	5.5	6.3	7.0	6.9	11.9

Source: National Statistics Institute

IV.4. BALANCE OF PAYMENTS

An analysis of the principal components of the Balance of Payments shows:

- A reduction in the Current Account deficit from 953 million USD in 2003 to 843 million USD in 2004.
- There was a decrease in the Capital Account, despite an increased flow of capital from 395 million USD in 2003 to 463 in 2004. In contrast, foreign direct investment fell from 342 million USD in 2003 to 241 million USD in 2004.

The global deficit in the Balance of Payments was largely financed by reserve assets.

In 2004, the value of exported goods reached 1,504 million USD, an increase of 460 million USD compared with the equivalent period in 2003. The major exports were electricity, shrimp, sugar and cotton.

	2003	2004
Exports	1044	1504
of which large projects	681	1049
Growth Rate of Exports	28.90%	44.06%
Imports	1741	2035
of which large projects	337	312

Exports - 10⁶ USD

	2003	2004	% Cresc.
Shrimp	25.9	90.3	248.5
<i>Amendoa de Cajú</i>	0.2	1.6	715.3
Cotton	16.5	32.8	98.9
Copra	0.0	0.1	
Sugar	0.8	35.5	4340.6
Tyres	1.2	1.7	37.8
Wood	13.3	28.5	114.6
Cashew Nut	2.6	4.4	69.4
Electricity	58.9	102.3	73.6
Bunker's	0.8	23.5	2836.9
Sasol (Gas)		31.3	
Others	69.7	120.7	73.1
TOTAL	189.9	472.6	148.9

Source: INE. Customs bulletins, HCB, MOZAL reports

The volume of imports reached 2,035 million USD in 2004, an increase of 294 million USD compared with the previous year.

Imports - 10⁶ USD

	2003	2004	%
Oil Derivatives	86.9	181	108.
Electricity	20.5	75.5	268.
Other goods	319.	767.	140.
Total not Mozal	426.	1,023.	139.
Mozal Imports	104.	307.	195.
Gen. Total	530.	1,331.	150.

Source BM 1st & 2nd semester report

Despite increases in construction, communication, security and government services, there was a larger deficit in the services balance compared with the same period in 2003. The deficit increased from 257 million USD to approximately 312 million USD.

V. PRINCIPAL DEVELOPMENTS BY SECTOR

V.1. SOCIAL AREA

A. EDUCATION

In 2004 the education sector continued to focus on increasing access to education and improving the quality of teaching. Institutional capacity-building activities were also implemented at the various levels of educational administration.

Increased Access

As a result of the Government's policy of expanding the education sector, the number of students in general education rose by approximately 10% in 2004 compared with the previous year. The table below shows that 98.4% of the target number of students in primary and secondary education was attained in 2004. The student population in first and second level Primary Education (EP1 and EP2) increased by approximately 8.7 and 15% respectively compared with the previous year. The number of students in secondary education (ESG1 and ESG2) rose by 19 and 16.7% in the first and second cycles respectively.

Numbers of Students in Primary and Secondary Education 2000 - 2004								
Level	2000	2001	2002	2003	2004		% Execut. Plan	% Growth 04/03
	Actual	Actual	Actual	Actual	Planned	Actual		
EP1	2,271,265	2,513,094	2,643,126	2,825,971	3,127,624	3,071,564	98.2	8.7
EP2	209,230	265,994	302,912	355,618	422,621	409,279	96.8	15.1
ESG1	78,335	98,095	116,356	141,795	158,418	168,798	106.6	19.0
ESG2	10,057	11,968	14,019	18,291	22,640	21,350	94.3	16.7
Total	2,568,887	2,889,151	3,076,413	3,341,675	3,731,303	3,670,991	98.4	9.9

Source: MINED

In terms of educational coverage indicators, the gross admissions rate for EP1 was 137.6% (8.5% higher than the figure for 2003). This signifies that the system's capacity for admitting more children into the first grade increased at a similar rate to that registered in previous years. The net and gross education rates in EP1 in 2004 were 75.6% and 121.2% respectively.

Building new schools and training teachers continued to be prioritized in response to the high demand for educational establishments in recent years. 99.5% of the plan for building new schools in 2004 was realized, resulting in a 5.3% expansion of the school network. This is presented in the table below.

ECONOMIC AND SOCIAL PLAN EVALUATION 2004

School Network 2000 – 2004								
Level	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004		% of Plan Executed	% Growth R04/R03
					Planned	Actual		
EP1	7,072	7,496	7,771	8,071	8,418	8,373	99.5	3.7
EP2	522	680	823	950	1,121	1,116	99.6	17.5
ESG1	93	106	116	125	141	140	99.3	12.0
ESG2	20	23	27	29	30	30	100.0	3.4
Total	7,707	8,305	8,737	9,175	9,710	9,659	99.5	5.3

In terms of staff training for general education, the number of trainees in the 11 Primary Teacher Training Centres (CFPPs) increased by 12.7% compared with the previous year.

7 Primary Teacher Training Institutes (IMAPs) were running daytime courses in 2004, corresponding to a 77.8% plan realization rate. A total of 4,040 students were enrolled in these institutions, corresponding to a 96.5% realization rate.

Teacher Training (General Education) 2000-2004, Total Trainees								
Level	2000	2001	2002	2003	2004		% of Plan Executed	% Growth R04/R03
	Actual	Actual	Actual	Actual	Plan	Actual		
CFPPs (Basic)-Daytime	4,326	4,534	4,997	5,193	5,084	5,853	115.1	12.7
IMAPs (Mid-level)-Daytime	2,544	3,385	3,672	3,841	4,186	4,040	96.5	5.2
IMAPs (Mid-level)-Evening	0	190	773	1,708	1,874	2,243	119.7	31.3
Total	6,870	8,109	9,442	10,742	11,144	12,136	108.9	13.0

In response to teacher shortages in the system, the staff recruitment process continued in 2004. The number of teachers recruited for general education was approximately 13% higher than in 2003, representing 95% plan realization.

A low percentage of primary teachers working in EP1 and EP2 schools have undergone professional training (55% and 66.5% respectively). In ESG1 and ESG2 only 53.4% and 81.6% of teachers are trained, respectively.

Total number of Teachers (General Education)					
Level	2003 Actual	2004		% of Plan Executed	% growth R04/R03
		Plan	Actual		
EP1 (1st – 5th Class)	42,838	50,080	47,598	95.0	11.1
EP2 (6th – 7th Class)	9,139	11,713	10,743	91.7	17.6
ESG1 (8th – 10th Class)	3,523	4,545	4,568	100.5	29.7
ESG2 (11th – 12th Class)	645	901	759	84.2	17.7
Total	56,145	67,239	63,668	94.7	13.4

Source: MINED

Education for girls continued to be promoted in 2004. The proportion of girls in EP1 and EP2 increased from 45.3% and 40% respectively in 2003 to 45.9% and 40.7% in 2004. The net rate of girls' schooling in EP1 was 73.2%. However, in ESG1 and ESG2, participation rates decreased from 40.6% and 37.7% respectively in 2003 to 40.2% and 37.4% in 2004.

Regarding the implementation of the Gender in Education Strategy, an action plan was formulated to improve gender parity in a number of pre-identified districts. This plan will be launched in a meeting attended by representatives from all the provinces.

At the same time, a study has begun into the possibility of including a directive to improve gender parity in the schools covered by Direct School Support (ADE).

Actions to combat the sexual harassment and abuse of female students also contribute towards gender parity. This issue has already merited a ministerial dispatch, which is one of the instruments to be disseminated for implementation in schools.

Literacy and Adult Education

5,288 literacy centres were operating in 2004, 10% above the planned target. 537,593 learners attended the 1st and 2nd years of literacy courses, corresponding to a 94.8% realization of the plan. 123,314 students attended the 3rd year of teaching, corresponding to 99.5% plan realization.

A literacy programme using radio and television is being developed as a means of supporting the formal literacy centres. The preparatory phase was completed in 2004 and implementation is expected to begin in 2005.

Technical/Professional Education

At the level of elementary education, 11 schools were operating countrywide (100% plan realization) with 1,268 students enrolled in courses (66.3% realization of the plan). The number of enrolments increased by 1.4% compared with the previous year.

Basic level daytime courses were taught in 25 schools which enrolled a total of 19,878 students (99.7% of plan realization). Compared with the previous year, the number of enrolments increased by 4.1%.

Intermediate level daytime courses were taught in 7 schools as planned. 3,516 students were enrolled in these institutions, corresponding to 104.5% plan realization. The number of enrolments increased by 7.3% compared with 2003.

Distance Teacher Training and Education

In 2004, a Secondary Distance Education pilot project was launched in Nampula province to improve distance education materials and integrate them into the activities already in progress, with a view to extension to other districts. Basic level teacher training activities continued and the intermediate level teacher training course by distance education was launched.

Improving Educational Quality

Efforts in this area focused on implementing the new basic education curriculum, training teachers and providing direct support to schools.

Curricular Revision

In 2004, the new basic education curriculum began to be introduced into the first grades of each cycle, namely in the 1st, 3rd and 6th classes.

Before the new curriculum was implemented, capacity-building activities were conducted for basic education teachers and trainees. The main educational innovations of the new curriculum are as follows:

- i. An integrated curriculum for the seven basic education grades, with knowledge structured by area rather than by separate discipline.
- ii. A national curriculum with a compulsory nucleus of knowledge, skills and learning outcomes for all students in the country, with additional space for the introduction of the 'local curriculum'.
- iii. The promotion of learning cycles rather than academic years.
- iv. The introduction of Mozambican languages as the languages of instruction in schools, to be administered through a bilingual approach.
- v. The introduction of English in the 3rd cycle (6th class).
- vi. The introduction of Vocational Training and Moral and Civic Education.

Teacher Training

The Teacher Training Strategy (EFP) was conceived to address some fundamental aspects of the Strategic Plan for Education. Efforts are presently being made in the area of educational provision, with a special emphasis on teacher training.

The formulation of the Teacher Training Strategy was based on three general principles. Firstly, the recognised aim of teacher training is to improve the quality of education. This means that every measure in this strategy focuses on the *need to improve the quality* of teacher training.

The second general principle stems from the fact that current teacher training models are fragmented, erratic and incoherent. Training policy aims to achieve a *fully co-ordinated approach* to teacher development which clearly defines the functions, contributions and interrelationships of all major parties.

The third general principle is that the Teacher Training Strategy should *integrate initial training, in-service training and continuous professional development* as a way of establishing a solid career structure for every teacher. In this context, MINED formulated and began to implement a continuous training system for teachers known as 'CRESCER'.

CRESCER (School Strengthening Courses: Systematic, Continuous, Experimental and Reflective) is a continual professional development system for teachers, based in the ZIPs and supported by the District Education Directorates and Teacher Training Institutions. The system began to be introduced in 2004 in 20 pilot districts, involving 10,180 teachers (about 17% of the 58,332 teachers in Basic Education). The system consists of participative, cyclical, cascade training which can be implemented flexibly. The Teacher Training Institutions are responsible for implementing training activities in each area of the curriculum in close collaboration with the schools and ZIPs.

Other initiatives for accelerating teacher training

MINED entered into an agreement with the Universidade Pedagógica (UP) to provide training for secondary school teachers. In 2003, 559 in-service teachers with intermediate-level training were admitted to various degree level courses in each branch of the university. In 2004, a further 800 teachers entered Universidade Pedagógica to pursue degree level courses.

At the same time, MINED will continue to formulate joint strategies with UP and other higher education institutions to create other alternatives for Secondary level teacher training, such as training by distance education.

In co-ordination with various educational institutions, MINED has designed and piloted other alternative teacher training models. Trials of school-based training indicate that effective teachers can be trained relatively rapidly and cheaply. 400 teachers were trained in Inclusive and Special Education.

Direct School Support (ADE)

In implementing activities under the ambit of the Strategic Plan for Education (PEE), MINED launched and implemented the 2nd and 3rd phase of its Direct School Support programme.

The objective of the programme is to create a 'school quality improvement fund' as a way of decentralising administrative resources to school level. The fund is allocated, in principle, in the form of an annual endowment in two separate tranches. The fund is managed by a School Council composed of teachers, parent representatives, the school director and district director of education.

The programme allocates financial resources directly to public EP1 primary schools (including those in the EPCs) enabling them to purchase basic school materials for the benefit of pupils and teachers.

In its second phase, the programme allocated sums ranging from 3.5 to 90 million meticaï to each school (depending on the number of students and classes in the school). In the third phase, sums between 4.2 and 70 million meticaï were allocated to each school.

The second and third phases of the programme benefited approximately 8,100 and 8,400 primary schools respectively.

Institutional Development

Strategic Plan for Education

MINED initiated the process of revising its sectoral strategy with the aim of reformulating its objectives and aims and allotting the resources necessary for implementing the second phase of the strategy (2005-2009). The revision process is reaching its conclusion, and the preliminary document has already been presented to co-operation partners and received positive feedback.

Training for School Directors

Training for school directors is a continuous activity. At present, approximately 70% of principals at every level have participated in the training programme.

Deputy directors and administrators have also been involved in these training activities to ensure that the three individuals comprising the directorate of each school are equipped with the instruments and competences they need to do their jobs effectively.

To ensure that these training activities are sustainable, MINED has begun to prepare a School Director's Manual as a tool to support school management.

HIGHER EDUCATION

In 2004, special attention was given to expanding access to Higher Education, improving the quality of courses and increasing the educational opportunities of those living outside Maputo by increasing the number of educational institutions.

Present efforts to increase the number of educational institutions include preparation and planning to set up polytechnics in Manica, Gaza and Tete provinces.

The following activities have been carried out to prepare the new Higher Education Law:

- Formulating a system of accreditation, evaluation and quality control for higher education;
- Formulating a system for accumulating and transferring academic credits in Mozambican higher education;
- Implementing the distance education strategy;
- Preparing terms of reference for the the Preparatory Commission for the National Quality Assessment Committee (CNAQ), and;
- Applying transitional methodology for the creation and operationalisation of the IES.

In 2004, the Quality Improvement and Innovation Fund (QIF) implemented two more application cycles to promote investment in higher education, distributing a total of 2,524,239 USD amongst 27 projects as follows:

- 9 allocations of financial assistance to the following higher education institutions: ACIPOL, ISUTC, ISPU, UMBB, ISCTEM, UCM and UDM;
- 3 allocations of financial assistance to academic staff in UEM and UP, and;
- 15 allocations of financial assistance for scientific research.

These funds were allocated in the following investment areas: 52% for equipment (laboratories, computer centres, libraries), 15% to support research, 7% for educational materials, 7% for staff post-graduate study, 7% for technical assistance, 7% for exchange visits and 7% for rehabilitating infrastructure.

ECONOMIC AND SOCIAL PLAN EVALUATION 2004

A total of 202 scholarships were awarded through the Provincial Scholarship Programme as presented in the table below. Scholarships began to be awarded in Sofala, Zambezia and Cabo Delgado and management commissions were established in these provinces.

Scholarships awarded under the Provincial Scholarship Programme 2004						
Sector	Institution	Gaza	Tete	C.Delgado	Nampula	Total
Public	UEM	32	16	17	5	70
	UP	21	10	5	0	36
	ISRI	8	1	1	0	10
	Nautical Sch.	0	1	0	0	1
	Sub Total	61	28	23	5	117
Private	UCM	2	19	34	1	56
	ISPU	0	8	6	0	14
	ISCTEM	2	3	0	0	5
	ISUTC	1	0	2	3	6
	MBB	0	2	1	0	3
	U.J. Piaget	0	1	0	0	1
	Sub Total	5	33	43	4	85
	Sub Total	66	61	66	9	202

The table below presents the numbers of students enrolled in higher education from 2000 to 2004.

