

This report is based on the discussions and findings of the Study Committee on Japan's Official Development Assistance for Southern African Countries organized by the Japan International Cooperation Agency (JICA). The Views expressed in the report are those of the members of the Study Committee and do not necessarily reflect those of JICA. This report can also be downloaded from JICA Home Page. (<http://www.jica.go.jp/english-publication>)

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First Research and Development Division
Institute for International Cooperation (IFIC)
Japan International Cooperation Agency (JICA)
10-5, Ichigaya Honmura-cho,
Shinjuku-ku, Tokyo 162-8433,
Japan

Volume III. Mozambique · Main Reports

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Members List of the Study Committee

| | | |
|--|-------------------|---|
| Chairperson | Hideo ODA | President, Keiai University |
| Members of Sub-Study Committee(South Africa and Mozambique) | | |
| Politics and Administration | Mitsugi ENDO | Associate Professor, Advanced Social and International Studies, Graduate School of Arts and Sciences, Tokyo University |
| Economy, Industrial Development and Development Planning (Mozambique) | Koji HAYASHI | Professor, Faculty of International Studies, Keiai University |
| Economy, Industrial Development and Development Planning (South Africa) | Katsumi HIRANO | Senior Research Fellow, Area Studies Department II, Institute of Developing Economies(IDE)- JETRO |
| Social Development and Civil Cooperation | Makoto SATO | Professor, Faculty of International Relations, Ritsumeikan University |
| Urban Development | Eiichi YOSHIDA | Research Fellow, Area Studies Department II, Institute of Developing Economies(IDE)- JETRO |
| Rural Development and the Environment | Koichi IKEGAMI | Professor, Faculty of Agriculture, Kinki University |
| Human Resources Development | Nobuhide SAWAMURA | Associate Professor, Center for the Study of International Cooperation in Education, Hiroshima University |
| Health and Medical Policy | Yasuo UCHIDA | Professor, Graduate School of International Cooperation Studies, Kobe University |
| Infrastructure and Energy | Satoshi IJIMA | Chief Representative, Representative Office in Paris, Japan Bank of International Cooperation(Former Director, 3rd Division, Operations Department III) |
| Aid Trends | Noriko SUZUKI | Director, Africa Division, Regional Department IV (Africa, Middle East and Europe) Japan International Cooperation Agency |

Members of Sub-Study Committee(Zambia)

| | | |
|---|-------------------|---|
| Vice Chairperson (Zambia) | Mitsuo OGURA | Professor, Director, Graduate School of International and Cultural Studies, Tsuda College |
| Politics and Administration | Masahisa KAWABATA | Dean, Faculty of Law Ryukoku University |
| Economy | Motoki TAKAHASHI | Associate Professor, Graduate School of International Cooperation Studies, Kobe University |
| Mining and Industrial Development | Koichi SAKAMOTO | Professor, Faculty of International Economics, University of Hamamatsu |
| Agriculture, Forestry and Fisheries | Kazuo HANZAWA | Associate Professor, Department of International Development Studies, College of Bioresource Sciences, Nihon University |
| Development Planning, Rural Development and the Environment | Shiro KODAMAYA | Professor, Faculty of Social Sciences, Hitotsubashi University |
| Human Resources Development | Nobuhide SAWAMURA | Associate Professor, Center for the Study of International Cooperation in Education, Hiroshima University |
| Health and Medical Policy | Yasuo UCHIDA | Professor, Graduate School of International Cooperation Studies, Kobe University |
| Infrastructure and Energy | Satoshi IJIMA | Chief Representative, Representative Office in Paris, Japan Bank of International Cooperation(Former Director, 3rd Division, Operations Department III) |
| Aid Trends | Noriko SUZUKI | Director, Africa Division, Regional Department IV (Africa, Middle East and Europe), Japan International Cooperation Agency |
| Advisor | | |
| Regional Cooperation in Southern Africa | Akio NISHIURA | Lecturer in African Studies, Soka University |

Members List of the Task Force

| | | | |
|--|--------------------|---|--------------|
| Chief of the Task Force | Takao TODA | Senior Adviser, JICA | |
| Members of Sub-Study Committee(South Africa and Mozambique) | | | |
| Advisor (Politics and Administration) | Tatsuhiko YAZAWA | Part-time Lecturer, Keisen University | |
| Advisor (Economy and Industrial Development) | Yoichi SUZUKI | Senior Adviser, JICA | |
| Rural Development, Environment and Social Development(South Africa), Education and Human Resources Development (Mozambique) | Yoko KONISHI | Researcher, Japan International Cooperation Center | *Secretariat |
| Social Situation | Toshiyuki NAKAMURA | Deputy Director, Public Relations Div., General Affairs Dept., JICA (Former Staff of JICA South Africa Office) | |
| Social Development (Mozambique) | Akiko SHIMOHIRA | Associate Specialist, JICA | |
| Infrastructure and Energy | Toshiyuki IWAMA | Deputy Director, Second Project Management Div., Grant Aid Management Dept., JICA | |
| Education and Human Resources Development (South Africa) | Jun MATACHI | Associate Specialist, JICA | |
| Health and Medical Policy | Ikuo TAKIZAWA | Second Medical Cooperation Div., Medical Cooperation Dept., JICA | |
| Aid Trends | Kimio ABE | Planning Div., Regional Dept. IV (Africa, Middle East and Europe), JICA | |

