Mozambique - Country Assistance Strategy

1. I congratulate the Government and people of Mozambique on the remarkable progress they have made in transitioning from war to a peace-time setting, in making the change from a centrally-planned economy to one that is market-oriented, and in moving from a one-party state to a multi-party democracy. Although Mozambique’s per capita GDP ranks near the bottom, the country is well-endowed with human and natural resources. I hope that the Government continues to pursue policies which permit these resources to be developed for the benefit of the people of Mozambique.

2. The CAS correctly notes the major strides made by the Government to privatize Mozambique’s vast system of state-owned enterprises. More than 800 of about 1,250 SOE’s have been privatized, a significant accomplishment which has resulted in the recovery of industrial output in 1995-96 following a five-year decline.

3. Mozambique has made significant strides in liberalizing its trade regime and reducing tariffs. What further efforts are being taken to reduce tariffs?

4. Under the new structural adjustment credit contemplated in the CAS, will attention be given to: the development of a market-based land policy; the removal of import and export licensing requirements; or privatizing the management -- or the entire operations -- of TDM, CEM, and PETROMOC?

5. I agree with the CAS emphasis on promoting rapid, broad-based private sector-led growth, human resource development, and strengthening development partnerships. However, the areas of emphasis are broad and investment programs covering every area may stretch Mozambique’s and the Bank’s resources too thin.
6. The Mozambique CAR notes that in Board discussions of earlier CAS’s, EDs cautioned that the CAS was highly ambitious, and would need careful monitoring and coordination with other donors. They urged the staff to devote much more attention to creating public administration capacity, civil service rationalization, and to implementation problems. Some EDs were concerned about the Bank being overcommitted in too many fields, with insufficient implementation capacity, and in which the Bank did not have a comparative advantage.

7. The CAR made several recommendations to address these concerns. For example, the CAR states that the major recommendation for the new CAS is to achieve greater development effectiveness through **strategic selectivity and enhanced partnerships**. I am pleased that one of the three strategic priorities of the CAS is strengthening development partnerships and I look forward to progress on that front. To get a handle on donor activity, might the Bank consider working with the government to conduct a census of all such activity, as a starting point for launching a donor coordination unit within the Mozambican government?

8. With regard to strategic selectivity, I am concerned that the CAS has not taken this CAR recommendation fully on board, particularly given the institutional capacity constraints in Mozambique and the fact that the Government would be better off with grants than incurring new debt, even on IDA terms.

9. After several discussions with staff, I believe that the Bank is paying closer attention to the issues of strategic selectivity and enhanced partnerships. I am, however, still disappointed that this CAS may not have had the full benefit of the Mozambique CAR. As a result of the CODE discussion, I am pleased that there is support for conducting an implementation workshop where the CAS and the CAR can be fully discussed with the government, donors and civil society. I trust that this workshop will assure inclusion of Mozambican women. Although the CAS notes the gender inequities in Mozambique, the CAS identifies very little which the Bank plans to do in this area. I look forward to a fuller integration of gender concerns in the next Mozambique CAS.

10. I urge the Bank to re-examine its process and to continue to strengthen broad-based participation in CAS development. Sharing of institutional best practice and clearer guidance across the Bank on how to ensure adequate participation in the development of CASs appears needed. I would appreciate Management comment on how staff are supported in this regard. The inconsistencies we see across CAS’s suggest insufficient exchange across countries and regions, although I trust this is being addressed.

11. I believe that the Bank’s intention to delegate more portfolio management authority to the Resident Representative in Maputo will help strengthen partnerships and enhance implementation.
12. I appreciate the inclusion of a paragraph on Governance, but the discussion of corruption is inadequate. How will the Bank’s new anti-corruption framework be applied to Mozambique? More specifically, how will anti-corruption concerns be integrated into the Bank’s lending and non-lending services?

13. I concur with the Bank’s statement that improved environmental management and assessment are vital to sustainable growth and poverty reduction. I am pleased to note that the Bank has an environmental specialist resident in Maputo and encourage the Bank to play a role in environmental issues which makes effective use of its resources and experience.

14. The Bank and the Government have done a good job in reviewing the loan portfolio and making the changes needed to improve portfolio indicators. Based on this effort, I concur with the Bank’s recommendation that the Base Case lending program be expanded to $480 million for FY98-00.

15. Finally, we are interested to learn if the option contained in the CAS for the Mozambican authorities to receive interim debt relief under HIPC through IDA grants would be in addition to or an advance on final debt relief.