Students Enrolled in Public Higher Education Institutions, 2000-2004										
Institution	2000/01		2001/02		2002/03		2003/04		2004*	
	Women	Total	Women	Total	Women	Total	Women	Total	Women	Total
UEM	1,918	7,406	1797	7,094	1,969	8,046	1,867	7,349	2,446	9,683
UP	605	2,225	724	2,136	751	3,072	751	3,072	816	3,634
ISRI	86	287	77	251	90	307	142	520	159	517
ACIPOL	10	124	20	163	35	230	45	294	57	356
Nautical Sch.									24	165
Sub Total 1	2,619	10,042	2,618	9,644	2,845	11,655	2,805	11,235	3,502	14,355
Students Enrolled in Private Higher Education Institutions 2002-2003										
ISCTEM	403	791	575	1,030	516	999	672	1,327	798	1,533
ISPU	776	1,429	995	1,798	995	1,798	1,083	1,992	1,147	2,150
ISUTC	15	79	31	139	47	191	54	230	82	326
UCM	483	1,199	576	1,402	730	2,301	721	1,875	863	2,128
UMBB	5	52	40	156	112	453	130	386	357	563
UDM							73	180	368	683
Sub Total 2	1,682	3,550	2,217	4,525	2,400	5,742	2,733	5,990	3,615	7,383
Total	4,301	13,592	4,835	14,169	5,245	17,397	5,538	17,225	7,117	21,738

(*) Provisional data

B. SCIENCE AND TECHNOLOGY

In the area of Science and Technology, efforts were focused on stimulating sustainable development by creating an integrated information production and management system capable of meeting the country's needs.

The principal activities carried out the sector in 2004 are as follows:

- Disseminating the Science and Technology Policy;
- Implementing the Science and Technology Policy action plan;
- Promoting good-quality scientific research using competitive funds (QIF – Quality Innovation Fund and FIP – Poverty Research Fund);
- Promoting innovation for development;
- Promoting Science and Technology at regional (SADC) and international levels;
- Organising the 2nd Science and Technology Exhibition;
- Launching the 1st Science Awards for women and young people;
- Training employees in short-, medium- and long-term courses, and;
- Hiring new personnel.

C. HEALTH

Activities in the Health sector focused on expanding the health network and improving the quality of services to the general public, with the principal objective of bringing down sickness and death rates in the country.

Health Care Provision

Overall activity in the health sector, measured by the number of health units and the number of external consultations, rose by 7.8 and 14.3% respectively, compared with 2003 as a result of the expansion of the health network and improvements in the quality of services provided by health care professionals.

ECONOMIC AND SOCIAL PLAN EVALUATION 2004

Developments in Global Health Activity, 2000 - 2004						
Indicators	2000	2001	2002	2003	2004	Change (%) R04/R03
	Executed	Executed	Executed	Executed	Executed	
GLOBAL ACTIVITY						
Health Units (Thousand)	61,954	65,739	65,422	70,134	75,606	7.8
Health Units/Inhabitant	3.62	3.74	3.62	3.77	3.98	
EXTERNAL CONSULTATIONS						
External Consultations (Thousand)	14,350	15,074	15,021	17,058	19,505	14.3
External Consultations/Inhabitant	0.83	0.85	0.83	0.92	1.02	

Source: MISAU

Expanded Vaccination Programme

In 2004, of special note is the reduction in the incidence and prevalence of the principal preventable diseases as a result of vaccinating children of 0 to 23 months, children in the first classes of primary school and women of child-bearing age (15 to 49). The target group coverage of all the principal components of the Vaccination Programme increased in comparison with the previous year. As shown in the table below, the plan for 2004 was fully executed.

Developments in Coverage Rates of the Etended Vaccination Programme, 2000 - 2004						
Indicators	2000	2001	2002	2003	2004	
	Executed	Executed	Executed	Executed	Planned	Executed
BCG [0-11 Months]	108.1%	95.1%	107.9%	107.9%	98.0%	124.0
VAS [9-23 Months]	95.6%	94.3%	92.7%	96.7%	95.0%	101.0
DPT/Anti-Polio and HB (3 ^a dose) [0-11Meses]	87.8%	83.9%	87.0%	91.1%	95.0%	96.0

Source: MISAU

Mother/Child Health Programme and Family Planning (SMI/PF)

In view of the improvements in mother/child health, activities in 2004 continued to focus on increasing access to and availability of essential services for women and children, prioritising rural areas. Activities included training Mother/Child health professionals and distributing equipment of various types for pre-natal care and delivery. In general, coverage increased compared with the previous year, as shown in the table below.

ECONOMIC AND SOCIAL PLAN EVALUATION 2004

Developments in Mother/Child and Family Planning Coverage Rates, 2000-2004						
Indicators	2000	2001	2002	2003	2004	
	Executed	Executed	Executed	Executed	Planned	Executed
Pre-Natal Consultations	104.9%	105.3%	106.6%	109.5%	99.5%	119.0%
Hospital Deliveries	39.7%	41.2%	43.0%	45.1%	47.0%	49.0%
Post-Partum Consultations	49.5%	50.5%	53.8%	57.4%	54.0%	65.0%
Family Planning (New Users)	7.0%	7.6%	15.3	16.7%	18.0%	15.8%
1 st Child Consultation (0-11 Month)	154.2	151.9%	148.7%	145.3%	98.0%	163.0%
1 st Child Consultation (0-4 Years)	58.0	48.0%	56.1	65.2%	-	60.0%

Source: MISAU

School and Adolescent Health

Provincial nuclei were set up to reactivate the school health groups and adolescent health services were established in health units in Gaza, Maputo, Tete, Nampula, Niassa, Zambezia, Manica and Sofala. The multisectoral sexual and reproductive health programme for adolescents was implemented in Zambezia, Tete, Manica, Sofala, Gaza, Maputo Province, Maputo City and Niassa.

Nutrition Programme

To improve the population's nutrition, priority activities included nutritional surveillance, mapping food and nutrition vulnerability, providing technical support for implementing the provincial nutrition programme and combating micronutrient deficiencies, particularly for women of childbearing age, pregnant women and children. The stunting index fell from 6.4% in 2003 to 6% in 2004 and the low birth weight indicator fell from 10.1% to 9.7%.

Development of the Population's Nutritional State, 2000-2004					
Indicators	2000	2001	2002	2003	2004
Stunting Index	8.5	7.8	6.9	6.4	6.0
Low Birth Weight	11.7	11.7	11.3	10.1	9.7

Source: MISAU

Epidemiological Surveillance

In 2004 efforts continued to focus on improving capacity for registering and analysing the main transmittable and non-transmittalbe diseases and developing on-the-job training courses in the diagnosis and early treatment of diseases.

Improved knowledge of preventative measures and improvements in the capacity to diagnose and treat diseases in their initial stages helped to control the incidence of reported cases. There were 9823 cases of measles reported in 2004, a reduction of 62.1% compared with the previous year.

537 cases of Meningococcal Meningitis were reported in 2004 compared with 653 cases the previous year. It is important to note that most of these cases are not actually Meningococcal Meningitis but other types of viral meningitis.

517,282 cases of simple diarrhoea were registered in 2004 compared with 522,479 cases in 2003. There was also a reduction in the reported cases of dysentery, falling from 139,691 cases in 2003 to 130,595 in 2004.

The number of cases of neonatal tetanus has remained stable over recent years. However, during 2004 there were only 7 reported cases compared with 24 the previous year, representing a significant reduction of 70.8%.

In 2004 there were 22,035 reported cases of cholera and 80 deaths: a 0.36% lethality rate.

The number of reported Malaria cases is still growing (4,997,174 in 2004 compared with 4,952,769 in 2003) and the number of deaths caused by Malaria is also increasing. These increases are largely due to the fact that more cases of Malaria are now being registered at health units.

The HIV/AIDS situation in the country continues to be of great concern. The number of reported cases of AIDS began to increase in 1998 and in 2004, 10,494 cases were reported. 51.9% of those infected were women and the 25 to 29 age group has the highest incidence of reported cases. The provinces with the greatest percentage of cases are Maputo City (45.7%) and Gaza (12.2%) while the lowest proportion of cases were reported in Niassa (0.1%) and Cabo Delgado (1.7%). Education, information and communication campaigns are being conducted nationwide to combat the spread of HIV/AIDS. 63 new Counselling and Voluntary Testing Centres (GATVs) were opened in 2004 surpassing the target of 50. A total of 113 health units now provide GATV services. The diagnostic capacity of laboratories was improved in 2004 and antiretroviral treatment (TARV) was introduced.

Although the Government has made great efforts to combat the pandemic, in 2004 an estimated 100,000 people died of HIV/AIDS countrywide while approximately 60,000 people were treated for HIV/AIDS in a health unit.

The approval of the plan to expand HIV/AIDS health care and treatment lead to an increase in the number of people receiving antiretroviral treatment from approximately 2,000 patients in 2003 to approximately 8,000 in 2004. There was better coverage and treatment for pregnant women with HIV and more effective prevention of vertical transmission from mother to newborn baby. More than 67,700 pregnant women received counselling and were tested in 2004, 10,800 (15.9%) of whom were HIV-positive. More than 4,000 of these women received treatment to prevent vertical transmission.

In the area of Tuberculosis and Leprosy, the priorities in 2004 were to train personnel, supervise treatment in the health units and raise patients' awareness of the importance of treating these diseases. A total of 31,514 cases of TB were reported in 2004 (including return cases). Of the 30,995 new cases, 16,998 were cases of positive or contagious *bacilloscope*.

Medicines

During 2004, activities in the Medicines Headquarters focused on completing the update of the medicine management procedures and preparing manuals explaining these new procedures. National, provincial and district seminars were held to introduce the procedures, covering a total of 1700 health professionals involved in medicine management including nurses and pharmacy and clinic personnel.

Expansion of the Health Network

Although information about the expansion of the health network is still incomplete, the Government continues to prioritise the development of the primary health network in rural, peri-urban and urban areas, together with the construction of housing for health personnel. The health network expanded at primary and secondary levels with the conclusion of more than 5 new health units and 7 houses for personnel. 7 institutions were rehabilitated and expanded including health centres and rural, general and provincial hospitals. A total of 14 projects were completed in 2004. For example, the new rural hospitals in Mueda and Muxungué were opened and the Mocuba and Gurué hospitals were rehabilitated and extended. The expansion and improvement of the health network was stimulated by the approval of the Sector Investment Plan in 2003 which set out priorities in the sector as a whole.

Human Resources

One of the main objectives in this area is to improve the quality of human resources working in the health sector by training professionals to provide good quality health care which is equitably distributed among the population. In 2004, 591 basic level health professionals, 646 intermediate level professionals and 16 specialist doctors successfully completed their training.

The Higher Institute of Health Sciences (ISCISA) opened in 2004 offering three courses: a BSc in Surgery, an MSc in general nursing and an MSc in mother/child nursing.

Trained Health Professionals					
LEVEL	2000	2001	2002	2003	2004
Specialist Doctors	8	6	13	21	16
Intermediate Level	86	219	368	86	646
Basic Level	546	608	483	749	591
Total	640	833	864	856	1,253

Source: MISAU

D. LABOUR

In 2004, programmes were implemented to promote employment and improve employment infrastructure and professional training. Employment laws and regulations were adopted that are better suited to the country's present stage of development. Social security system services were expanded to cover the entire country.

Legal Framework

The process of revising the Labour Law was begun. Terms of reference were drawn up and three regional public seminars were held in the southern, central and northern zones of the country.

Employment, Labour and Professional Training

The following activities were implemented as part of continuing sustained efforts to expand labour infrastructure and access to professional training:

- Continuing the construction of Professional Training centres in Pemba and Quelimane;
- Signing a Memorandum of Understanding with China to collaborate in the construction of three Regional Training Centres in Maputo Province, Sofala and Nampula, and;
- Starting work on the Vilanculos Professional Training Centre.

The following job creation activities were implemented:

- Providing support in agricultural tools, equipment, cattle and goats as part of a social reintegration programme for former workers in South African mines. The programme has benefited a total of 1,532 ex-miners organised into associations in Maputo (Magude), Gaza (Chókwè) and Inhambane (Massinga).

- Training for 133 micro/small business owners, 67 of whom were women, in Sofala and Nampula provinces;
- Financing rural shop micro-projects under the ambit of FARE, creating 100 jobs and expanding the commercial network in Nampula province, and;
- Granting 5,475,000,000 Meticals in credit for 5420 small business owners through SOCREMO.

1,073 unemployed trainees (73 more than planned) benefited from various types of professional training activities.

In 2004, 4,600 job applicants found employment countrywide, 2,359 through job centres and 2,241 through direct applications. 16,772 unemployed people were registered in the country's job centres, competing for the 3,788 posts registered at these centres.

In 2004, 47,282 Mozambicans were recruited to work in South African mines representing a 9.7% reduction compared with the previous year.

Professional Relations

Inspections were conducted in 2935 establishments to monitor compliance with the Labour Law (89% plan execution for 2004 and a 7.1% decrease compared with 2003). A total of 83,732 employees were monitored during this period (66.22% of whom were men) corresponding to a 12.6% reduction compared with the previous year.

During these inspections, evidence was found of 3178 legislative infractions. Legal action was taken in 25.2% of these cases and reprimands issued in the remaining cases. In 2003, 2247 legal infractions were discovered with legal action taken in 884 of these cases.

Dialogue was promoted as an alternative to labour conflicts and strike action. 180 companies were visited (18,761 employees) to disseminate labour legislation and encourage employers and employees to discuss labour regulations and arbitration processes collectively.

Social Security

Under the ambit of extending social security services to the districts, work began to rehabilitate the future headquarters of the Bilene-Macia District Directorate and change the status of the Chibuto and Manica district offices, turning them into District Directorates.

Social security services were computerised in 2004 in an effort to improve the quality of service.

In 2004 there were 542,582 social security system beneficiaries (a 5% increase over 2003) while a total of 16,384 companies made contributions to the system (2,259 more than the previous year).

E. WOMEN AND SOCIAL ACTION

In 2004, attention was concentrated on building institutional capacity, raising the status of women, promoting social security and providing care for vulnerable target groups, particularly children, women and elderly and disabled people.

The principal actions in this area included:

Building institutional capacity

- Various training and capacity-building courses for 188 Social Action employees.
- Studies into 'Poverty and Social Exclusion' in the provinces of Inhambane and Maputo City; 'Violence against Women and Prevention Strategies' and 'Community capacity to provide support and protection for orphaned and vulnerable children in the context of HIV/AIDS' in the provinces of Zambezia, Tete, Manica, Sofala and Gaza. The overall objective of these studies was to improve the quality of information about various support programmes.
- The construction of the Mahotas Community Centre and rehabilitation of the Special Education School n° 2 in Maputo.

Raising the status of women

- The creation of the National Council for the Advancement of Women (CNAM).
- The dissemination of the National Action Plan for the Advancement of Women. The provinces of Cabo Delgado, Sofala and Niassa were given support to prepare their provincial plans.
- Seminars on the role and rights of women in society.
- The extension of special services in police stations to protect and combat violence against women and children. These services are presently available in Maputo City, Gaza, Sofala, Tete, Zambezia and Niassa;
- 15,725 women were involved in income-generating projects (agriculture and livestock); 629 in Literacy and Adult Education courses; 812 in professional

training courses (in the areas of dressmaking, cooking and pottery) and 259 became members of agricultural associations.

Protecting Children

- Preparing the National Action Plan for Children.
- The 2nd Session of the Children's Parliament and the 1st National Meeting of the Permanent Commission of the Children's Parliament.

Under the ambit of locating and reuniting families, approximately 673 children were documented and 200 reunited with their families (168% and 57% of plan execution for 2004).

Locating and Reuniting Families

Indicators	2003	2004		Plan Execution (%)	% change R04/R03
	Executed	Planned	Executed		
Number of Children Documented	1,197	400	673	168.3	-43.8
Number of Children Reunited	429	350	200	57.1	-53.4

Source: MMAS

The following activities were implemented in the area of Pre-School Education:

- 1,144 children were enrolled in State-run pre-schools, corresponding to 67% of plan execution, a decrease of 23% compared with 2003;
- 9,178 children were enrolled in private pre-schools countrywide, an increase of 15% compared with the previous year;
- 27,195 children were cared for by 660 teachers in the 422 community pre-schools, a 27% decrease compared with 2003.

Pre-School Education

Indicators	2003	2004		Plan execution (%)	% change R04/R03
	Executed	Planned	Executed		
Number of State Pre-Schools	15	15	15	100.0	0.0
Number of Children enrolled	1,483	1,700	1,144	67.3	-22.9
Number of Private Pre-Schools	103	100	100	100.0	-2.9
Number of Children enrolled	7,954	7,300	9,178	125.7	15.4
Number of Community Pre-Schools	533	500	422	84.4	-20.8
Number of Children enrolled	37,410	32,000	27,195	85.0	-27.3
Number of Pre-School Teachers	870	700	660	94.3	-24.1

Source: MMAS

The following activities were conducted in the area of Services to Disadvantaged Children;

- 8,490 children were enrolled in 67 centres for street children and ex-street children. 39 of these centres, providing services to about 5,867 children, offer both day and boarding facilities.
- 179 children were enrolled in 8 State children's homes, compared with 345 children in the same number of homes in 2003;
- 717 children were cared for in 12 private children's homes, compared with 685 children in 14 homes in 2003 (a 5% increase in the number of children in private homes compared with 2003).