Members of Sub-Study Committee(Zambia)

| | | | |
|--|------------------|--|----------------------|
| Chief of the Task Force * | Yusuke TADA | Senior Adviser, JICA | *until Dec. 1999. |
| Chief of the Task Force */ Economy and Development Program | Yoichi SUZUKI | Senior Adviser, JICA | *until Dec. 1999. |
| Advisor (Politics and Administration) | Tatsuhiko YAZAWA | Part-time Lecturer, Keisen University | |
| Advisor (Mining and Industrial Development) | Mitsuru HAGINO | Senior Adviser, JICA | |
| Advisor (Poverty Eradication and Social Development) | Shunji TABUCHI | Former Overseas Survey Specialist of Japanese Embassy in Zambia | |
| Infrastructure and Energy | Toshiyuki IWAMA | Deputy Director, Second Project Management Div., Grant Aid Management Dept., JICA | |
| Environment | Kaori MATSUSHITA | Forestry and Environment Div., Forestry and Natural Environment Dept., JICA | |
| Agriculture, Forestry and Fisheries | Shinji OBUCHI | Deputy Director, Senior Volunteers Div., Secretariat of Japan Overseas Cooperation Volunteers, JICA | |
| Education and Human Resources Development | Hisanao NODA | JICA Nigeria Office(Former Staff of First Project Management Div., Grant Aid Management Dept., JICA) | |
| Health and Medical Policy | Ikuo TAKIZAWA | Second Medical Cooperation Div., Medical Cooperation Dept., JICA | |
| Aid Trends | Kimio ABE | Planning Div., Regional Dept. IV (Africa, Middle East and Europe), JICA | |
| Secretariat | | | |
| | Rika UEMURA | First Research and Development Div., Institute for International Cooperation, JICA | |
| | Yoko KONISHI | Researcher, Japan International Cooperation Center | |

Background and Outline of the Study

1. Background of the Study

The situation surrounding Southern African Region has been changing radically. The end of the Cold War had consequently brought marginalization and unstabilization to whole Africa. The return of South Africa to the international community after the abolition of apartheid has had tremendous social and economic impacts to the Southern African Region.

JICA set up a study committee for the Country Study for Japan's Official Development Assistance to Southern African Countries in June 1999 to grasp present situation of the region and examine Japanese future directions for development assistance, especially focusing on three countries; South Africa, which is the key to stability and development in the region; Zambia, which is the priority country for Japanese assistance among inland countries of the region; and Mozambique, which is one of the poorest countries and now has a great need for assistance resulting from its past civil war.

2. Composition of the Report

The Study Committee completed a report including its proposals, which consists of eleven volumes in total; seven volumes in Japanese (including three volumes of appendices containing analytic data) and four volumes in English of the main chapters only. (See the table below)

| Main Reports(Japanese and English) | Appendix Data(Japanese only) |
|--------------------------------------|---------------------------------|
| Volume I Southern African Region | — |
| Volume II South Africa | Volume II-Appendix South Africa |
| Volume III Mozambique | Volume III-Appendix Mozambique |
| Volume IV Zambia | Volume IV-Appendix Zambia |

3. Outline of the Report

(1) Volume I: Southern African Region

In order to establish new regional assistance policies, an accurate understanding of present situations is indispensable. Among the most important factors are historical antagonism between South Africa and the former frontline countries against the apartheid system, as well as the political and economical influence of the new-born South Africa after the apartheid.

Besides bilateral assistance which aims to meet each country's development needs, especially in the case of the Southern African region, special efforts should be placed on; i) cross-border issues and ii) issues common to the region by utilizing regional assets.

Basic direction for development assistance to the region include the following points; support for the formation of a new regional framework, attention to the sensitive relationships between South Africa and other countries in the region, the establishment of a constructive, complementary relationship with private economic activities, contributions to peace and stability of the region, and reinforcement of a good reciprocal relationship between the region and Japan.

(2) Volume II: South Africa

South Africa is a regional super power of overwhelming political and economic influence, but it is still suffering from the negative legacy of apartheid. Japan's assistance policy to South Africa, based on the historic relationship between South Africa and other Southern African countries, should be directed towards stability and development for the whole region through the stability and development of South Africa, and ultimately towards the enhancement of relations between Africa and Asia. Therefore, Japan's development assistance to South Africa is not just bilateral cooperation, but has the potential to become a bridge between Asia and Africa.

Assistance priorities should be focused on the following areas; i) social stability through the provision of basic human needs for the poor black people and the creation of job opportunities, ii) support for capacity building in the government and local authorities as the core of a sustainable development system, and iii) cooperation beyond the framework of ODA and utilization of various forum and schemes to meet specific needs of South Africa.

(3) Volume III: Mozambique

Mozambique is blessed with natural resources, fertile soils and a geographical advantage as a corridor country. Since the end of the civil war, this country has been developed through foreign investments and international assistance. However, the influence of the civil war is still serious, the majority of people still live in absolute poverty. and the rapid social change has given rise to new disparities. Therefore, Japan's assistance policy should aim at the self-reliance of Mozambique while supporting its poverty alleviation efforts and social stability.

Assistance priorities should be focused on the following areas; i) rectifying regional disparities and the stabilization of society through support to the poorest groups, victims of the civil war, and the vulnerable, ii) direct support for regional stability, and iii) human resources development and the formation of systems for self-reliance in the mid- to long term.

(4) Volume IV: Zambia

During the era of apartheid in South Africa, Zambia played the leading role among the former frontline countries. In the international political aspects, Zambia was highly praised by its contribution for the mediation of the civil war in the Democratic Republic of the Congo. However, as for its domestic economy, Zambia cannot extricate itself from the old copper-dependent economic structure. Structural adjustment and economic liberalization have had a negative impact, such as the weakening of social services and the increase in unemployment. Consequently, poverty is still spreading. Toward such situations in Zambia, foreign donors have been introducing the Sector Investment Programs to attain aid coordination. Japan should take a selective approach in accordance with the absorptive capacity and the aid implementation system of Zambia to make the most of assistance effect, based on the past experience of development assistance.

Assistance priorities should be focused on the following areas; i) poverty reduction, ii) support to the vulnerable, iii) efforts to achieve a well-balanced economic structure.

List of Contributors of the Study Reports

[Volume I] Southern African Region

| | Main persons in charge |
|--|------------------------|
| Part I Outline of the Study | Secretariat |
| Part II Understanding Current Conditions in Southern Africa | HIRANO, NISHIURA |
| Part II Aid Trends | N. SUZUKI, Secretariat |
| Part IV Framework for Japan's Future Assistance to Southern African Region | TODA |

[Volume II] South Africa (Main Report)

| | Main persons in charge |
|---|------------------------|
| Part I Present Situations and Development Issues | |
| Chapter 1. General Remarks | ODA |
| Chapter 2. Politics and Public Administration | ENDO |
| Chapter 3. Economic Situation | HIRANO |
| Chapter 4. Social Development | SATO |
| Chapter 5. Rural Development and Environment | IKEGAMI |
| Chapter 6. Urban Development | YOSHIDA |
| Chapter 7. Medical Care and Health Policy | UCHIEDA |
| Chapter 8. Education and Human Resources Development | SAWAMURA |
| Chapter 9. Infrastructure and Energy | IJIMA |
| Part II Aid Trends | |
| Chapter 1. Japanese Aid Trends | N. SUZUKI, IJIMA |
| Chapter 2. Aid Trends of Other Donors | Secretariat |
| Part III Recommendations for Japan's ODA to South Africa | |
| Chapter 1. Basic Perspectives on Development Assistance to South Africa | TODA |
| Chapter 2. Priority Areas for Development Assistance to South Africa | TODA |
| Chapter 3. Practical Measures and Considerations | TODA |

[Volume III] Mozambique (Main Report)

| | Main persons in charge |
|---|------------------------|
| Part I Present Situations and Development Issues | |
| Chapter 1. General Remarks | ODA |
| Chapter 2. Politics and Public Administration | ENDO |
| Chapter 3. Economic Situation | HAYASHI |
| Chapter 4. Social Development | SHIMOHIRA |
| Chapter 5. Rural Development and Environment | IKEGAMI |
| Chapter 6. Urban Development | YOSHIDDA |
| Chapter 7. Medical Care and Health Policy | UCHIDA |
| Chapter 8. Education and Human Resources Development | SAWAMUEA |
| Chapter 9. Infrastructure and Energy | IWAMA |
| Part II Aid Trends | |
| Chapter 1. Japanese Aid Trends | N. SUZUKI |
| Chapter 2. Aid Trends of Other Donors | Secretariat |
| Part III Recommendations for Japan's ODA to Mozambique | |
| Chapter 1. Basic Perspectives on Development Assistance to Mozambique | TODA |
| Chapter 2. Priority Areas for Development Assistance to Mozambique | TODA |
| Chapter 3. Practical Measures and Considerations | TODA |

[Volume IV] Zambia (Main Report)

| | Main persons in charge |
|---|------------------------|
| Part I Present Situations and Development Issues | |
| Chapter 1. General Remarks | OGURA |
| Chapter 2. Development Programs | KODAMAYA |
| Chapter 3. Politics and Public Administration | TAKAHASHI |
| Chapter 4. Economic Situation | KAWABATA |
| Chapter 5. Mining and Industrial Development | SAKAMOTO |
| Chapter 6. Agriculture, Forestry and Fishery Development | HANZAWA |
| Chapter 7. Poverty Alleviation and Social Development | KODAMAYA |
| Chapter 8. Environment | KODAMAYA |
| Chapter 9. Medical Care and Health Policy | UCHIDA, TAKIZAWA |
| Chapter 10. Education and Human Resources Development | SAWAMURA |
| Chapter 11. Infrastructure and Energy | IWAMA |
| Part II Aid Trends | |
| Chapter 1. Japanese Aid Trends | N. SUZUKI |
| Chapter 2. Aid Trends of Other Donors | Secretariat |
| Part III Recommendations for Japan's ODA to Zambia | |
| Chapter 1. Basic Perspectives on Development Assistance to Zambia | Y. SUZUKI |
| Chapter 2. Issues and Frameworks of Assistance to Zambia | Y. SUZUKI |
| Chapter 3. Practical Measures and Considerations | Y. SUZUKI |

Executive Summary – Mozambique –

Part I. Present Status

1. General Remarks

- Mozambique – A Potted Modern History of Africa

Mozambique is a nation which arguably provides a miniature view of the modern history of Africa: it gained independence through armed struggle, endured the ensuing protracted civil war, and conducted democratic elections in 1994.