Disadvantaged Children

Indicators	2003	2004		Plan	% Change R04/R03
	Executed	Planned	Executed	Execution (%)	
Number of Centres for Street Children	71	80	67	83.8	-5.6
Number of Children enrolled	10,659	7,559	8,490	112.3	-20.3
Number of State Children's Homes	8	8	8	100.0	0.0
Number of Children enrolled	345	114	179	157.0	-48.1
Number of Private Children's Homes	14	13	12	92.3	-14.3
Number of Children enrolled	685	628	717	114.2	4.7

Source: MMAS

The following activities were implemented in the area of institutional care for the elderly:

- Dissemination of the Policy for the Elderly in Inhambane;
- 298 elderly people cared for in 9 State centres for the elderly;
- 258 elderly people cared for in 11 private centres;
- 42 houses built and presented to elderly people in Inhambane (20), Sofala (20) and Zambezia (2);
- 6,533 vulnerable elderly people identified at community level and 1208 integrated into food, clothing and hospital programmes. More than 4,380 of these were identified in Maputo City, and;
- 6 elderly people were reunited with their own families in the provinces of Inhambane (4) and Manica (2).

Programme for the Elderly

Indicators	2003	2004		Plan Execution (%)	% change R04/R03
	Executed	Planned	Executed		
State Centres for the Elderly	9	9	9	100.0	0.0
N°. of elderly people cared for	112	215	298	138.6	166.1
Private Centres for the Elderly	12	13	11	84.6	-8.3
N°. of elderly people cared for	462	400	258	64.5	-44.2

Source: MMAS

The following activities were implemented under the ambit of the Programme for Disabled People:

- 7,000 disabled individuals were identified, 2790 assessed and 4292 disabled children were integrated into various family and community programmes;
- The draft of the National Plan for the Disabled Person was prepared, and;
- Specialists and teachers received training in sign language in Nampula.

Services for the Disabled

Indicators	2003	2004		Plan Execution (%)	% change R04/R03
	Executed	Planned	Executed		
Disabled People Identified	1,498	6,000	7,000	116.7	367.3
Disabled People Assessed	355	1,500	2,790	186.0	685.9
Disabled Children integrated into Projects	424	800	4,292	536.5	912.3
Number of Transit Centres	6	6	6	100.0	0.0
Disabled people Treated	302	521	116	22.3	-61.6
Special Schools	3	3	3	100.0	0.0
Number of Pupils	308	300	207	69.0	-32.8
Institute for the Visually Impaired	1	1	1	100.0	0.0
Number of Pupils	75	75	81	108.0	8.0

Source: MCAS

Under the ambit of combating drug abuse and supporting prisoners, seminars were held in several prisons to raise awareness about the consequences of drug abuse.

As part of the Food Aid Programme, support was provided to 67,643 families (direct beneficiaries), corresponding to 73.2% plan execution and a decrease in 15.6% compared with the number of beneficiaries the previous year. This reduction was due to the fact that beneficiaries who are capable of working were transferred to other development programmes (Social Benefits for Work, Income Generation and Community Development). 91% of beneficiaries were elderly people.

A new ranking system and new Regulations were introduced in 2004 for the Food Aid Programme and the Programme's procedure manual was published.

Food Aid Programme

Indicators	2002 Executed	2003 Executed	2004 Executed	% change R04/R03
Elderly people	68,883	70,448	61,262	-13.0
Disabled people	5,041	5,076	4,407	-13.2
People with Chronic Illnesses	916	783	689	-12.0
Female Heads of Household	1,229	1,039	588	-43.4
Women with Malnourished children	886	545	109	-80.0
Malnourished Pregnant women	96	42	3	-92.9
Beneficiaries transferred	8,302	2,244	585	-73.9
Sub Total	85,353	80,177	67,643	-15.6
Indirect beneficiaries	108,547	109,675	-	0.0
Total	193,900	189,852	-	0.0

Source: MMAS

Under the Social Benefits for Work Programme payments were made to approximately 2,891 direct beneficiaries (82.2% of whom were women), representing 14.4% of plan execution. This programme provided employment for about 2,500 beneficiaries from the Food Aid Programme, mostly female heads of household and women with malnourished children.

The Income Generation Programme implemented 165 micro-projects benefiting approximately 2,612 heads of household (91.2% female), representing 8.1% of plan execution.

The Community Development Programme continued to implement various projects in the areas of health, education, professional training, fish farming, drinking water supply and low-cost sanitation, covering approximately 50 communities countrywide and benefiting approximately 25 thousand households.

The Direct Social Support Programme provided compensation for disabled people living in poverty.

F. WAR VETERANS

The Government implemented the following actions under the ambit of the Coordination of War Veterans' Affairs and the 2004 Economic and Social Plan:

- The process of establishing pension scales for war veterans continued. A law was approved to setting new deadlines for establishing pensions for Veterans of the War for National Independence;

- The process began of issuing identification cards for Veterans;
- 17 scholarships were allocated for Veterans' children out of the 23 requests submitted to UEM and UP under the terms of the co-operation agreement with these two institutions;
- Veterans were trained in small project management under the ambit of the Veterans' Social Reinsertion Projects;
- Historical locations were identified and registered with the objective of preparing a map of former army bases used in the War for Independence, and;
- Maintenance work was carried out at the Mongoé and Caiave basis in Zambezia; the Mucuti, Sussundenga, Nhacaduzuhuzu and Guru basis in Manica, Beira and Cabo Delgado and at the Ngungunhane base in Niassa.

G. CULTURE

Activities focused on conserving the country's cultural heritage and promoting awareness of cultural heritage with the objective of strengthening national unity and affirming Mozambican identity.

Cultural Heritage

The priority was to identify and conserve historical monuments and locations countrywide, involving local communities.

Inventories were drawn up of historical monuments and locations in Beira City and the districts of Búzi, Caia, Marromeu and Cheringoma. Inventories were made of the Chinhamapere rock paintings in Manica province and the army bases used in the War for Independence in Cabo Delgado, Niassa, Tete, Manica and Sofala.

Ethnological and historical surveys were conducted and the results disseminated to promote awareness of cultural heritage and socio-cultural diversity.

Library and museum service improvements resulted in an increased number of visitors. Visitors to the National Library of Mozambique increased from 36,862 in 2003 to 44,543 in 2004. The number of visitors to the Provincial Public Libraries increased from 211,362 in 2003 to 350,000. Employees received intermediate level training in Librarianship and Documentation.

Cultural Action

The provincial and district 2nd National Festival of Traditional Music and Song was held in Manica, Tete, Sofala and Zambezia. Debates and seminars were held about the importance of Cultural Associations in Gaza, Tete, Sofala and Zambezia provinces.

Research was conducted into music, art and traditional dance and art training courses were held in Niassa, Nampula, Sofala, Zambezia, Tete, Manica, Inhambane, Gaza and Maputo City.

Under the ambit of the Project to Combat Pirating and the Author's Rights Law, debates were held and information disseminated about the importance of recording copyright and the need to monitor the activities of music producers, importers and retailers countrywide.

Book, music and video fairs were held across the country with the participation of publishers, bookshops, recording studios, the Mozambican Association of Filmmakers (AMOCINE) and the Mozambican Writers' Association (AEMO). A draft of the National Book Policy was drawn up.

To promote film, 84 video outlets were licenced in the provinces of Sofala, Nampula, Inhambane and Maputo city.

Legal Administration

Activities in this area included:

- Starting the process of revising the Public Show Regulations (Law 10/88);
- Preparing the Specific Statute for Ilha de Moçambique;
- Preparing the Statute for the Ilha de Moçambique conservation office, and;
- Preparing the Culture Sector Strategic Plan.

Cultural and International Exchange

Activities in this area included the 3rd Meeting of CPLP Culture Ministers and the Baluarte Festival on Ilha de Moçambique, involving artists from Mozambique and the islands of Reunion and Mayotte.

H. YOUTH AND SPORTS

In 2004 activities focused on promoting youth associations and income-generating activities for young people with a view to promoting sport and national development.

Youth

Technical and methodological support was provided to raise capacity within the 42 new youth associations in Tete, Zambezia, Manica and Cabo Delgado. Activities also continued to disseminate the Chókwè Declaration.

The National Strategic Plan for Youth was approved and the 1st National Directory of Youth Associations was published, listing approximately 280 national and local youth associations.

Under the ambit of Youth Leader training and awareness-raising, 87 youth association leaders from the Municipal districts of Catembe and Inhaca were trained in issues related to HIV/AIDS and sexual and reproductive health. In addition, 70 young people from Gaza and Zambezia provinces, including association directors and managers, were trained in association management, business planning and income generating projects.

As part of the *Geração Biz* Programme, 67 educators/activists from Cabo Delgado, Tete and Zambezia were trained to deliver educational messages.

Under the ambit of the 'My Future and My Choice' project presently being implemented in 13 districts in Manica, Sofala and Zambezia provinces, approximately 325 couple educators received training in counseling, gender and children's rights.

In an attempt to stimulate employment, self-employment and other sources of income, the National integrated Social Action, Employment and Youth project continued to be implemented in the provinces of Maputo, Gaza, Sofala, Manica, Nampula and Cabo Delgado. In 2004 the Programme provided technical support to the following existing projects: breezeblock production, cattle breeding, cashew tree production, small business promotion and fishing.

Sport

As regards the preparation of legislation and other subsidiary regulations for the national sport system, the Strategic Plan for Sport Development was completed.

Actions to promote sport nationwide included monitoring the activities of the Maragra 'Mozambique in Movement' Sports Centre, as part of the Mozambique in Movement Programme which covers basketball, football and athletics.

The Sports Law was prepared and began to be disseminated under the ambit of activities to improve the national sport system.

The following actions were implemented in the area of training and building the capacity of sports personnel:

- Training 476 trainers and 167 referees for football, basketball, volleyball and athletics, and;
- Training and raising the capacity of 110 sports personnel countywide.

A factory is currently being built to produce sporting equipment and materials.

I. ENVIRONMENT

Throughout 2004, actions were implemented to protect the environment and encourage the responsible use of natural resources, prioritising intersectoral co-ordination.

Intersectoral Co-ordination and Institutional Development

- Dissemination and discussion of the environmental initiative, NEPAD;
- Preparation of the Environment Sector Strategic Plan;
- Revision of Manuals about handling dangerous waste, aimed at civil society, NGOs, decision makers, politicians and the industrial sector, and;
- Regulations prepared about dangerous waste.

Environmental Management

Under the ambit of coastal management, an inventory was made of the present state of the Rovuma, Lúrio, Save and Umbeluzi basins in Mozambique.

In the area of urban environment management, the following activities were implemented:

- Preparation of the Specific Project for Solid Urban Waste Management in suburban areas of Beira and Dondo cities;

- Preparation of the National Project of Solid Urban Waste and conclusion of the Management Strategy for Integrated Solid Urban Waste Management;
- Preparation of the technical directive for the creation and operation of landfills for Solid Urban Waste;
- Dissemination of the National Integrated Strategy for Solid Waste Management and dissemination of the experiences of the Urban Zone Sustainable Development Centres in Tete, Lichinga and Inhambane cities, under the ambit of the Five Cities Project;
- Dissemination of practices of planting vegetation to combat erosion in Gurué Municipality, and;
- Implementing small and micro projects to improve the environment in Quelimane, Mocuba, Ilha de Moçambique, Pemba and Montepuez, under the ambit of the Five Cities Project.

Environmental Impact Assessment

One of the priority actions in 2004 was to update legislation to prevent and/or combat environmental degradation caused by the implementation of development projects. Environmental impact assessment criteria were revised and the assessment criteria for mining activities were prepared.

Actions continued to assess and monitor the environmental impact of development projects; the national pesticides inventory was completed and environmental impact study reports and environmental management plans were assessed and revised.

Territorial Planning and Ordinance

The following general activities were implemented:

- Conclusion and dissemination of the Methodological Guidelines for the Planning and Ordinance of Rural Settlements;
- Beginning work on the new curriculum for the diploma in Planning and Environment;
- Implementation of the Reclassification Project for Informal Settlements and the Vulnerability Reduction Project in co-ordination with the Municipal Councils of Maputo, Chókwè, Tete and Quelimane.

The following Regional Planning activities were implemented:

- Preparation of the Mandimba town structural plan;
- Conclusion of the Chibuto city plan;

- Curricula revision of the diploma in Physical Planning, and;
- Revision of the Methodological Guidelines for preparing Land Use Plans;

Urban Planning activities included preparing Structural Plans for Mandimba, Montepuez, Metangula, Wimbe, Bilene Beach and Maputo.

Environmental Promotion and Dissemination

Environmental education, awareness-raising and dissemination activities were implemented throughout 2004. Seminars, debates and commemorative events took place and information sheets and radio and television programmes were produced on environmental issues.

Environmental Legislation and International Agreements

Several international agreements were ratified and preparations were made for ratifying others.

V.2 ECONOMIC AREA

A. AGRICULTURE

The agricultural and natural resource sector's integrated sectoral plan (PROAGRI) continued to be implemented as part of the national poverty reduction strategy.

Under the ambit of increasing family agricultural production to ensure food security by making improved seed available and diversifying crops, the following activities were implemented:

- Establishing approximately 3269 demonstration fields of various crops: (including 407 of cow pea and 932 of maize), particularly in Nampula province;
- Implementing 42 on-farm demonstrations of peanut, soya, beans, sunflowers and sweet potato in Majune (Niassa);

Under the ambit of promoting increased agricultural productivity by encouraging the use of improved techniques, the use of inputs, plant and animal protection, post-harvest activities and the broadening of agricultural extension, the following activities were implemented:

- 4,926,815 fowl in the family and business sectors were vaccinated against Newcastle Disease; 326,355 cattle were vaccinated against Foot and Mouth Disease; 826,172 against anthrax (*Bacillus anthracis*) and 122,184 against blackleg (*Clostridium chauvoei*).
- Seed multiplication activities were conducted in 144 fields including 64 fields of maize, 10 of rice, 2 of sorghum, 18 of cow pea, 7 of beans, 3 of peanuts, 18 of cassava, 4 of sweet potato, 2 of cotton, 1 of cashew nut, 5 of mixed crops and 7 of fruit trees;
- Rat plagues in maize crops were brought under control in the districts of Chókwé, Guijá and Xai-Xai;
- Seeds and other inputs were delivered for pilot programmes and fields were planted to demonstrate crop varieties;
- Demonstration crops were harvested from seed multiplication fields of maize, sunflower, soya, potato and beans and were processed at the Lichinga Agrarian Station;
- Several varieties of orange, yellow and white pulp sweet potato were multiplied at the Chókwé Agrarian Station;
- Approximately 150,000 families of subsistence farmers were trained in various technologies with the aim of raising producers' living standards. Training sessions focussed on post-harvest issues; soil conservation, livestock technologies and soil fertility;
- Training activities were conducted on pesticide use in the provinces of Nampula, Cabo Delgado and Niassa;

Activities to promote irrigation to increase family sector production and productivity included the following:

- 5,683 hectares were identified for rehabilitating or constructing irrigation schemes. Various types of small-scale irrigation system were constructed on 791 hectares of land including 16 hectares of land in Kanimambo and 200 hectares in Tete;
- 34% of management plans and 34% of forestry concession applications were approved.

The following activities were implemented under the ambit of the programme to support the use of animal traction for transport:

- 20 teams of bulls were distributed to subsistence farmers benefiting approximately 10 families in Chókwé district. Approximately 1680 small ruminants were distributed in the districts of Lichinga, Sanga, Nipepe, Majune, Cuamba and Mecanheles and 9 pigs were distributed in Nipepe district.