When viewed as a recipient country of Japanese aid, Mozambique has some unique features. The first is that there is a relatively stable order being maintained given that it is a nation which has emerged from civil war. Support for the creation and maintenance of democratic order in a country following civil war is one of the most important issues in the post-cold war “new era of regional conflict”, and the case of Mozambique could provide clues on how to support the peace building and maintenance of peace, and the prevention of conflict in other African nations which are in the midst of civil war involving tribal disputes or power struggles, or in which such conflict could occur.

Secondly, in the African continent with many land-locked nations, the development of coastal countries as corridors is vital not only for the development of the coastal countries themselves, but for the growth of neighboring countries and the region as a whole. In Mozambique, the Maputo corridor, the Beira corridor and the Nacala corridor perform this kind of function. The corridor nation of Mozambique is a classic example of the development of one nation being meaningless unless it happens in tandem with the development of the sub-region in which that nation lies. Aid strategies of the international community and donor nations in respect of developing countries do have an aspect which necessitates their being formed with a view beyond the single nation in question to encompass the sub-region, and in the case of the southern African area, this applies nowhere more than Mozambique.

2. Politics and Administration

- Present Situation of Democratization

Mozambique is one of the most successful African nations that were democratized in the 1990s. Even the 1994 elections, implemented during the process of stabilizing the country after the civil war during the 1980s, resulted in no major upheaval under the watchful eye of the international community and through disarmament efforts.

However, there is no denying that the form in which the constitution is adopted may affect the political flow. Although the political situation is generally stable, this process needs to be closely observed for the time being.

- Corruption and Crime

It has been pointed out that amid the deregulation which accompanies liberalization, corruption has escalated at an incredible pace. Another problem is the smuggling of small firearms and drugs. The government in recent years tends to take rigorous stance against corruption, supporting, for example, the imposition of a strict penalty even on a senior official. While this is an important signal of the government’s efforts, this example is still an exception rather than the rule, and it cannot be said that a politically-led (whether by the ruling party or the opposition) rigorous approach to corruption has been clearly demonstrated.

- Current Situation Regarding Administrative and Financial Reform

One of the pillars of reform in Mozambique is decentralization of power. The municipal elections in 1998 failed to produce a satisfactory result though this election was highly significant in the scope of future decentralization in Mozambique. Problems associated with this endeavor that have been raised to this point include lack of human resources in regions and the low standard of administrative ability, but the matter of financing the development of autonomous centers in rural areas must also be considered as part of the medium- to long-term framework of future economic development in Mozambique.

- Relations with Neighboring Countries: Mozambique as a Part of Southern Africa

Mozambique in recent years has been strengthening the ties with South Africa from an economic perspective. In light of the

massive projects of the Maputo Corridor Development Project and the Cabora Bassa dam, which is a source of electric power for South Africa, Mozambique will continue to maintain friendly relations with South Africa in the future. From the South African standpoint as well, the economic and political stability of Mozambique is of major concern, considering that an influx of illegal refugees from Mozambique could directly reflect itself in domestic issues for South Africa. Mozambique has increasingly close relations with South Africa not only in the economic field but also in other aspects such as politics and military.

Furthermore, Mozambique's approach in highlighting its alignment with South Africa is illustrated in the arena of politics and security with its support of Pretoria's clearly stated stance of non-intervention in the civil war that erupted in the Democratic Republic of Congo in August 1998. This pro-South Africa position, however, has created tension with Zimbabwe and Angola, which were actively involved in the civil war, and ultimately resulted in internal within the Southern Africa Development Community (SADC) .

- Relations with Japan

In recognition of the importance of Mozambique in the peace and development of Southern Africa, Japanese government positions Mozambique as a priority nation. Under present circumstances, Mozambique can be credited with having a high level of political stability in comparison with other nations in the southern African region, such as Zimbabwe and Zambia. Consequently, Japan may develop assistance in the form of creating distribution networks to contribute to Mozambique's development focusing on the key industry of agriculture in the middle and long term.

Japan can also look to open up areas in which it can contribute to the development and sustainable use of marine resources, particularly prawns, which are currently the primary foreign currency earner for Mozambique.

3. Economic Circumstances in Mozambique

- Economic Circumstances in Mozambique

Mozambique gained independence from Portugal in June 1975 after a prolonged armed struggle. Civil war with the anti-government Mozambique National Resistance(Renamo)erupted immediately after independence, but a peace accord was signed in October 1992. This formed the basis for disarmament through the United Nations, the formation of a new national defense force, the return of refugees, the return of former soldiers to society and preparations for an election. Presidential and parliamentary elections were held one year behind schedule in October 1994. President Chissano was re-elected and the Mozambique Liberation Front(Frelimo)emerged victorious in the parliamentary elections, but against the strong demands of the international community for a united government to achieve national harmony, Frelimo launched a single-party government.

- Domestic Economic Situation

Mozambique, which has progressed with a policy of the Structural Adjustment under the guidance of the IMF and the World Bank, has registered a high rate of real economic growth rate since 1994(but excluding 1995), reaching a level of 10% per annum or more since. There has also been a significant fall in the inflation rate since 1996, and gross domestic product has been increasing steadily. Despite this, however, the per capita national income remains at a low \$130 (in 1998) , and the UNDP Human Development Report ranks Mozambique 166th among 174 nations of the world in terms of the Human Development Index.

Looking at the contribution ratio by industry to the GDP in 1998, agriculture contributed the largest proportion at 28.3%, followed by commerce at 20.2%, transport and communications at 11.5% and manufacturing at 10.0%.

Although the vast majority of the manufacturing industry became state-owned under the post-independence socialist regime, the government has been pushing ahead with privatization as a part of the Structural Adjustment policies, and with a rapid increase in foreign investment, most of the government's privatization program has been completed.

- Economic Policy

The second 5-year plan (2000 – 2004) starts to be implemented in 2000. As in the first five-year development plan, economic policies will be continued according to the current free economy promotion plan.

The eradication of poverty has long been a pressing issue, and rural development is therefore the top concern for economic development in Mozambique. What is more, not only did the civil war which followed independence impoverish rural villages, but

an estimated one million landmines laid during that war remain even after the conclusion of a peace treaty, making rural development even more difficult. Moreover, almost all primary and secondary schools and medical facilities in rural areas, which were the main attack targets by Renamo, were destroyed during the civil war, and their restoration is advancing at a very slow pace.

- Privatization

The privatization of Mozambique's national companies began in 1989. Some 840 of the 1248 companies were privatized during the period from 1989 to the end of 1997. This consists of 434 industrial companies, 162 agricultural and fishing companies, 136 construction companies, 64 transport and communications companies, and 44 others, leaving 408 companies (the majority of which are small-medium industries) .

With the cooperation of the World Bank, the Mozambican government conducted a provisional survey on the results of privatization in 1996. In terms of the effect on the economy, a positive assessment was made in that: (1) there was a general rise in turnover and production;(2)although employment was unchanged, wages had either risen or were stable; and(3)the collection of corporate taxes for national revenue had risen. Evaluation of the effects on employment showed that employment rate had fallen away slightly, and post-privatization companies were employing young, qualified workers.

- External Economic Relations

Trade figures show that every year Mozambique imports much more than it exports. This is due to the relaxation or removal of various regulations in line with economic liberalization, and also to the fact that the Mozambican economy exhibits the typical economic pattern of a developing nation in that exports still consist of primary products while imports are relied upon for intermediate and capital goods.

Under the post-independence socialist line, Eastern-bloc nations were major trading partners for both exports and imports. Since the collapse of socialism in the former Soviet Union and Eastern Europe at the end of the 1980s, however, ties with the West have been strengthened.

According to the "Trade Policy and Strategies" produced by the Ministry of Industry, Commerce and Tourism in April 1999, the government is currently focusing efforts on the following areas: (1) expansion of exports and the diversification of export items to improve the trade balance; (2) market expansion through improved quality and pricing; and (3) expansion of exports through domestic processing of raw materials.

- Foreign Investment

Between 1985 and 1999, more than 670 approvals were made for foreign direct investment, with the monetary value of foreign direct investment already in excess of \$1 billion, a figure which has leaped since 1997 in particular. South Africa is the greatest source of this investment, followed by Portugal and UK.

Investments in 1998 by industry reveal the most in manufacturing, followed agriculture/agricultural produce processing, finance/insurance, tourism/hotels, and transport/communications.

Large-scale investment-supported projects are currently under way such as Maputo Development Corridor Projects, Beira Development Corridor Plan, and Nacala Development Corridor Plan.

- Debt Burdens and a Heavily Indebted Poor Country

The IMF and World Bank have implemented the Structural Adjustment Programs following the 1987 commencement of economic liberalization, but both bilateral and multilateral aid is on the decline after peaking with the 1992 peace treaty and the October 1994 elections. Nonetheless, Mozambique's external debt has been on the rise since 1994, with the debt-service ratio exceeding 33% in 1998.

Measures to reduce the bilateral debt of heavily indebted countries were produced at Summit meetings, and in October 1996, the Initiative for Heavily Indebted Poor Countries (HIPC) emerged as a comprehensive debt relief measure. Mozambique was recognized as an HIPC in April 1998, and in June 1999 it was approved to reach the completion point. Some \$3.7 billion of debt was erased, and the repayment of principle plus interest was able to be kept down to an annual average of \$73 million for the period 1999 - 2005 as a result. Excess funds arising from debt relief measures were required to be priority allocated to such areas as the eradication of poverty and education, health and medical care.

- Relations with Neighboring Nations

Mozambique was previously a member of two regional organizations in the southern part of Africa; namely the Southern Africa Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA), but withdrew from the latter in 1997. In SADC, Mozambique is in charge of departments dealing with transportation, communications and meteorology, and culture, information and sport, and through these bodies, it is contributing to the development of the region as a whole.

Through the development corridor plans, Mozambique has fortified its links with coastal countries (and also with inland countries linked by rail). It has strengthened ties with the Republic of South Africa and Swaziland through the Maputo Development Corridor plan, with Zimbabwe and Zambia via the Beira Development Corridor plan, and with Malawi and Tanzania through the Nacala Development Corridor plan. Trade with Malawi in particular is on the increase, leading to the signing in September 1999 of an agreement allowing the mutual use of the other nation's currency. Negotiations are underway with South Africa, Zimbabwe and Tanzania for the same agreement, but difficulties are foreseen.

4. Social Development

- Importance of Social Development and Poverty Reduction Policies

Mozambique's income level is among the lowest in the world, while its human development index (HDI) is the lowest in southern Africa, and classifies it as a "Low human development" nation. Further, there exists a massive socioeconomic infrastructure gap between the wealthier southern regions on the one hand and the poorer central and northern regions on the other.