Activities to promote the sustainable use of natural resources with local communities, private organisations and other entities were as follows:

- Licences were issued for exploiting firewood and construction materials;
- Certificates were issued for stocks of wood products produced during the 2003 season;
- Analyses were made and technical reports prepared on export licence applications presented by forestry companies;
- Activities in the area of forestry and wildlife were monitored, products in stock and export products were inspected and routine work was carried out by mobile brigades to support the fixed inspection posts and SDFFB posts;
- Seminars were held to disseminate the Forestry and Wildlife Law in the communities;
- A training course was held for 20 extensionists from the provincial Forestry and Wildlife service in Sofala province;
- 422 individuals were charged and goods confiscated for transgressions of the Forestry Law;
- 2878 eucalyptus and pine trees were planted through community reforestation projects;
- Firewood traders were encouraged to apply for forestry licences in Mabalane;
- Solar-powered driers were built to dry mushrooms in Mecuburi and approximately 245 ivory points were computerised in Tete province;
- The digital system for collecting data about fires was consolidated; information was processed and provincial and national maps were produced;

Local impact projects for local communities, the private sector and other agents were conducted as follows:

- 107 producers participated in peanut agroprocessing demonstrations involving 3 associations in Meconta district;

To improve efficiency:

- A total of 2,709 applications for DUAT authorisations were submitted countrywide for various purposes, covering an area of 396,266

hectares: 2,117 processes were approved, 6 rejected, 223 are being processed and 79 submitted for approval;

- Approximately 552 land exploitation plans in Maputo province and 102 in Nampula province were inspected under the ambit of DUAT;
- A survey was conducted into existing concessions in the Limpopo reserve and the areas mapped.

Activities to improve access to trade and market information and financial services for small-scale producers included the following:

- Trade was monitored and action taken to combat the illegal trade in sugar;
- 4 micro-projects were implemented for the extension committees in Matewere (Angónia), Ntengo-Wambalame in Tsangano and Mussacama in Moatize;
- 50 posters were distributed about import, transit and export procedures for agro-forestry products, live organisms and other materials;
- Micro-credit was provided for 60,000 clients.

To promote partnership in outsourced public extension management:

- Supervision missions visited outsourced projects;
- Cashew trees were replaced and the number of cashew trees increased in new plantations using improved techniques and materials. A technical assistance programme was prepared for the General Union of Co-operatives cashew nut processing unit;
- 900,000 cashew saplings were produced and distributed to the family and private sectors;

Under the ambit of the plan to contain diseases with a significant economic impact and the biological control programme for maize and cassava diseases, the following activities were implemented:

- A national strategy was formulated for controlling the principal diseases in cereals; warning bulletins were produced and analyses made of vulnerability and the principal causes of disease;
- Post-harvest conservation methods and technologies were disseminated (improved granaries and use of chemical products);

- The incidence of greenfly in mandioca and Brown Streak Disease was assessed countrywide with the exception of Tete, Maputo, Niassa and Manica provinces;
- 43 surveillance brigades for diseased plants (palm trees) were created in villages in the districts of Chinde, Inhassunge, Nicoadala, Namacurra and Maganja da Costa. Attention was given to 31,627 diseased palm trees belonging to 1339 families.

Approximately 4000 stocked fish tanks were installed: 1251 in Manica, 94 in Tete, 18 in Nampula, 1510 in Zambezia and 47 in Sofala, benefiting approximately 2000 families.

The following activities were implemented to support citrus and mango production through outsourced contracts in Nampula, Zambezia and Maputo provinces:

- A nursery was installed in Boane and approximately 40,000 plants were distributed to the school and communities;
- 154 silos were installed in the provinces of Sofala, Manica and Cabo Delgado and 924 granaries in every province except Maputo and Gaza;

Under the ambit of livestock repopulation and land management:

- Approximately 110 cattle were distributed to the family sector in the districts of Massingir, Guijá, Chibuto and Mabalane; 10 rams were acquired for distribution to the Napaha (Montepuez) Livestock Support Posts, the Mapupula Agrarian Station and the Pemba/Metuge Agrarian Training Centre;
- A capacity building course was conducted for 46 subsistence farmers and preparations made for the chemical treatment campaign against cashew mildew (oidium) in Manjacaze, Xai-xai and Chibuto districts.

B. INFRASTRUCTURE

The principal actions in the area of public works and habitation was to make roads passable, promote housing, improve public health by increasing access to drinkable water and improve the rural and urban sanitation system, thus contributing directly to the reduction of absolute poverty.

A part of the road rehabilitation and maintenance programme was implemented; primary, secondary and tertiary roads were rehabilitated; metal bridges were constructed and periodical and routine road maintenance was carried out. The execution level of sectoral targets was good compared with 2003, as presented in the table below:

Table: Road Rehabilitation and Maintenance
(in Kms and percentage execution of the Sectoral Plan)

	2002		2003		2004	
	<i>Executed (Km)</i>	<i>% Plan Execution</i>	<i>Executed (Km)</i>	<i>% Plan Execution</i>	<i>Executed (Km)</i>	<i>% Plan Execution</i>
<i>Rehab. of Primary Roads</i>	131.8	40.9	63.7	23.2	172.0	99.0
<i>Rehab. of Secondary Roads</i>	206.0	115.7	171.4	56.1	140.0	71.0
<i>Rehab of Tertiary Roads</i>	375.9	75.2	592.3	115.9	507.0	114.0
Total Road Rehab.	713.7	71.3	827.4	75.8	819.0	101.0
<i>Periodical Maintenance</i>	843.8	55.9	396.4	20.4	514.0	37.0
<i>Routine Maintenance</i>	11,612.5	90.4	10,591.6	79.4	9653.0	71.1
<i>Bridge Reconstruction and Construction</i>	9	69.2	15	100.0	5	71.4

Source: MOPH – National Economic Directorate. 2004.

The principal activities conducted in 2004 were as follows: the conclusion of EN8 (National Highway 8) Nampula/Nacala; the continuation of rehabilitation work on EN1 (Manhiça/Incoluane, Maxixe/ER520/EN1 intersection and the ER520/EN1 intersection/Vilanculos); EN242 Litunde/Cabo Delgado border; EN223 Mussacama/Calomué; EN206/Chibuto and EN215 Gorongosa/Maringué/Chemba. Rehabilitation work began on the EN1 between Maputo and Marracuene.

Periodic maintenance work continued on the EN1 (Marracuene/Manhiça; Incoluane/Zandamela; Zandamela/Maxixe). Work on the EN208 Chongoene/Chibuto is almost complete.

The Umbelúzi bridge was completed as part of the programme to rehabilitate and construct 7 metal bridges.

Under the ambit of emergency repair work on infrastructure damaged by the 2003 rains, work began to repair the Milange/Maginge road in Zambezia province. The initial road repair plan for the EN7 had to be altered due to the rapid degradation of certain roads after the repair budget had been allocated. Emergency work was carried out on Munhiba/Milange, EN226 Malei/Maganja da Costa; EN230/ER458 between Maganja da Costa/Pebane; ER471 Namacurra/Macuse and ER496 Mopeia/Luabo. The following roads were withdrawn from the annual plan: ER417: Namacurra/Macuse and EN230/ER485 between Maganja da Costa/Pebane. The budgeted resources for these roads were reallocated to the most critical stretches.

The initial engineering plan was completed for the construction of the Caia bridge over the Zambeze River and the plans for the rural rehabilitation of the following roads was completed: Bene/Fingoe, Nametil/EN239/260 intersection, Maputo province border/ Chókwè, Meconta/Corrane and Estima/Magoé. Work continued on the Engineering plans for rehabilitation work on the following roads: Estima/Mágoe, Meconta/Coreane, Maputo border/ Chókwè, Nametil/EN239/260 intersection and Bene/Fingoe. Engineering projects were prepared for periodical maintenance work on the following roads: Inharime/Panda, Catuane/EN202, Macarretane/Chicualacuala, Jatingue/Manjacaze and Cuamba/Marrupa.

The Mozambican Government financed the planning phase of the above projects and construction and inspection work on the road between Namacurra and Ligonha River in Zambezia province was put out to tender. The road was divided into three lots: Lot 1 (Namacurra/Nampevo) of about 152 kms, Lot 2 (Nampevo/Alto Molócue) of about 117 kms and Lot 3 (Alto Molócue/ Ligonha River) of about 106 kms.

One of the Government's main strategies for improving the population's standard of living is to increase access to drinkable water. The central objectives of PARPA's water component are as follows: to promote sustainable water use and increase the low-cost supply of drinkable water and sanitation in urban areas.

To attain the first objective, the PISMA project (Environmental Monitoring System Installation Project) was implemented to install 22 telemetric stations in the Zambeze, Licungo, Pungoé, Búzi and Save basins and a telemetric network in the Limpopo basin. 30 hydro-climatological stations were rehabilitated, 4 of which were pluviometric and 26 hydrometric.

An agreement was ratified to establish the Zambezi Watercourse Commission (ZAMCOM) for the co-ordinated use of water resources by the States sharing the Zambezi basin. The IncoMaputo Agreement and the Limpopo Basin Commission (LimpCom) were both ratified by Mozambique in 2004. The first phase of the Joint Study Maputo Basin Study was completed in November 2004 (the European Union has already made funds available for the second more comprehensive phase). Work continued on the Joint Umbeluzi Basin Study which should be completed in the first quarter of 2005. The preparatory phase of the Zambezi Basin Study is in progress. A Rovuma Basin Development Initiative is being prepared and discussions were held with Tanzania about establishing a Joint Commission for the Rovuma Basin Study. Mozambique participated in the African Ministerial Council on Water (AMCOW) in its role as a member of the Advisory Committee.

The following studies were conducted in the following sub-components to support the preparation of the National Water Resource Management Strategy: Water Policy and Law revision; developing institutional capacity and human resources;

information and knowledge about water; Water Resource development; national economy, investments and finances and water and environmental Issues. The studies have all been completed except the first (Water Policy and Law revision) which is expected to be finished in 2005.

In the area of increasing the supply of drinkable water and providing low cost sanitation in rural and urban areas, PARPA 2001-2005 set the aim of increasing water supply coverage to urban and periurban communities to 50%. Actions to attain this aim include rehabilitating water supply systems, reducing losses and stimulating local infrastructure management. Rural water coverage should be increased to 40% in 2004 to reach 6 million people, particularly in Zambezia, Nampula and Niassa provinces.

To attain these goals, 878 water sources were built or rehabilitated in rural areas, including 116 new wells, 403 new boreholes, 355 rehabilitated water sources and 4 springs, benefiting approximately 439,000 families. The rural water supply coverage rate is presently 43.2% and the total percentage of the population with access to drinkable water has been raised to 41%.

The table below shows that there was an increase in availability of water sources in some provinces such as Niassa, Sofala, Inhambane, Gaza and Maputo, providing a better coverage rate than previous years. Although efforts have been made in Nampula and Zambezia provinces, coverage rates are still lower than average due to high population growth.

Rural Water Supply Programme

Province	2001		2002		2003		2004		
	Sources	Cov.(%)	Sources	Cov.(%)	Sources	Cov.(%)	Planned	Sources	Cov.(%)
Niassa	118	40.7	126	44.2	211	60.0	225.0	147	60.0
Cabo Delgado	163	48.0	94	48.3	59	53.8	114.0	74	51.2
Nampula	62	15.1	107	16.6	74	17.1	215.0	92	20.6
Zambezia	103	20.4	272	22.7	229	22.8	395.0	37	25.6
Tete	74	47.3	126	47.2	103	42.4	122.0	92	48.2
Manica	59	48.3	33	45.2	45	52.8	60.0	11	49.1
Sofala	144	53.2	107	57.2	84	69.0	55.0	86	69.0
Inhambane	150	24.1	169	28.7	299	37.6	255.0	240	66.0
Gaza	145	65.3	30	64.5	36	67.1	65.0	14	59.2
Maputo	153	65.8	38	58.8	64	63.0	35.0	85	98.6
Total	1171	35.0	1102	36.3	1204	39.4	1541	878	43.2

Source: MOPH, PES Evaluation Report 2003

The water supply coverage rate in 15 urban centres (Pemba, Lichinga, Nampula, Nacala, Quelimane, Tete, Chimoio, Dondo, Beira, Inhambane, Maxixe, Xai-Xai, Chokwé, Maputo and Matola) was 36.8%.

Regarding basic sanitation coverage, 35% of the total population had access to sanitation services in 2004. In the area of urban sanitation, activities focused on the Beira sanitation system rehabilitation project. The executive plan is being prepared for rehabilitating the sanitation network and building a sewage treatment plant for the city.

The financing agreement for the Four Cities Project was signed with the African Development Bank and efforts are presently being made to meet the pre-conditions for implementation. The Evaluation Report has been approved for contracting consultants to prepare the Four Cities Project executive plan. A credit agreement has been signed with the African Development Bank to finance work in Xai-Xai, Chokwé, Inhambane and Maxixe. Studies have also been completed for preparing strategic plans for Mozambique's seven municipalities .

Of the 27,000 improved latrines planned for rural areas in 2004, only 9287 were built (a 36% execution rate). Work continued to reactivate the rural sanitation nuclei in Manica, Tete, Zambezia and Cabo Delgado provinces with the training of animators and activists in rural communities and the construction of improved traditional latrines and improved latrines.

The main activities in the energy sector in 2004 were as follows:

- Promotion of the Mephanda Nkuwa hydroelectric project;
- Approval of fiscal legislation for oil-producing operations (Law 19/04 of 2nd June);
- Conclusion of work to electrify the district administrative centres of N'gaúma, Majune, Chicualacuala and Guro. Work is in progress to electrify the district centres of Chigubo, Muidumbe, Pemba-Metuge and Muanza;
- Conclusion of work to install electricity networks in the Larde, Chimbomila, Mucumbura, Luabo and Mapinhane administrative posts ;
- Reconstruction of the Nampula/Nacala 110kV transport line and completion of work to connect Cuamba city to the national electricity network;
- The electricity network was extended to Massingir, Zandamela, Quissico, Inharrime, Chissibuca, Mavila, Morrumbene, Massinga, Morrungulo, Caia, Inhamitanga, Inhaminga, Chupanga, Marromeu, Changara, Mucumbura, Matambo, Catandica, Macossa, Namacurra, Maganja da Costa, Inhassunge, Moma, Murrupula and Malema, among others.

C. FISHERIES

Actions planned for 2004 aimed to increase the revenue of the small-scale fishery, promote semi-industrial fishing, increase the economic contribution of the industrial fishery, raise the production capacity of aquaculture and improve the efficiency of public administration to stimulate sector development. In this context, the main actions implemented in 2004 were as follows:

- To improve the living conditions of fishing communities, extension activities were implemented to demonstrate the use of outboard motors and training was provided in new fish handling, processing and conservation techniques;
- Information continued to be updated about the main indicators from the small-scale fishery national census;
- Associations were promoted by animating groups and association managers;
- Under the ambit of integrated community development projects, schools, health centres and drinking water sources were built, roads were improved and plans were made to build landing stages and fish trading infrastructure in Cabo Delgado, Nampula, Sofala and Maputo;
- Saving and credit activities were promoted among small-scale fishermen: three micro-finance institutions offering Rotating Savings and Credit schemes were contracted in Zambezia, Sofala and Nampula provinces and capacity building activities were conducted for personnel and beneficiary groups;
- The Beira and Angoche fishing ports are being rehabilitated and the projects incorporated into the BADEA financing package;
- The fishing facilities in Nova Chicoa were rehabilitated to improve the co-ordination of fishing activities in the area;
- Initial demonstrations were made of the use of *TED* apparatus before compulsory implementation begins in January 2005;
- Training was provided for implementing new pisciculture techniques on an experimental basis. Micro-credit was made available for aquaculture in Macanga (Tete);
- Approximately 1757 fish breeding tanks were installed involving approximately 1063 families;
- Hygiene was improved in fish processing and production units and inspection capacity was brought up to international standards. Export markets were secured for aquaculture products;

- The state of the shrimp resource on the Sofala Bank was monitored and assessed, and the gamba fishery was assessed;
- Line fishing continued to be monitored in the southern and northern regions of the Save River and the expansion of the fishing fleet in the same region was monitored;
- Under the ambit of supporting aquaculture development, trials were conducted for establishing a micro-algae culture laboratory at the Fisheries Research Institute;
- Preparations are in progress for introducing a satellite monitoring system for the fishing fleet. The pilot phase has been completed and equipment is being installed for the rest of the fleet;
- New taxes are being approved for the fishing industry with the objective of recovering some of the inspection and catch certification costs;
- 5 employees received training in Change Management;
- Work continued of mapping all the fishing ports and formalising the issue of titles for land use;
- A Research Vessel began operating on the Cahora Bassa reservoir and a delegation of the Fisheries Research Institute was opened.
- A new Fisheries Inspection Laboratory and Provincial Fisheries Directorate offices were established in Quelimane;
- Courses at the Fisheries School were restructured to ensure that training meets the real needs of the sector's business community;
- Negotiations are continuing to formulate new co-operation terms with Russia and the Seychelles.
- Negotiations to establish a Fisheries Commission for the Southwestern region of the Indian Ocean (SWIOFC) and the terms of the Southern Indian Ocean Fishing Accord (SIOFA) are nearing completion;

D. MINERAL RESOURCES

This sector implemented actions to increase production and reduce poverty by supporting mining activities, strengthening mine inspection and increasing the population's access to energy sources.