The government's plan (1995–99) announced in April 1995 focused on social development with a view to maintaining peace, stability, national unity, and alleviating poverty. Within this, the plan gave highest priority to education, health and sanitation, and employment. The 2000–2004 program announced by the new administration in February 2000 also gives social development the highest priority, so in this sense, it continues on from the previous program.

In 1995 the Poverty Alleviation Unit in the Ministry of Planning and Finance prepared "the Strategy for Poverty Reduction in Mozambique". The strategy is based on three objectives: improving living conditions in the rural areas, investing in human capital, and building a disaster safety net. the government

"The Action Plan for the Reduction of Absolute Poverty 2000–2004" announced in December 1999 contains national and sectoral objectives aimed at reducing poverty from a mid- to long-term perspective, and complements current socioeconomic plans and other policy documents. It also sets out a range of comprehensive and integrated poverty reduction initiatives. The Mozambican government is currently preparing "Interim Poverty Reduction Strategy Paper", aiming to be approved as a member of the enlarged group of HIPCs.

- Poverty and Countermeasures in Mozambique

The poverty rate in Mozambique is about 62% in urban areas compared to about 71% in rural areas, indicating the seriousness of the rural poverty problem, though values of different poverty indexes vary largely among different regions. Mozambique is one of the world's poorest nations, but the current steady transition to a free economy is further widening the gap between the haves and have-nots. The most disadvantaged among Mozambique's poor are the socially vulnerable, including women, children, the elderly, returning refugees, demobilized soldiers, physically disabled people including victims of landmines, and workers forced to return because of South African mine closures.

If assistance for poverty reduction is planned in future, Japan must look at effective forms of aid that correspond to the state and degree of poverty in the target area. Consideration must be given to the actual circumstance, and from this, aid may have to be directed not just to the poor provinces, but also to poor districts in the wealthier provinces.

It is expected that investment will be concentrated in the relatively developed southern provinces until Mozambique builds up its economic capacity. At the same time, though, Japan must also focus on the poor in the southern provinces within a broader framework of more humanitarian development, and provide assistance to help alleviate their plight. A potentially efficient method of selecting target areas for aid is to narrow down potential areas using provincial and district socioeconomic indicators. For this I would propose in the long term comprehensive development projects aimed at the systematic and continuous alleviation of poverty through activity centers set up as for cooperation in central and northern provinces, such as Zambezia, where the population is

concentrated and poverty is most serious.

- **Water Supply and Environmental Sanitation**

Along with schools and health facilities, wells and community water taps were the favored sites for planting landmines and attack by anti-government guerillas during the civil war. This continues to pose a significant obstacle in the daily lives of people even now after the transition from emergency restoration to long-term development. Although the damage caused by landmines has declined in terms of the number of incidents, large tracts of land still remain littered with these devices, creating the necessity for sweeps and disposal when repairing or reconstructing water supply facilities. This situation has characterized Mozambique as a nation with an extremely poor rate of water provision and appalling services. No more than 30% of the entire population enjoys a safe, uninterrupted supply of water, putting the country in the category of having one of the worst levels of health and sanitation in the world. The disparity in levels of access to water between metropolitan and rural areas is also large.

With innumerable people including returning internal and external refugees flooding into metropolitan areas looking for better opportunities after the civil war, existing water supply and sanitation facilities, in a decrepit state due to the war, have been struggling to supply services to meet increasing demand. This, in turn, has caused serious problems to the health and environment of residents. In particular, while diarrhea-related conditions are prevalent across the country, the risk of cholera and dysentery has increased in urban centers .

Sanitation problems are still significant in Mozambique, and any assistance project should include technical cooperation. It will be effective to incorporate a sanitation component in any training and survey in facilities maintenance and management by local residents.

And there are expectations that Japan will provide long-term assistance in this area. The most effective form of assistance is considered to be, including the concurrent dispatch of water supply experts and acceptance of trainees from Mozambique. When proceeding with these projects, Japan must provide and incorporate a sanitation component in project surveys. Japan should also refer to the achievements of other donors, while keeping an eye on what is happening regarding SIPs.

- **Landmines**

It is said that when the peace treaty was signed in 1992 there were 2–3 million landmines in Mozambique. When the survey for the demining and landmine victims support formulation study was carried out in July 1999, results showed that there were about 500,000 landmines remaining and suggested that since landmines would cease to be an emergency issue in 5–7 years, demining could be scaled down. As the number of landmines decrease, so too does the number of landmine incidents. In the future, the landmine focus will be shifting from emergency demining to long-term and continuous landmine clearance, development after clearance, and assistance for and rehabilitation of landmine victims.

Japan has provided funds for the United Nations Accelerated Demining Programme(ADP) and should continue to do so taking into account the National Institute of Demining(IND)'s demining strategy. For landmine victims, support of NGOs through grass-roots grant aid will be effective.

- **Actors to Rectify Social Disparities**

The traditional mutual help system that serves as an informal safety net in Mozambique covers labor exchanges, exchanging labor for food or money, and loans of money. A higher percentage of women take part in mutual support activities than men. In the case of emergency disaster, supports are often provided by NGOs, religious organizations and relatives.

The only social welfare service is provided by the Office for Assistance to the Vulnerable Population(GAPVU), set up within the Ministry of Women's and Social Affairs, which has been providing relief assistance for the urban poor. The subsidiary program is currently being reviewed. The National Institute of Disaster Management (INGC) , which is under the Ministry of Foreign Affairs and Cooperation, has the role of coordinating the government's emergency disaster support.