- Geological prospecting and research was conducted in selected areas of Espungabera-Manice and Geological mapping of Greenstones was conducted in the northern provinces. Specific activities included:
 - Preparing a preliminary report on Cabo Delgado province;

- Completing the revision of the final geological report on Gorongosa and Espungabera;
- Compiling a report on areas of Moatize, Changara and Cahora Bassa in Tete province;
- Concluding the revision and correction of geological maps, collecting rock, geochemical and photogeological samples and locating observation points;
- Preparing an Occurrence Chart for Gold and potential areas for detailed work in gold prospecting and research;
- Concluding the Mineral Occurrence Chart and the respective chart of areas selected for more detailed work in the N'gôo region;
- Continuation of work to compile Mineral Occurrence Charts, Paragenetic Tendencies Charts and Selected Areas Charts for more detailed work in Cóbúé, Lupilichi and M'papa regions;
- The following activities were implemented under the ambit of reactivating the tantalum mineral mining projects in Muiane:
 - Mining concessions in Muiane were attributed to the company ITM Mining;
 - The economic viability study was approved for expanding the capacity of the treatment plant to 40 tonnes/hour.
- The following work was done to complete and computerise the Mining Register and incorporate it into the system linking the Provincial Directorates and Central Government:
 - The Mining Register was computerised at central level and a data base (ARC-GIS) was designed and integrated into Registering units;
 - Four provinces (Manica, Tete, Zambezia and Nampula) were identified for establishing regional Mining Registry Departments. Offices were rehabilitated and equipped for this purpose and employees were selected and trained.
 - The record of high concentration points in the country's geodesic network was updated and expanded;
 - The CD was edited, converting the coordinates between the national map and GPS;
 - Pilot centres were established in Nampula, Zambezia and Niassa.
- The following activities were implemented under the ambit of preparing and updating the Mine Law regulations (environmental and technical safety regulations for open and underground mines):

- Council of Ministers Approval for Environmental regulations for mining activities;
- The environmental impact study was concluded for opening the Chibuto-Chongoene road and the Cais Bridge in Chongoene as part of the Chibuto Heavy Sand project;
- The financing contract for the Moma Heavy Sand project was signed by all the financing banks in Dublin, Ireland. The construction contract for the Moma installation was signed and the foundation stone laid;
- Surveys were conducted for the Moebase Heavy Sand project and additional international market studies carried out.

E. MANUFACTURING INDUSTRY

Specific objectives for 2004 in this sector were to promote the graphics and chemical industries and small and medium enterprises; to expand the business network and increase exports. The principal actions during the year were as follows:

- Diagnostic studies were conducted of the Graphics and Chemical industries with a view to preparing strategies for these subsectors;
- Diagnostic studies were conducted into the present state of affairs of small and medium enterprises and a development strategy is currently being prepared;
- The Advertising Code was approved and is currently being disseminated;
- Terms of Reference were drawn up for preparing the strategies of the Metallomechanic, Copra, Textile and Clothing sectors;
- Detailed Terms of Reference were drawn up for preparing the National Quality Control System and a consultant was selected;
- The Quality Control Policy and Strategy are currently being implemented through a range of activities under the ambit of the National Quality Control System;
- The Quality Control Documentation and Information Centre is currently being rehabilitated;
- The Institute of Industrial Property was established and its activities disseminated at provincial level to business people and civil society. The Industrial Property Code is presently under revision;

- Preferential access mechanisms to external markets were studied and disseminated at provincial level. The working group on external markets received technical training to improve its capacity to monitor and evaluate business opportunities in these markets;
- The strategy was completed for developing national Wood Product exports;
- Regular international information on prices and markets is now available on community radio. Information about national and international agricultural markets is also available in the monthly publication 'O INFOCOM';
- Implementation of the Credit Facilities Programme for rural business is being monitored;
- Instructional inspections are being conducted in commercial and industrial establishments in every province;
- The National Metrological Laboratory is presently being established;
- The Malonda project provided financing for a number of commercial operations in several provinces;
- The proposal for revising the Business Licensing Law (Decree 49.04 of 17th November) was approved by the Council of Ministers;
- Decree no. 43/98 of 9th September concerning industrial and commercial inspection was repealed.

F. TOURISM

The principal objectives of the Tourism Sector for 2004 were as follows: to promote cultural and natural heritage; to formulate a Marketing strategy promoting the image of Mozambique; disseminate information about tourist destinations and promote conservation areas, particularly the cross-border parks in an effort to attract investment and diversify the types of tourism on offer. The principal activities in these areas were as follows:

- Parliamentary approval of the Tourism Law, with a view to establishing a legal framework consonant with the present level of demand and regional and international standards;
- Approval by the Council of Ministers of the Strategic Plan for Tourism Development 2004 – 2013;
- Preparation of the Marketing Strategy Proposal for the Tourist sector;

- Decentralisation of budgetary planning and management of the Parks and Reserves to the Provincial Directorates of Tourism;
- Promoting investment opportunities in Mozambique in Malasia and Portugal and at the Maputo Tourism Fair;
- Signing Memoranda of Understanding with various State and international institutions to strengthen institutional capacity, particularly in the area of conservation;
- A Seminar was conducted on Investment in Tourism in Mozambique and the Maputo Tourism Fair was held in Maputo from 12th to 16th May 2004;
- Contractors were invited to submit tenders for building the Giryondo Border Post, under the ambit of the Limpopo cross-border development project;
- A seminar was held to disseminate the land use plan for the areas connecting the Grand Limpopo Cross-Border Park. These areas cover five districts: Chigubo, Massangena, Chicualcuala, Mabalane and Massingir;
- The Action Plan proposal for the Tourism Sector in Africa was approved under the ambit of NEPAD;
- A workshop was held to revise the Strategic Plan for the Development of the Grand Limpopo Cross-Border Park;
- The 29th Session of the SADC Wildlife Technical Committee was held in Maputo;
- 50 buffaloes were reintroduced into the Limpopo National Park as part of the wildlife restocking process;
- The Carr Foundation signed a memorandum of intention to provide financial support for the development of the Gorongosa National Park;
- A financing agreement was signed with AFD for the Quirimbas National Park.

G. TRANSPORT AND COMMUNICATIONS

The measures planned for 2004 in this sector focused on improving infrastructure to stimulate growth and development at national and regional level; expanding and modernising the meteorological system to improve the safety of sea and air transport and reducing transport costs to increase the competitiveness of national products. The principal activities implemented during 2004 included the following:

Sea, River and Lake Transport

- The INAMAR statute was approved by Decree n°32/2004 of 18th August and internal regulations are presently being prepared;
- Consultations with the Ministry of Health are in progress concerning amateur diving regulations;
- Access channels in the principal ports (Maputo, Beira and Quelimane) were monitored and the channels to Beira and Quelimane ports have been dredged;
- A new lighthouse has been built;
- New nautical charts are being prepared for the ports of Quelimane, Beira and Angoche;
- The dimensions of Maputo bay have been calculated;
- A plan and schedule are being prepared for the study into the navigability of the Zambezi River;
- A hydrographic and demarcation survey has been completed for the ports of Inhambane and Angoche;

Road Safety

- The vehicle registration system is being computerised and a new style of driving licence is being introduced. Construction work is in progress at the compulsory traffic inspection centres;
- Legislation has been prepared to prohibit the import and sale of left-hand drive vehicles;
- A first draft of the Manual for the driving instructors' course has been prepared.
- Accident black spots have been identified;
- A document is being prepared with a view to formulating a global strategy for reducing road accidents countrywide;
- The Highway Code has been updated.
- Provincial road safety sectors are being reorganised and qualified personnel are being appointed;
- A global compulsory car insurance strategy is being formulated;
- Road inspections have been conducted countrywide and efforts are being made to control nocturnal traffic;
- Alcohol testing for drivers was monitored in every province;

- The process of standardising road signs is in progress in accordance with SADC directives;

Road Transport

- Work is in progress to discourage the licencing of inter-provincial and international public transport vehicles with fewer than 25 seats;
- Parliament approved the Compulsory Insurance Law (Law no. 2/2003) requiring insurance for all vehicles. The use of alcoholometers was officially introduced on 19th December 2003;

Civil Aviation

1. Airports

- Decree 39/98 concerning Air Transport and Air Activities was revised. New regulations were incorporated regarding transport licencing and air activities on domestic, international and private flights;
- Decree 50/96 was revised regarding the sale of air traffic documents;
- Technical aeronautical regulations (MOZ-CATs and MOZ-CARs) were created regarding air personnel, training, airport infrastructure and flight operations;
- The Lichinga Airport was certified as an International Airport;
- Documents are presently being analysed to transform Nacala Airport into a civil airport;
- Negotiations are underway with the preferred candidate for the development and concession of Maputo Airport;
- The Inhambane and Nacala routes have been opened to all national air operators;

2. Safety

- Activities are in progress to inspect and certify aeronautical equipment and materials;
- The licencing process is being computerised;
- Regulations are being approved concerning microlight aircraft and medical evacuations;
- A computerised examination room is being established;

Communications

1. Telecommunications

- A pre-payment card was launched. Elements of the product marketing mix were identified;
- Sales and post-sales services procedures were prepared as well as a training plan for all personnel dealing with the general public in Maputo, DATX, DATI, DATB and DATCC;
- Tariffs for service use were revised;
- Legislation was prepared for creating a Universal Service Fund;
- Financial procurement is in progress for installing land lines in the following areas: Dondo/Caia; Chimoio/Tete/Caia; Caia/Quelimane; Quelimane/Nampula; Nampula/Namialo/Nacala and Namialo/Pemba;

2. Mozambican Postal Service

- A strategy for developing the postal sector is being prepared;
- A Universal Service Law is being prepared.

Ports and Railways

- The rehabilitation of the Dondo/Muanza line is nearing conclusion;
- A contract is being signed with the winner of the international bidding process for the Beira Railway concession for a period of 25 years;
- 15,210 sleepers were laid on the Cuamba/Lichinga line and 7021 on the Cuamba/Entrelagos line;
- Development work was completed at Nacala port towards a special processing zone (fuel zone).

Meteorology

- A meteorological radar has been installed in Xai-Xai but is yet to start operating. Another radar is presently being installed in Beira;
- Synoptic stations have been completed in Mapulanguene and Dindiza and those in Chigubo, Panda, Espungabeira, Mocuba, Milange, Guruè, Furancungo, Nicole, Cobuè, Mecula and Mueda are nearing completion;
- Trials of automatic synoptic stations have been conducted in Zitundo, Combomune, Funhalouro, Changara, Fingoe, Morrumbala, Muite and Moma.

V.3. GOOD GOVERNANCE, LEGALITY, JUSTICE AND DECENTRALISATION

Good Governance is a fundamental condition for the success of the poverty reduction strategy. PARPA policies to promote good governance include: decentralisation; reform of public administration to meet citizen's needs; strengthening the capacity and efficiency of the legal and judicial system, improving public security and developing a programme to combat corruption at all levels.

A. PUBLIC SECTOR REFORM AND DECENTRALIZATION

Public Sector reform involves decentralising and rationalising service provision structures and processes, improving the processes for the formulation and monitoring of public policies, professionalising Public Sector personnel, improving financial management and reporting and combating corruption.

This section presents the principal activities implemented in each of these areas. It describes activities implemented under the ambit of the Technical Unit's Public Sector Reform Plan and also the routine activities implemented in other institutions which contribute towards the same objectives.

In the area of decentralisation, PARPA's principal objective is to transfer greater authority to and raise the capacity of Local Government at district and provincial levels. During 2004, principal activities were:

- Preparing a bill for the revision of Law 8/2003 of 19th May concerning Local State Organs;
- Approval of the Ministerial Decree nº80/2004 concerning links between Local Governmental Organisations and Community Authorities.

In the area of professionalising the civil service and modernising administration to improve the quality of service to the citizen, a new version of the General Civil Servant Statute was prepared after discussion at all government levels. Three training institutes were created in Public and Local Government Administration in Matola (southern region), Beira (central region), Cabo Delgado and Nampula (northern region). The State Information and Documentation Centre was revitalised by establishing a computerised registration system for State archives and beginning the process of preparing the National Document Management Policy.

The following activities were conducted by the Ministry of State Administration:

- Organisational and managerial norms were formulated for the central organs of Public Administration as part of the revision of the Central Government Organisational and Managerial Norms;
- The process of implementing Decree n° 15/2000 of 20th June was monitored, concerning Community Authorities in Maputo, Sofala, Manica, Tete, Niassa and Cabo Delgado provinces;
- The process of establishing Public Service 'One Stop Shops' (BUAPs) was begun;
- The 4th National Municipality Conference was held;
- In the area of building and rehabilitating infrastructure, 30 tractors were acquired and distributed in 3 provinces with the aim of equipping and improving the performance of local government, and;
- Investiture ceremonies were held to install local government authorities (Municipal Assembly, President of Municipal Assembly and Municipal Council) after the second local government elections.

The main objective in the area of monitoring and evaluating PARPA was to improve co-ordination in the short- and medium-term between the PES, PARPA and CFMP. The Ministry of Planning and Finance prepared a new CFMP plan which was incorporated into PES and State Budget 2005 methodology.

In the area of improving financial management and financial reporting, emphasis was given to e-SISTAFE implementation, the reform of State procurement, tax reform and strengthening internal and external auditing.

With regard to reforms towards strengthening financial planning and budgeting systems, work is in progress with the sectors to establish the methodology for preparing the 2006 State Budget.

In the area of Tax Reform, the Council of Ministers approved legislation to establish a Tax Authority by Decree 5/2004 of 1 April 2004, published in BR no. 13 and submitted to Parliament on 7th August 2004.

A draft of the legal charter has already been formulated to improve the transparency and efficiency of the procurement system. This will be considered for approval in the first quarter of 2005.

A General Accountancy Plan was prepared under the ambit of strengthening internal and external auditing. Regulations concerning the auditing and monitoring process are being prepared.

The Attorney General's office put the task of conducting a forensic audit of Banco Austral out to tender. However, none of the companies operating in Mozambique,

or LEBOUF in South Africa, responded. Further attempts have been made to encourage LEBOUF and PriceWaterhouse in South Africa to bid for the contract.

Under the ambit of implementing IAS in the financial sector, Terms of Reference and financial arrangements were formulated for the diagnostic study of BIM, BAu, BSTM and BCI/BF in preparation for formulating the IAS transition plans.

To strengthen the institutional capacity of the Bank of Mozambique and other regulatory authorities, draft regulations have already been prepared and are presently awaiting approval.

In the area of micro-finance, the regulations of the new Financial Institutions Law were approved in July 2004 and the revision of the regulation in the Micro-Finance Law was completed (revised Law n°15/99). The law will only be discussed in Parliament in 2005 after the respective regulations have been sent to the Council of Ministers in 2005.

An analytical report is being prepared in response to the National Survey into Governance and Corruption, co-ordinated by USTRESP, launched on November 27th 2003. A survey is also being conducted into corruption in the judiciary system.

B. LEGALITY, JUSTICE AND PUBLIC ORDER

PARPA emphasises that the State is responsible for upholding justice between citizens and other social actors, and for maintaining internal public order. If the State is to meet these responsibilities, thorough reform, capacity building activities and other improvements need to be implemented in the legal, judicial and public order systems.

The following actions were conducted in the Justice sector to ensure good governance, legality and justice:

Justice Sector Reform:

- The long-term Reform Programme is being prepared to be presented to the Council of Ministers, including a planning, budgeting and monitoring system prioritising sector service provision. Activities in the area of Justice Sector Reform include:
 - The more effective use of Integrated Strategic Plan monitoring matrices in the Ministry of Justice;
 - A joint planning exercise in the Justice sector;
 - The preparation of planning software for the Ministry of Justice;

Training to improve Professional performance:

- 41 judicial magistrates trained in land, environment, forestry and wildlife law (68% execution);
- Initial training was provided for 25 magistrates (100% execution);
- Initial training was provided for 52 judiciary officers (200% execution);
- Initial training was provided for 19 notaries and registrars (95% execution);
- 16 trainers were trained in various areas;
- Training was provided for 21 magistrates in civil proceedings and 18 in penal proceedings;
- Capacity building activities were provided for 39 customs officers.

Increasing access to justice for all:

- Preparatory activities and activity planning are in progress to formulate the Community Tribunal Law.