About 600 local NGOs and 250 international NGOs are said to be operating in Mozambique. Many international NGOs arrived in Mozambique during the emergency aid phase at the end of the civil war, and pulled out once the emergency phase had come to an end. Most local NGOs were formed during the emergency aid and reconstruction support period after the civil war, and have now adapted themselves to function in the current mid- to long-term development stage. Current realities in Mozambique are that there are limits to the nation's services delivery capabilities, and the government is expected to follow the policy line of

supplementing services with NGOs' activities. Japan should also give positive thought to cooperation with NGOs.

5. Rural Development and Environment

- Present State of Agricultural Production

The civil war which erupted after independence of Mozambique proved to be a destructive blow for domestic agricultural production, which fell by more than 30% during the mid-80s.

The major causes of insufficient food supplies have been the exodus of farmers and the devastation of agricultural and forestry areas. A large proportion of the refugees, which were estimated to number 1.7 million at their peak, were farmers, signifying a major loss of farm labor and the ruin of agricultural and forestry land. In addition to this, the landmines that were planted in such areas still obstruct the expansion of farming areas even now, and are one factor restricting the furtherance of agricultural production and rural areas. However, an astounding level of production recovery in terms of export crops and food crops has been achieved after the establishment of a comprehensive peace treaty in 1992 and the democratization in 1994.

- Forestry and Fisheries

The forestry and fisheries industries of Mozambique have considerable potential. Even so, the export of lumber has increased at a rapid pace since the end of the civil war, and private sector based forest development has become active, creating apprehensions.

Turning now to Mozambique's fishing industry, we see that it accounts for a significant proportion of the national economy. In fact, Mozambique relies quite heavily on marine products for foreign earnings. Since coastal marine industries will be expected to contribute to regional economic promotion, the sustainability of those resource bases is vital. Efforts should be made to encourage the overlapping of agriculture and fishing aimed at the effective distribution of labor and stability in everyday living, and promote the regeneration of marine resources.

- Trends in Agricultural Policy

Following independence, Mozambique aimed for Soviet-style agricultural development with large-scale state-run farms and communal farming by small-scale farmers. This attempt, however, diminished small-scale farmers' desire to produce, and invited inefficiency in public distribution companies. After this, a structural coordination program was introduced, adding impetus to the liberalization of the domestic market and foreign trade. State-run farms and national enterprises then proceeded to be privatized.

The current agricultural policy follows a path of greater liberalization and emphasis on the private sector. This national strategy for agricultural development propounds the National Agricultural Development Program (PROAGRI) .

PROAGRI is structured such that the Mozambican government's wishes have been respected as evidenced by donor cooperation, including the common basket of aid funding, and that it will contribute to the strengthening of the ownership of the program by the government. Study on the trends under PROAGRI will be essential in considering Mozambique's agriculture and support for it.

- Environment Policy in Agriculture and Rural Areas

Some 11.5% of Mozambique's land area is designated as national parks, wildlife reserves and protected forest, so natural resources are generally being conserved in a rational manner. However, Mozambique also faces problems due to deforestation that is occurring at an astonishing rate near urban centers as a result of population increases in cities.

It can be concluded that environmental issues in Mozambique converge on ensuring the perpetuity of natural resources, agricultural and forestry lands, fishing grounds and the like. The Ministry for Coordination of Environmental Affairs (MICOA) was established in 1994, but staff and funding are limited, highlighting the importance of assistance in strengthening MICOA capacity.

- Empowerment of Women in Rural Areas

Illiteracy among women in Mozambique is 77% (against 42% for men) , and only 54% of girls receive a primary education (75% for boys) . A larger proportion of girls than boys are malnourished, and the rate of maternal mortality is one of the highest in the world. This reflects the fact that women undertake a considerable proportion of agricultural activities in rural areas, but also

that the establishment of social rights for women is not being addressed. This means that the empowerment of women in rural areas in particular is essential to the development and stabilization of rural villages in Mozambique.

- Directions of Aid and Issues

Assistance to agriculture in Mozambique should focus on the following six points.

- (1) Erasing the meagerness of food production
- (2) Consolidated implementation of aid for increased food production, micro-credit schemes and empowerment of women
- (3) Development of small-scale food distribution precincts
- (4) Agricultural produce processing for regional markets and developing niche products
- (5) Rectifying regional imbalance
- (6) Support of development studies and planning by residents

6. Urban Issues in Mozambique

- Urbanization

A survey conducted in 1997 showed that the urbanization rate was 128%, indicating a rapid increase in recent years. The government's housing policy focuses basically on phased and sustainable expansion of residential areas, setting up of special urban development districts to alleviate urban congestion, and promotion of residential area development on a reasonable scale. The Mozambican government is providing detached housing owned by the householders, and promoting residential policies aimed to spatially expand the urban area. The government has adopted a home loan policy restricted to those people with the ability to service debt.

Despite the 1991 liberalization of land ownership, the free trading of land is still extremely limited, operating under an authorization system. It's because current government has made efforts to prevent the degradation of the living environment and spread of illegal residents, the illegal property markets, and the uncontrolled sprawl of the urban space.

- Urban Transportation and Housing

Because cooperative housing has not been provided for low-income earners in city centers in recent years, residential areas are expanding to the suburbs and beyond unchecked, increasing the number of long-distance commuters. Due to the limited ability of these long-distance commuters to pay transport costs, however, public bus companies and min-bus taxi owners are unable to set fares commensurate with operating costs. This has created a scenario in which such commuter bus companies have developed a chronic dependence on government subsidies.