Legal Reform:

- A proposal for the Penal Proceedings Code was prepared and delivered to CIREL;
- A bill for the Civil Proceedings Code was delivered to CIREL and is due to be debated in Parliament in April.
- The preliminary report on the Penal Code was completed and submitted to CIREL;
- The Law of Succession is in its initial phase of preparation;
- The Reform of the Prison Organisation Law is in its initial phase of preparation;
- The reform of the Civil Registration Code was submitted to Parliament;
- Terms of the Judicial Organisation Law have been prepared and discussed at provincial level, including the legal base for including business sections;
- The proposal for the reform of the Commercial Registration Code was prepared and delivered to CIREL and subsequently dispatched to Parliament;
- The preliminary report on the Public Notary Code was completed and submitted to CIREL.

Constructing and Rehabilitating Infrastructure:

- A registry and public notary office is being built in Mopeia (Zambezia);
- Prison infrastructure is being rehabilitated. A study is in progress for installing a sanitation system in the Central Prison. The solitary confinement block of Mabalane Prison was rehabilitated;
- A cell block was built at the Matutuine Prison as part of a self-build pilot project. The solitary confinement block, administrative block, health unit and kitchen are still to be built.
- Plans for the construction of the Xai-Xai Prison have been dispatched to the Ministry of Public Works and Habitation for approval.

Investment in Registry and Notary Services:

- Computer systems are presently being installed in Registry and Notary offices. Tenders were invited to acquire 50 computers with Internet facilities in the Provincial Directorates, with the exception of Maputo, Gaza and Niassa;
- Rehabilitation work was carried out at the Zavala and Maputo Civil Registry Offices; the Tete and Milange Registry Offices, the 3rd Maputo Registry Office and the Monapo Civil Registry Office;
- Three vehicles (including a minibus) and furniture were acquired for the Criminal Registry department; the Mueda Registry office and the Civil Registry offices of Balama and Nacala-Velha.

In the area of Public Order, one of the priority objectives was to build Police capacity to prevent and investigate crime. In 2004 the following activities were conducted:

- A police station at Magoanine (Matendene), a building for DIC-Gondola-Manica and a border post at Rotanda-Manica have all been completed. A police station is currently being built at the River Save/Inhambane Administrative Post.
- Rehabilitation work is in progress at the Niassa Provincial Migration Office; the District Police Headquarters at Angónia (Tete), Nhamatanda (Sofala) and Moamba (Maputo); a Police Training Centre at Matalane and cells at the Maputo City Police Headquarters;
- Training: 50 cadettes began a degree course in police sciences; 1238 youths enrolled for the PRM police training course; 20 senior investigators were recruited and trained under the ambit of criminal investigation sector reform; 700 police officers received Special Unit and Reserve training and 155 migration inspectors and 37 technical assistants were trained.

V.4. EXTERNAL RELATIONS AND DEFENCE

The main activities under the ambit of the External Relations component of PES were as follows:

- In the context of implementing the decisions of the 2nd African Union Conference held in Maputo (under Mozambican presidency): the Pan-African Parliament and the Peace and Security Council of the AU were launched on 18th March and 25th May 2004 in co-ordination with the African Union Commission;
- Under the ambit of working towards peace, stability and security in Africa, Mozambique closely monitored the development of the political situation in southern Africa and efforts made towards peace and stability in the region and continent as a whole. The reestablishment of constitutional order after the coups in São Tomé and Príncipe and Guinea Bissau is a sign of Mozambique's commitment in this area;
- Since June 1st, Mozambican personnel have been involved in the African Union Peace Operation in Burundi. At the request of the United Nations, preparations are being made to increase the Mozambican military contingent by 850 men.
- Mozambique worked with the Bush administration to normalise relations with Libia, resulting in increased rapprochement between the two countries;
- After consulting with Member States about the relevance of an Agriculture and Water Summit, Mozambique convened the Extraordinary Sirte Summit. The Declaration regarding the Challenges of Implementing the Integrated and Sustainable Agriculture and Water Development Plans in Africa was approved; the Solemn Declaration regarding the Common African Defence and Security Policy was signed and the African Rapid Responce Force and the Early Warning Mechanism were approved. An Advisory Panel was also approved to advise the AU Commission on issues of peace and security.
- In the context of stimulating NEPAD implementation, the NEPAD Partnership Review Mechanism was launched in Kigali, Rwanda, of which Mozambique is one of the 17 founder members. The Panel of Distinguished Personalities that will implement this mechanism was also established.
- SADC's Strategic Regional Development Plan was officially launched.

Three major international events were held in Mozambique in 2004:

- The 10th Summit of Heads of State and Government of the NEPAD Implementation Committee, from 23rd May 2004. Principal issues discussed were as follows:
 - The need to highlight the importance of the NEPAD Partnership Review Mechanism as a means of demonstrating Africa's commitment to NEPAD;
 - The importance of agriculture in eradicating poverty on the African continent. FAO made funds available to accelerate the implementation of the Comprehensive African Agriculture Development Plan (CAADP);
 - The need to implement NEPAD infrastructure projects in which regional business communities play a central role;
 - The launch of the document 'Guidelines for preparing NEPAD infrastructure projects' to facilitate the preparation of NEPAD projects, encouraging the participation of public and private investors;
 - The need for Great Britain to create an African Commission to focus on African issues;
 - The 'NEPAD Council' initiative was discussed: a group created by young African academics based in the United States with the aim of providing intellectual support for NEPAD implementation.

African Economic Summit

The African Economic Summit took place from 2nd to 4th June 2004 with the aim of capitalizing on the best practices and experiences for African development. The Forum agreed on the following issues:

- The need to create an environment in Africa to attract foreign investment;
- The need for foreign investors to make decisions that are compatible with the legal and economic systems, institutions, policies and ownership rights existing in the respective African countries;
- The need for south-south partnership to implement a compelling development agenda between southern nations;
- The importance of the Water Project, aiming to provide access to safe water sources for 60% of the urban population. The Forum also agreed on the need to create partnerships to implement the UN Millennium Goal of providing drinking water and sanitation to 70% of the population by 2015;

- Using NEPAD as a key to implement large projects and attract the necessary investment capital (for example, Mozal in Mozambique);

Summit of Heads of State and Government of the ACP Group

The Summit was held from the 21st to 24th June 2004 under the slogan 'Forging Our Future Together'. At the end of the Summit the Heads of State and Government adopted a final declaration (the Maputo Declaration) and six decisions concerning issues of common interest to the ACP Group and in response to the current international situation:

- (i) Peace, Security and Stability;
- (ii) Millennium Development Goals;
- (iii) Intra-ACP Relations;
- (iv) ACP-EU Relations;
- (v) Partnership Accord Negotiations between the ACP group and the EU;
- (vi) Negotiations with the World Business Organisation.

In addition, the Summit adopted a resolution requesting the EU to honour its legal and political commitments concerning the trade in sugar.

- The donor community is willing to continue its demining activities in affected countries and to focus attention on the most vulnerable communities living in mined areas. Mozambique's role in international events has been to link the mining process to development issues;
- Mozambique is implementing the Ottawa Convention directives banning the use of anti-personnel mines. However, Mozambique urgently needs to bring national legislation into force to ban the use of these mines by individuals and organisations;
- The annual demining conference was held on 26th February 2004 with humanitarian and commercial demining operators in the country, co-operation partners in the demining sector, central and provincial government representatives and senior IND personnel. The main objective of the conference was to assess the execution of the 2003 demining priority plan and discuss and approve the plan for 2004.
- The National Humanitarian Demining Norms were distributed to demining operators countrywide. The National Demining Institute is translating the document from English into Portuguese, making the Norms accessible to operators. The Portuguese version should be available in August 2004.
- The Administrative Tribunal has nearly completed its surveys prior to rehabilitating the Maratane Refugee Accommodation Centre in Nampula Province. Work is expected to begin in the second half of 2004;

- The first tripartite agreement for the voluntary repatriation of Rwandan refugees was signed by delegations from the Mozambican and Rwandan Governments and the United Nations High Commission for Refugees (UNHCR) for the repatriation of approximately 1000 Rwandans. The agreement includes internal procedures for voluntary repatriation, registration and documentation and methods of verifying refugees and asylum seekers who have already registered for repatriation. All potential repatriates are presently being registered and assessed. The second tripartite agreement is due to be signed on 20th September 2004 in Maputo, setting a schedule for the repatriation process.
- A data base is already operating, although an internet link still needs to be established between the INAR headquarters in Maputo and its provincial delegation in Nampula;
- An identity card for asylum seekers has been designed and three regional seminars (southern, central and northern zones) are being organised to disseminate it;
- In the area of disaster management, the process of mapping areas vulnerable to disasters is in progress in co-ordination with a number of research institutions. The following actions have been implemented to date:
 - Production of a Limpopo Basin Atlas in co-ordination with Fewes-Net and UEM;
 - Risk mapping in the River Buzi Basin in co-ordination with GTZ and the Catholic University of Mozambique.

The following activities are in progress:

- Preparation of disaster profiles;
- Preparation of an evacuation route model for different types of disasters, to be implemented in the high-risk zones in co-ordination with local administrators.
- Mozambique worked with other SADC countries to create disaster management mechanisms, such as the creation of the Disaster Management Committee. Mozambique is involved in sharing information about floods, droughts, cyclones and other disasters. Joint management organs were created for the hydrographic basins.
- The study of Government Policy regarding NGOs was completed;

The following seminars were held under the ambit of the human resource development project:

- Awareness raising, involving SADC social communication organs;

- A seminar on information flow with Disaster Management Technical Council members and representatives from Malawi, Zambia and Zimbabwe;
- A seminar on the role of social communication organs in raising awareness, involving journalists from Lesotho, Malawi and Zambia.

Under the ambit of updating agreements and protocols:

- Participation in negotiating, preparing and adopting treaties in the areas of human rights, crime prevention, criminal justice and international tribunals;
- Participation in regional negotiations about the use of international rivers;
- Formalisation of the Inter-ministerial Commission to Combat Transnational Organised Crime and Commissions for Crime Prevention and Criminal Justice;
- Formalisation of a central authority to receive requests for reciprocal legal aid under the ambit of the United Nations Convention on Organised Transnational Crime and its three protocols;
- Preparations began for Mozambique's ratification of the Rome Resolution to set up an International Penal Court;
- 6 new NGOs were authorised; 8 others are presently in the process of being registered and 11 have been authorised to apply for registration;
- A draft Agreement was prepared between Mozambique and Santa – Sé to regularise relations between the two parties and to establish the Church's juridical statute. The draft now needs to be discussed.

Various legal instruments were approved under the ambit of Bilateral Co-operation:

- Memorandum of Understanding was signed regarding the Initiative for the Development of Electricity in the North of Mozambique (South Africa);
- Agreement for the abolition of visas for carriers of diplomatic and military passports (South Africa);
- Co-operation Personnel Agreement with Benin, Sudan and Mauritius;
- Co-operation Agreement (Benin, Sudão e Maurícias);
- Co-operation Agreement with Ministries of Foreign Affairs (Benin, Sudan);
- Economic, Scientific and Technical/Cultural Co-operation Agreement and the creation of the Mixed Co-operation Commission (Benin);
- Commercial Agreement (Zimbabwe);
- Road Transport Services Agreement (Zimbabwe);

- Security and Public Order Co-operation Agreement (Mauritius);
- Co-operation Agreement in the area of reducing the demand for drugs, and preventing illegal trafficking of narcotics (Mauritius);
- Opening of the Mozambican High Commission in Botswana/SADC;
- Approval by the Irish Government in March 2004 of the Country Strategy Paper (CSP) for 2004-2006, prioritising Irish support to the Education, Health and Agriculture Sectors, combating HIV/AIDS, the State Budget, Public Sector Reform, Governance and Provincial Programmes in Niassa and Inhambane.
- Three Memoranda of Understanding was signed with Canada regarding the country's contribution to the Common Fund for Health (PROSAUDE); support for the National Council to Combat AIDS and support for the Common Fund Flow Mechanism of the National Agrarian Development Programme (PROAGRI);
- A survey was conducted by the Canadian International Development Agency (CIDA) in the provinces of Cabo Delgado, Inhambane and Maputo concerning the Canada & Mozambique Country Development Programming Framework (CDPF), culminating in the signing of an agreement in May between the two countries. Through the CDPF, Canada plans to allocate 50 million Canadian Dollars a year in five principal areas of intervention: education, agriculture, rural development, HIV/AIDS and good governance.
- USA authorised financial support to Mozambique through the USA President's Emergency Plan for HIV/AIDS Relief (PEPFAR) on January 20th 2004 through Amendment no. 1 of the HIV/AIDS Programme. The objective of the Amendment is to support Government strategies for preventing HIV/AIDS transmission in Mozambique. The global objectives of PEPFAR are to prevent approximately 7 million new HIV/AIDS transmissions; treat approximately 2 million people infected by HIV/AIDS and provide care for approximately 10 million people affected by HIV/AIDSs including AIDS orphans and vulnerable children.
- USAID signed 4 amendments formalising additional support in the areas of health, governance, rural development, business and investments;
- A Budgetary Support Agreement was signed with Germany and Sweden;
- An Agreement was signed for 13 million USD for the electrification of Tete, Sofala and Manica;
- An Agreement was signed with Sweden to provide 700,000 USD for road rehabilitation in Zambezia and Sofala provinces;
- A Financing Agreement for HIV/AIDS was signed with Sweden to the value of 600,000 USD;

- On 15th April 2004 a Memorandum of Understanding was signed between the Mozambican Ministry of Fisheries and the Cuban Ministry of Industrial Fisheries regarding co-operation in 7 areas of activity: Small-Scale Fishery Development; Professional Training; Aquaculture; Fishery Administration and Regulation; Computing and Statistics; Fishery Research and Business Co-operation;
- An Agreement was signed with China to donate 30 million Yuan/RMB (30 million USD);
- An Agreement was signed with Japan under the ambit of the annual Food Aid Programme. Japan disbursed 300 million Yen (approximately 2.6 million USD) during the 2004 financial year;
- Japan donated 160,000 USD for the combat and prevention of HIV/AIDS in Sofala Province;
- The Japanese Government donated 71,500 mosquito nets treated with long-lasting insecticides to Tete province, for children and pregnant women;
- In February 2004 a Political Consultation Agreement was signed between the Ministries of Foreign Affairs and Co-operation of Mozambique and Ukraine.

Under the ambit of multilateral relations:

- A new round of negotiations opened between the 44 countries of the Global Business Preference System and multilateral negotiations were resumed in accordance with the Doha agenda. UNCTAD 11 was held in June 2004 in São Paulo Brazil. Mozambique bid to host UNCTAD 12 in 2008.
- In March 2004 the mid-term revision process began for co-operation programmes implemented by UNDP, UNICEF, PMA and UNDAF in Mozambique. The aim of the process is to identify constraints and improve the programmes combating absolute poverty. The UNO Social Economic Council elected Mozambique as a Member of the UNICEF Executive Council for the period 2005-2007;
- In the CPLP Forum, Agreements regarding the Business Development Centres of Excellence (to be based in Luanda, Angola) and the Public Administration Centres of Excellence (to be based in Mozambique) were signed in May 2004. The Centres are instruments which create the conditions to implement support programmes, providing technical/professional training for small and medium enterprises in public administration management.
- Mozambique signed a Co-operation Agreement to combat malaria, aimed at stimulating co-operation between States to identify the best method of combating the disease;

- The 31st OCI Council of Ministers Conference was held in Istanbul, Turkey from 14th to 16th June 2004. A resolution was again adopted for providing assistance to Mozambique;
- In the area of disseminating information about business and investment opportunities, Mozambique featured on the list of the first 16 countries selected to benefit from MCA Funds;
- The North American State Department communicated that its Government had decided to freeze a proportion of its aid to Mozambique to cover fines for parking consular vehicles in New York and Washington DC, as stipulated in Section 544 of the American Law concerning external financing and other programmes financed by the USA;
- Mozambique participated in the 59th Session of the United Nations General Assembly, defending the position that the United Nations reforms will only be successful if they contribute towards improving global government and strengthening multilateral involvement and service provision to member states, particularly developing countries. During the Session, Mozambique participated in seminars on 'The Challenges of Eradicating Poverty in Mozambique' and 'The Challenge of Conflict Resolution in Africa'.

VI. BUDGETARY POLICY

Budgetary policy has focused on attaining the objectives set out in the Government Programme and in the Poverty Reduction Action Plan, namely: maintaining sustainable and inclusive economic and social development; ensuring that public resources are utilized in an increasingly rigorous and rational manner, and; maintaining a sense of social responsibility for implementing the poverty reduction strategy.

In this context the State Budget for 2004 expects to receive 17,810.5 billion Meticaïs in State Revenue: 17,752.5 billion Meticaïs in current revenue and 58 billion Meticaïs in capital revenue. Global Expenditure was fixed (excluding financial operations) at 33,602.3 billion Meticaïs, of which 19,270.2 billion is current and 14,332.1 investment. Financial operations were fixed at 1,691 billion Meticaïs distributed as follows: deposit operations 1,201.7 billion Meticaïs and credit operations at 489.3 billion Meticaïs. The budget deficit stood at 17,482.8 billion Meticaïs.

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STATE BUDGET - 10 ⁹ MT	Lei		CGE 2003	RE 2004	Plano 2005	% do PIB		
	2003	2004				2003	2004	2005
EXPENDITURE:	30,515	33,740	28,921	32,945	44,932	25.4%	24.0%	28.1%
Current Expenditure	16,568	19,270	15,743	19,006	22,605	13.8%	13.8%	14.1%
Investment Expenditure	13,912	14,332	12,704	12,880	19,001	11.2%	9.4%	11.9%
Net Lending	34	137	474	1,059	3,326	0.4%	0.8%	2.1%
FINANCING:	30,515	33,740	28,921	33,167	44,932	25.4%	24.1%	28.1%
Revenue	15,359	17,810	14,579	17,071	22,226	12.8%	12.4%	13.9%
Donations	11,072	10,948	9,931	10,053	11,547	8.7%	7.3%	7.2%
Transf. BM HIPC	348	329	552	484	368	0.5%	0.4%	0.2%
Net External Credit	4,471	4,987	5,081	6,290	7,872	4.5%	4.6%	4.9%
Net Internal Credit	-735	-335	-1,222	-731	2,919	-1.1%	-0.5%	1.8%

Budget execution stood at 17,071 billion Meticaís or 96% of the sum planned in the Budget Law, a 16% increase compared with the previous year. 14,683 billion Meticaís of this total was derived from tax revenue, with taxes on goods and services making the largest contribution. The fall in Tax Revenue was largely due to reduced commercial profits and the fall in the value of the USD and Rand against the Metical, raising the price of imports.

STATE REVENUE - 10 ⁹ MT	Lei		CGE 2003	RE 2004	Plano 2005	% do PIB		
	2003	2004				2003	2004	2005
TAX REVENUE	14,191	16,692	13,627	14,683	18,409	12.0%	10.7%	11.5%
Income Tax	3,254	3,860	2,413	3,470	4,694	2.1%	2.5%	2.9%
Taxes on Goods and Services	6,921	8,242	6,529	7,753	9,520	5.7%	5.6%	6.0%
External Trade Tax	2,165	2,421	2,229	2,284	2,765	2.0%	1.7%	1.7%
Other Taxes	1,851	2,169	2,457	1,176	1,430	2.2%	0.9%	0.9%
NON-TAX REVENUE	933	787	741	780	1,388	0.7%	0.6%	0.9%
ASSIGNED REVENUE	106	274	210	1,290	1,747	0.2%	0.9%	1.1%
CAPITAL REVENUE	129	58	0	319	682	0.0%	0.2%	0.4%
TOTAL	15,359	17,810	14,579	17,071	22,226	12.8%	12.4%	13.9%

The execution of current expenditure (including debt repayments) stood at 19,006 billion Meticaís. Execution fell within the current expenditure limits specified in the budget law.

CURRENT EXPENDITURE - 10 ⁹ MT	Lei		CGE 2003	RE 2004	Plano 2005	% do PIB		
	2003	2004				2003	2004	2005
Personnel Expenditure	7,579	9,165	7,383	9,195	11,045	6.5%	6.7%	6.9%
Goods and Services	3,963	4,193	2,898	3,966	5,308	2.5%	2.9%	3.3%
Debt Repayment	1,176	1,228	1,318	1,321	1,284	1.2%	1.0%	0.8%
Current Transfers	3,127	3,611	2,945	3,555	4,003	2.6%	2.6%	2.5%
Subsidies	176	193	175	208	222	0.2%	0.2%	0.1%
Other Current Expenses	535	692	395	761	603	0.3%	0.6%	0.4%
Closed Fin. Year	63	120	0	0	0	0.0%	0.0%	0.0%
Capital Expenditure	78	68	58	0	0	0.1%	0.0%	0.0%
Complementary Period	-130	0	524	0	0	0.5%	0.0%	0.0%
TOTAL	16,568	19,270	15,743	19,006	22,605	13.8%	13.8%	14.1%
TOTAL EXCL. DEBT REPAYMENT	15,392	18,042	14,425	17,685	21,321	12.7%	12.9%	13.3%

Capital expenditure currently stands at 12,880 billion Meticaís, of which 4,074 billion Meticaís is internal expenditure and 8,806 external expenditure,

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corresponding to 89.9% of the total planned in the Budget Law. This execution rate can be considered satisfactory compared with the previous year.

INVESTMENT EXPENDITURE - 10 ⁹ MT	Lei		CGE 2003	RE 2004	Plano 2005	% do PIB		
	2003	2004				2003	2004	2005
Internal Financing	4,129	4,126	3,240	4,074	5,763	2.8%	3.0%	3.6%
External Financing	10,655	10,206	8,362	8,806	13,239	7.3%	6.4%	8.3%
Donations	7,473		5,422	5,229	7,576	4.8%	3.8%	4.7%
Credits	3,028		2,940	3,577	5,662	2.6%	2.6%	3.5%
Complementary Period	-871	0	1,102	0	0	1.0%	0.0%	0.0%
TOTAL	13,912	14,332	12,704	12,880	19,001	11.2%	9.4%	11.9%

Global Budgetary Framework

The budgetary programme for 2004 approved the raising of around 17,810 billion Meticaís in revenue, representing 14% of GDP. The volume of total expenditure including liquid loans was fixed at 33,740 billion Meticaís, or 26.8% of GDP. 47% of total expenditure was planned to be financed using external resources.

The execution rate of total revenue was 96%, representing a nominal increase compared with 2003.

BUDGETARY FRAMEWORK - 10 ⁹ MT	Lei		CGE 2003	RE 2004	Plano 2005	% do PIB		
	2003	2004				2003	2004	2005
REVENUE	15,359	17,810	14,579	17,071	22,226	12.8%	12.4%	13.9%
CURRENT EXPENDITURE	16,568	19,270	15,743	19,006	22,605	13.8%	13.8%	14.1%
CAPITAL EXPENDITURE	13,912	14,332	12,704	12,880	19,001	11.2%	9.4%	11.9%
NET LENDING	34	137	474	1,059	3,326	0.4%	0.8%	2.1%
OTHER REVENUES (-)/EXPENDITURE(+)	0	0	0	-221	0	0.0%	-0.2%	0.0%
TOTAL EXPENDITURE	30,481	33,602	28,447	31,886	41,606	25.0%	23.2%	26.0%
TOTAL EXPENDITURE INCL. NET LENDING	30,515	33,740	28,921	32,945	44,932	25.4%	24.0%	28.1%
CURRENT BALANCE	-1,209	-1,460	-1,164	-1,935	-379	-1.0%	-1.4%	-0.2%
GLOBAL DEF. BEFORE DONATIONS	-15,156	-15,929	-14,342	-15,874	-22,706	-12.6%	-11.6%	-14.2%
DONATIONS	11,072	10,948	9,931	10,053	11,547	8.7%	7.3%	7.2%
GLOBAL DEFICIT AFTER DONATIONS	-4,084	-4,981	-4,411	-5,821	-11,159	-3.9%	-4.2%	-7.0%
BM TRANSFER TO HIPC	348	329	552	484	368	0.5%	0.4%	0.2%
CREDITS	4,471	4,987	5,081	6,290	7,872	4.5%	4.6%	4.9%
Disbursements	5,408	5,745	5,672	6,957	8,692	5.0%	5.1%	5.4%
Amortization	-937	-758	-591	-667	-820	-0.5%	-0.5%	-0.5%
NET INTERNAL CREDIT	-735	-335	-1,222	-953	2,919	-1.1%	-0.7%	1.8%

An execution level of 98% was registered for current expenditure, while the execution rate for investment expenditure stood at 90.3%, representing an increase in nominal terms of 20% and 1.4% respectively compared with 2003.

Expenditure Execution in PARPA Priority Sectors

In formulating its economic and social plan, the Government has made efforts to reduce the high levels of poverty in the country. The budgetary policy aims to maintain a public expenditure growth rate consonant with macroeconomic stability, to promote private enterprise and to strengthen the legal and institutional framework in order to safeguard business ownership rights.

In overall terms, in 2004, the expenditure execution rate (current and investment) was 94.9%. However, execution in priority areas was in the region of 63.3%. Under the ambit of expenditure execution, education, infrastructure, health, good governance, security and the judicial system are the sectors that absorb the majority of resources.

Expenditure in PARPA priority areas (billions of Meticais)

ECONOMIC AND SOCIAL PLAN EVALUATION 2004

	2003	2004
	CGE	RE
TOTAL EXPENDITURE	27,345.0	31,886.4
Interest on Public Debt	1,318.2	1,321.4
TOTAL EXPENDITURE EXCLUDING INTEREST ON DEBT	26,026.8	30,565.0
TOTAL EXPENDITURE IN PRIORITY AREAS	16,622.7	19,362.3
EDUCATION	4,816.5	6,322.0
PRIMARY AND SECONDARY EDUCATION	3,982.9	5,369.0
HIGHER EDUCATION	833.6	953.0
HEALTH	3,494.4	3,332.1
HIV/AIDS	64.1	140.6
INFRASTRUCTURE	2,930.9	4,187.9
ROADS	1,916.5	3,223.9
WATER AND PUBLIC WORKS	1,014.4	964.0
AGRICULTURE AND RURAL DEVELOPMENT	1,676.5	1,333.0
GOVERNANCE, SECURITY AND THE JUDICIAL SYSTEM	2,359.8	2,912.7
SECURITY AND PUBLIC ORDER	1,323.2	1,666.0
GOVERNANCE	558.8	528.7
JUDICIAL SYSTEM	477.8	718.0
OTHER PRIORITY SECTORS	1,280.5	1,134.0
SOCIAL ACTION	266.8	202.0
LABOUR AND EMPLOYMENT	108.4	122.0
MINERAL AND ENERGY RESOURCES	905.4	810.0
AS % OF TOTAL EXPENDITURE (excl. Interest on public debt)		
EDUCATION	18.5%	20.7%
PRIMARY AND SECONDARY EDUCATION	15.3%	17.6%
HIGHER EDUCATION	3.2%	3.1%
HEALTH	13.4%	10.9%
HIV/AIDS	0.2%	0.5%
INFRASTRUCTURE	11.3%	13.7%
ROADS	7.4%	10.5%
WATER AND PUBLIC WORKS	3.9%	3.2%
AGRICULTURE AND RURAL DEVELOPMENT	6.4%	4.4%
GOVERNANCE, SECURITY AND THE JUDICIAL SYSTEM	9.1%	9.5%
SECURITY AND PUBLIC ORDER	5.1%	5.5%
GOVERNANCE	2.1%	1.7%
JUDICIAL SYSTEM	1.8%	2.3%
OTHER PRIORITY SECTORS	4.9%	3.7%
SOCIAL ACTION	1.0%	0.7%
LABOUR AND EMPLOYMENT	0.4%	0.4%
MINERAL AND ENERGY RESOURCES	3.5%	2.7%

The table above presents developments in the absorption of resources in key areas of the Poverty Reduction Action Plan. Expenditure execution in these areas rose from 16,622 billion Meticaïs in 2003 to 19,362 billion in 2004, a nominal increase of 16.5%.

The execution levels above are the result of implementing a range of fiscal and budgetary policy actions approved for 2004, namely:

- Conclusion of the preparation of the General State Account 2003 and the revision of the State Financial Administration System Regulations;

- The Ministerial Decree 1/2004 was approved and published regarding the architecture of CUT installations, regulations governing movements (payments and deposits) of the Treasury bank account and the documentation and daily operations in the banking system in general;
- Start of entering e-SISTAFE data into the computer system (regarding State Budget execution for 2004);
- Conclusion of the study into Programme-Based Budgeting, with the objective of supporting MPF and the Sectoral Ministries in discussing the pre-requisites for the effective introduction and implementation of Programme-Based Budgeting;
- Conclusion of preparatory work for creating the Tax Administration and submitting the respective Statute for approval;
- Restructuring the central and local organs of the Tax Administration due to the alterations in the taxation system;
- Updating the Business Social Capital Register;
- Conclusion of the proposal for reorganising the management of Lotteries, *Totobola*, *Joker* and other betting associations and the proposal for the State to a grant concession to the Lottery and Betting Management Association.
- Preparation of Management Accounts by the General Gambling Inspectorate for the 2003 financial year, and its submission to the Administrative Tribunal;
- Preparations in progress of the bill for the simplified SISA Code to be submitted to the Council of Ministers in the third quarter of the year.
- The bill was prepared for the General Taxation Law, approved by the Government and submitted to Parliament.
- The initial versions of the Customs regulations for Coastal Trade and On-Board Consumption. The study was also completed comparing national customs legislation with Kyoto Convention recommendations.
- Proposals are being prepared for the bill concerning the Legal Code for Customs Infractions, Legal Costs Regulations and the Customs Proceedings Code.

ANNEX 1 – SIMPLIFIED MATRIX OF PRINCIPAL INDICATORS

Government Programme – PARPA			Priorities		Indicators	Goals			
Strategic Objectives	Areas	Sub-areas	Objectives	Actions		2004	2004 Obs	2005	2006
Poverty Reduction by prioritising public services for the most disadvantaged groups	Education	Primary Education	Universal Education	Implement the Strategic Plan 2004-2008	Net education rate EPI	72%	75.6%	76%	80%
			- Increase Access and reduce drop-out rates			69%	73.2%	74%	78%
			- Improve Quality			43%	Not presently available	48%	58%
				- Reduce Gender Disparities		Girls' EPI completion rate	36%	41%	52%
	Health	Mother/Infant	Reduce maternal mortality	Increase supply of obstetric care	Institutional deliveries	47%	49%	49%	51%
			Reduce infant mortality	Increase coverage of the Extended Vaccination Programme	Coverage < 1 year DPT3 and Hepatitis B 3-23 months	95%	96%	95%	95%
			Increase access to basic health services	Increase access to quality treatment for transmittable and non-transmittable diseases	Utilisation rate: out-patient consultations per inhabitant	0.91	1.02	0.93	0.94
	HIV-AIDS	CNCS	Reduce infection and mortality rate	Begin implementation of PNCS II	Prevalence rate of HIV-AIDS, adults	14.9%	13.6% ⁴	15.6%	16.1%
				Reduce Vertical transmission	Number of pregnant women and newborns with HIV who received prophylaxis to prevent vertical transmission	8000	4000	15000	20000
				Increase access to antiretrovirals	Number of people living with HIV/AIDS who take antiretrovirals	4000	8000	10000	29000
			Rehabilitate and improve the national network; Improve the procurement system and execution of works and services	Kms. Rehabilitated Kms Periodic Maintenance Kms Routine Maintenance	813 1,392 13578	819 km 514 9653	1160 2062 14343	705 2001 15247	
Infrastructure	Roads	Improve the national road network	Build wells, create new connections	% Population with access to drinkable water	41%	41%	43.4%	45.8%	
		Increase access	Improved latrines and septic tanks	% Population with access to sanitation services	35%	35%	37%	39%	
		Increase access	Increase coverage of agrarian extension services	% agrarian activity assisted by extension services and/or livestock activity during previous 12 months (public, private and NGO)	20%	For the years without TIA, see the table below	21%	22%	
Agriculture and rural development	Agrarian Services	Promotion of agricultural production	Facilitate access to financing	Micro-credit clients	80000	60000	90000	100000	

⁴ 2002 rate for adults (15 – 49 years).

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imbalances	Natural Resource Management	Stimulate market mechanisms	% of cereal production sold (for a selection of cereals)	54.5%	For years without TIA, see table below	57%	59.5%
		Access to Land	N° of applications processed within a limit of 90 days	2500	2117	3000	3200
		Promoting sustainable exploration	% of small and medium projects using irrigation techniques	11.5%	For years without TIA, see table below	12%	12.5%
		Stimulate sustainable commercial management of Natural Resources	% of concessions with approved operating plans	22%	34%	30%	40%

### In years without TIA	TIA Results indicators	Indicator proxy	Goals			
			2004	2004 Obs	2005	2006
Proportion of agrarian/livestock projects assisted by extension services in the last 12 months (public, private or NGO)		Total Subsistence farmers assisted by public extension services (incl. Outsourcing)	164,400	150,000	196,600	201,600
		Chickens vaccinated against Newcastle Disease	2,500,000	4,926,815	3,000,000	3,500,000
		Cattle vaccinated against Foot and Mouth	400,000	326,355	165,832	200,000
		Cattle vaccinated against Anthrax	800,000	286,172	659,782	1,000,000
Proportion of small and medium agrarian projects using irrigation techniques		Cattle vaccinate against Blackleg	300,000	122,184	249,965	400,000
		Areas identified for rehabilitating or constructing irrigation systems	5,750	5,683	6,850	8,200
		Work executed	1,600	791	2,900	3,200

Information referring to 4 and 5 (January to May) months, adjusted to a year.

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Government Programme – PARPA		Priorities		Indicators	Goals				
Strategic Objectives	Areas	Sub-areas	Objectives		Actions	2004	2004 Obs	2005	2006
	Education		<p>Universal Education</p> <ul style="list-style-type: none"> - Increase access and reduce the drop-out rate - Improve quality 	<p>Implement the Strategic Plan 2004-2008</p> <ul style="list-style-type: none"> - Implement the low-cost school construction project - Implement the teacher training strategy 	<p>Implement the national programmes CRESCER and ADE and the pilot programme for constructing low-cost schools</p> <p>Strategic Plan 2004/08 approved, implemented and evaluated</p>	<p>Implementation Evaluation</p> <p>Approval</p>	<p>Start of implementation of “CRESCER”. MINED launched and implemented the 2nd and 3rd phase of the ADE programme. 8100 EPI schools received between 3,5 and 90million meticaiss in the 2nd phase and 8400 EPI schools received between 4.2 and 70 million meticaiss in the 3rd phase</p> <p>MINED began the process of revising its sectoral strategy with the aim of reformulating objectives and goals and calculating the necessary resources for implementing the 2nd phase 2005-2009. At present work is in its final stages and the draft document has already been presented to, and approved by co-operation partners.</p>	<p>Implementation evaluated</p> <p>Implementation</p> <p>Evaluation</p>	<p>Implementation evaluated</p>

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Government Programme – FARPA			Priorities		Indicators	Goals			
Strategic Objectives	Areas	Sub-areas	Objectives	Actions		2004	2004 Obs	2005	2006
Creating an environment favourable to the private sector	Ad-hoc legal reforms			Revision of the Labour Law and submission of the revised law to Parliament	Publication of Decree 57/03	Terms of Reference completed. Three regional seminars in the southern, central and northern zones to discuss the terms of reference and begin the process of discussing the creation of an arbitration system as an alternative, extra-judicial means of resolving labour conflicts.	Submission of Law		
				Submission of the revised Business Code to Parliament	✓	Proposal for reforming the Commercial Registry Code was prepared, dispatched to CIREL and subsequently to Parliament.			
				Approval of Regulations for licensing commercial and industrial activities	✓	Approval of Commercial Licensing Regulations by the Council of Ministers and the consequent revocation of Decree no. 43/98. The new Regulations are yet to be disseminated to the private and public sectors.			
				Approval of Regulations for inspecting commercial and industrial activities	✓	Conclusion of the revision process for legislation on industrial and commercial inspections. Revised legislation disseminated to the business community and industrial and commercial activities inspected.			

ECONOMIC AND SOCIAL PLAN EVALUATION 2004

Government Programme – FARPA			Priorities		Indicators		Goals			
Strategic Objectives	Areas	Sub-areas	Objectives	Actions			2004	2004 Obs	2005	2006
	Macroeconomic and financial policies	Financial System	Strengthening the supervision capacity of the Bank of Mozambique	Forensic audit of Banco Austral through the Attorney General	Forensic audit of Banco Austral through the Attorney General		Begun	Work was put out to tender but no companies in Mozambique responded, nor LEBOUF in South Africa. Further attempts were made to encourage LEBOUF and PriceWaterhouse in South Africa to bid.	Completed	
			Improve financial intermediaries including that directed at small, medium and large enterprises and households without access to commercial banks	Implement IAS in the financial sector (including alternations in the taxation system)	Implement IAS in the financial sector (including alternations in the taxation system)		IAS Strategy Presented	Terms of Reference and financial arrangements formulated for the diagnostic study for examining BIM, Bau, BSTM and BCI/BF for formulating transition plans to IAS.	Implemented	Implemented
				Strengthen institutional capacity of the Bank of Mozambique and other regulatory bodies	Strengthen institutional capacity of the Bank of Mozambique and other regulatory bodies		LFL submitted to Parliament, LICSF Regulations Prepared	The draft regulations completed. Approval awaited before the regulations can be dispatched to the Council of Ministers. Regulations of the New Financial Institution Law approved in July 2004, revision of the regulations of the Micro-finance Law completed (Revised Law n° 15/99)	LFL regulations prepared	Implemented

ECONOMIC AND SOCIAL PLAN EVALUATION 2004

Government Programme – PARPA				Goals				
Strategic Objectives	Areas	Sub-areas	Objectives	Priorities		Indicators		
				Actions		2004	2004 Obs	2005
				State withdrawn from its position as shareholder in the banking sector	Withdrawn from position as shareholder in Bau; strategy defined from withdrawing State shareholding in BIM and for public companies to hold shares in the banking sector	Study to be concluded in June 2005	Two strategies implemented	
				Reform of the insurance sector	Accounts Framework prepared	Account Plan published. Ministerial Decree n°113/2004 of 23rd June	Pension Fund Law revised	Impl.
		Reform of the State Financial Administration System	Improved efficiency and effectiveness of management of State finances	Expenditure in PARPA priority sectors should be at least 65% of total expenditure, excluding debt interest payment. At least half of this 65% should be spent in the Education and Health Sectors.	65%	63,7% of which Health and Education receive 34% of a total of 53,5% planned for priority sectors	65%	Indic PARPA II
				Implement programme-based budgeting, starting with 5 sectors including Education and Health	Develop methodology and select sectors	Work in progress in the sectors to establish methodology to use in preparing the State Budget 2006	Introduction in preparatory cycle for State Budget 2006	5 sectors covered in the State Budget preparatory cycle 2007
				Implement e-Sistafe	DPPF's + MPF, MINEDas pilot projects	Completed	60% of State Budget in SISTAFE	100 % State Budget
		Tax Reform	More simple, comprehensive, just and balanced taxation	Create Tax Authority in 2006	Submit proposed law to Parliament	The legal bill to establish a Tax Authority was approved by the Council of Ministers on 1st April 2004 by decree 5/2004 and published in BM 13 and submitted to Parliament on 7th August 2004.	Approval of Regulations and Procedures	Establishment of Tax Authority
			Total revenue as a percentage of GDP		14.7 %	Planned 17.810 billion Metcans, executed 16.466 billion Metcans: execution rate of 92,5%	15%	15.3%

ECONOMIC AND SOCIAL PLAN EVALUATION 2004

Government Programme – PARPA			Priorities		Indicators	Goals			
Strategic Objectives	Areas	Sub-areas	Objectives	Actions		2004	2004 Obs	2005	2006
		Procurement	Adopt a transparent and efficient system	Approve legislation based on recognised international principles concerning the procurement/contracting process for public works, goods and services.	√		A draft agreement with the last MYR will be approved in the first half of 2005		
		Auditing	Improve coverage and operationality of internal and external audits.	Revision of functions of internal and external auditing institutions	Revision		Law being prepared	Begin implementation	
		Planning and Monitoring	Harmonise medium and short term instruments	Integration between PES, PARPA and CFMP	√		Included in PES and OE methodology 2005		
				Adapt the PES Evaluation to be the principal Monitoring Instrument for PARPA	√		PES Evaluation for 1st Semester approved by Council of Ministers and submitted to Parliament	√	√
				Decentralisation - Introduction of District Plan; number of districts - Approval of Local Government legislation - Implement Law	37		35 Distritos já concluídos (15 em Nampula, 13 na zona centro, 6 em Inhambane e 1 em Maputo).	53	67
				Decentralisation - Prepared decentralisation policy and strategy - Restructuring plans agreed and beginning of implementation in Health, Education, Agriculture, MAE, MIC and MPF	Approval and implementation of Law		Bill prepared for Law 8/2003, of 19th May regarding Local Government;	Prepared	Approved
				Approval by the government of the medium-term salary policy (salary reform) and the beginning of implementation				Plans agreed	Impl.
				Anti-corruption Law	Disseminated		Law being prepared	Approved	Impl.
				Survey conducted into Good Governance, corruption and service provision and implement the anti-corruption strategy	Survey conducted		UTRESP already in progress. Began 27th November 2003	Strategy approved	
	Good Governance, Legality and Justice (Combating Corruption)	Public Sector Reform	Decentralisation	Rationalisation of structures and processes Combating corruption					

ECONOMIC AND SOCIAL PLAN EVALUATION 2004

Government Programme – FARPA			Goals						
Strategic Objectives	Areas	Sub-areas	Priorities		Indicators	2004			
			Objectives	Actions		2004 Obs	2005	2006	
Consolidate Peace, National Unity, Justice and Democracy				Survey into corruption in the judicial system (offering suggestions for simplifying legal proceedings and other causes of corruption) and recommendations implemented	Survey completed and results published. Study assessed.	Survey completed	In progress	Monitoring of Study	
				Action plan approved and implementation begun		✓	Reforçado o Sistema de Inspeção	✓	
				Increase Government resources (particularly for improving the contracting of personnel) for the Anti-Corruption Units.		✓	Budget for 2005 is guaranteed	✓	
				Increase the number of judicial sentences	Increase % (to be submitted to the judicial authorities)	20%	The sector goal is to attain an accumulated result of 60% in 5 years. There has been an increase in 2003 of between 30 and 35%.	20%	
		Judicial Reform	Improve efficiency in the provision of judicial system services	Reduction in the number of prisoners awaiting charges and judgement	% maximum prisoners awaiting judgement	65%	Data not presently available	57%	50%

ECONOMIC AND SOCIAL PLAN EVALUATION 2004

Government Programme – FARPA			Goals						
Strategic Objectives	Areas	Sub-areas	Priorities		Indicators	2004	2004 Obs	2005	2006
			Objectives	Actions					
			Simplification and acceleration of processing	Presentation of a long term programme of reform including a planning, budgeting and monitoring system giving priority to sector service provision	Submission to the Council of Ministers	√	<p>Presentation to the Council of Ministers of a long term reform programme including a system of planning, budgeting and monitoring that prioritises sector service provision. The actions presently being implemented to this end are: (i) preparatory work to prepare planning software for the Ministry of Justice; (ii) more effective use of monitoring matrices for the Integrated Strategic Plan in the Ministry of Justice; (iii) a joint planning process in progress in the Ministry of Justice.</p>		
				Revision of the Civil Proceedings Code	Submission to Parliament		<p>Bills prepared for the Civil Proceedings Code and dispatched to CIREL</p>	√	
				Revision of the Civil Registry Code	Submission to Parliament		<p>Reformed Civil Registry Code submitted to Parliament</p>	√	
				Revision of the Judicial Organisation Law including the legal base for introducing commercial articles	Submission to Parliament		<p>The terms of reference already prepared. Awaiting discussion at provincial level</p>	√	
				Revision of the Penal Code	Submission to Parliament		<p>Proposal for revised Penal Code submitted to CIREL and to Parliament - to be discussed this year.</p>	√	

ECONOMIC AND SOCIAL PLAN EVALUATION 2004

Government Programme – FARPA				Goals						
Strategic Objectives	Areas	Sub-areas	Objectives	Priorities		Indicators	2004	2004 Obs	2005	2006
				Actions						
				Revise Notary Code		Submission to Parliament		Preliminary Notary Code report concluded and submitted to CIREL. Awaiting harmonisation with Business and Civil Code	√	
				Revise Penal Code and Prison Legislation		Submission to Parliament		Preliminary Penal Code report concluded and submitted to CIREL. Reform of the Organisational prison law in initial stages	√	

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MEDIUM TERM MACROECONOMIC FRAMEWORK	2003 Actual	2004 Prelim.	2005	2006	2007	2008
National Income and prices	(Annual percentage, unless otherwise specified)					
Nominal GDP (in billions of meticals)	113,810.7	137,424.8	159,912.0	184,289.0	208,813.0	235,193.0
Nominal GDP (in billions of U.S. Dollars)	4.8	6.1	8.2	9.2	10.0	10.9
Real GDP growth (%)	7.8	7.2	7.7	7.4	6.4	6.4
GDP per capita (in U.S. Dollars)	258	320	424	460	491	522
Consumer price index (annual average)	13.4	12.6	8.0	7.3	6.5	5.9
Consumer price index (end of period)	13.8	9.1	8.0	7.0	6.0	5.8
External sector						
Merchandise exports	28.9	44.1	13.9	1.9	1.8	6.3
Merchandise imports	12.8	16.9	15.6	2.8	10.0	2.9
Terms of trade	-1.4	13.4	2.2	-7.3	-8.9	-2.8
Nominal effective exchange rate (end of period) 1/	-10.9	17.9				
Real effective exchange rate (end of period) 1/	-2.7	24.8				
			(in percentage of GDP)			
External current account, after grants	9.2	5.8	7.1	6.8	9.2	7.5
Government budget						
Total revenue	12.9	12.3	13.2	14.0	14.6	15.1
Tax revenue	12.0	11.3	11.8	12.5	12.9	13.4
Non tax revenue	1.0	0.9	1.4	1.5	1.6	1.7
Total expenditure and net lending (incl. residual)	26.5	23.7	25.6	24.2	24.5	24.8
Current expenditure	14.4	13.8	13.7	13.6	14.0	14.1
Compensation to employees	6.8	6.7	6.9	6.9	6.9	7.0
Goods and services	3.5	3.4	3.5	3.5	3.6	3.5
Interest on public debt	1.2	1.0	0.8	0.9	1.0	1.1
Transfer payments	2.9	2.7	2.5	2.4	2.5	2.5
Capital expenditure	11.7	9.1	10.8	9.8	9.7	9.9
Net lending	0.4	0.8	1.2	0.7	0.8	0.8
Overall balance, before grants	-14.0	-11.7	-12.4	-10.2	-10.0	-9.7
Total grants	9.5	7.3	6.4	5.8	5.6	5.5
Overall balance, after grants	-4.5	-4.4	-6.0	-4.4	-4.4	-4.2
Central bank transfer of HIPC assist. By the IMF	0.2	0.4	0.2	0.2	0.1	0.0
Net external borrowing	4.2	2.8	4.7	4.2	4.2	4.1
Net domestic financing	0.1	-0.5	1.1	0.0	0.0	0.0
Memorandum items:						
Domestic primary balance	-3.7	-3.7	-2.8	-1.6	-1.7	-1.5
Excluding bank restructuring						

Sources: Mozambiquen authorities; and IMF staff estimates and projections

1/ A minus sign indicates depreciation

REVIEW OF ECONOMIC AND SOCIAL PLAN	2003 Actual	2004 Prelim.	2005	2006	2007	2008
	(In percent of exports of goods and nonfactor services)					
Net present value of total public external debt outstanding 2/	102.0	83.8	83.6	89.5	96.0	99.3
External debt service (nonfinancial public sector)						
Scheduled, after original HIPC Initiative assistance	9.3	6.1	6.0	6.1	6.2	6.2
Scheduled, after enhanced HIPC Initiative assistance	7.0	4.3	4.3	4.6	4.7	4.7
Scheduled, after additional bilateral assistance	6.1	4.5	5.1	5.3	5.4	5.2
	(In millions of U.S. dollars, unless otherwise specified)					
External current account, after grants	-440	-352	-586	-627	-916	-814
Overall balance of payments	122	212	-84	-30	59.0	97
Net international reserves (end of period)	738	960	900	902	994	1,123
Gross international reserves (end of period)	947	1,159	1,076	1,045.0	1,104	1,201
In months of imports of goods and nonfactor services	5.4	5.8	4.7	4.4	4.1	4.3

2/ Public and publicly guaranteed, in percent of the three-year average of exports. The data for 1999-2000 include the impact of total debt relief granted under the original HIPC Initiative. Data for 2001-03 include the impact of total debt relief under the enhanced HIPC initiative, additional bilateral assistance, and new borrowing.