The problem with the weakening of the management base for public transport systems would be difficult to solve unless a system in which employers bear transportation costs is established or cooperative housing in urban centers progresses. If suburban bus companies are to be maintained, whether by the public or private sector, it will be necessary to set fares in accordance with maintenance costs and improve services to passengers who are able to pay those fares.

- The Concentration of Development in Urban Centers and Correcting Regional Disparity

With the three development corridor projects, Maputo, Beira and Nacala, currently in progress, some fear that even greater clarification of the regional economic structure of the areas included in the development corridor plans and those not included might expand the current regional disparities. In the short-term, however, attracting investment in production equipment to strengthen specific bases will be inevitable until urban productivity attain certain amenity.

Current corporate investment activities in Southern Africa need to be perceived as crustal movements in economic changes to create a more rational production distribution out of the present situation of former frontline countries. Such activities would change the former skewed traffic networks and industrial production distribution made by South Africa.

Trends in the location of enterprises and distribution systems are important in ascertaining regional economic trends. In the case of Mozambique, the southern region is clearly favored as a location, as it is for modernization of distribution systems. Although, in the long-term, development of north-south transportation and telecommunications networks will lead to the development of the domestic distribution format, the need at this point for the promotion of north-south distribution seems to be very limited, so it

does not need to be actively addressed.

- Directions of Aid and Issues

Because urban issues in Mozambique are only just starting to be addressed, and given the limited aid from other donors, this is an area in which Japan could be appealed to for assistance. With the privatization of solid-waste collection underway, it will take some time to see its progress. As far as urban transport is concerned, maintenance of a light track railway facility is financially unfeasible. It would be more realistic to modernize the mini-bus and bus network, while a more urgent matter is the widening of trunk roads which would link up with low-cost residential areas. It would be difficult for the existing Mortgage Scheme to cover low-cost housing. Also zoning in an area of a radius of 50 km from the city center with a vision of the sanitation environment and future transport systems is urgently needed. And the legalization of free construction should also be tackled.

7. Health Care

- Health Sector Policy and Strategy

One unprecedented element is the initiative which has been implemented by the Mozambican health sector to establish a coordinated management system for sector funds known as the Sector Wide Approach process (SWAp). Liaison between aid agencies and aid coordination is making progress, along with a framework for this, and aid funding covers not just the capital goods proportion of the Mozambican health sector, but also the majority of the current budget. In the meantime, aid coordination is making progress, the debt management system is at least starting to take some form, and with the administrative system gradually coming together, coordinated management and functions are being systematically developed for aid funds. Regular fine adjustments are also made to the framework at the same time, indicating the efforts being made to maintain a consensus, which is no easy task.

- Limitations of Project-type Approaches and Aid Coordination

There is a gradually broadening recognition of the assessment that project-type assistance has contributed little to the formation of health systems with independent developmental capability in many developing nations such as sub-Saharan nations. Summarized below are the general problems with the projectisation of the health sector.

- (1) Over-emphasis on projects has eroded the enthusiasm towards comprehensive, uniform health sector policy formulation.
- (2) The multitude of management regulations set up for different projects acts as a trigger of fragmentation and weakening of management system in the Ministry of Health and related organizations, with no strengthening, but rather a weakening of institutional capacity.
- (3) This kind of fragmentation of the health resources management system is hindering the development and fortification of health sector systems which form the basis of development with long-term coordination and systematic capacity.

The weakness in consistent sector policy and in implementing it in host countries is also a factor which has allowed disconnected projects to easily dominate the health sector.

- Basic Framework of SWAp

The first prerequisite for SWAp is a framework for sound macro-economic management and comprehensive financial expenditure. By incorporating all factors into the program, such as sector policy and strategy, available human resources and financial expenditure plans, and the establishment of a management system for the aid-recipient and the donors, agreement can be made on joint management and system reform, and capacity building promoted. Given these characteristics, SWAp is a system that will progress gradually. It is hoped that both the host country and donors will be patient in developing further confidence in, and contributing to, this framework of coordination.

Another indispensable element of SWAp is increasing the ownership by the government of the recipient country. While control of the sector by the host government should be boosted, incentives for this are frequently unclear. The recipient country's ability to progress the sector should be enhanced to ensure successful system reform.

The following will probably be the Japanese government's views in response to SWAp. In terms of the means to realize the process in aid coordination and sector programs while sharing objectives, the same means and form of aid as other donors need not

necessarily be relied on as far as maintaining coordination between the development policy of the recipient country and the aid activities of other donors. Japan's response should be based on appropriate assertion of Japan's characteristic and comparative advantages.

8. Education and Human Resources Development

- An Overview of Education

The constitution of the Republic of Mozambique upholds education as a basic right and obligation of all the people of the nation. Until the conclusion of the civil war in 1992, however, it was difficult to provide the opportunity for education, with only around 40% of schools actually functioning at this time. In the 5-year plan released in 1995, the dissemination of education is cited as a priority issue, and the following objectives are set up: 1) Eradicate illiteracy in order to provide the population as a whole with access to scientific knowledge and to develop their overall capacities; 2) Guarantee basic education for all citizens in accordance with the development of the country by gradually introducing compulsory education; 3) Guarantee that all Mozambicans have access to professional training.

- Primary and Secondary Education

The 1980s was a time in many African countries when the expansion of primary education stagnated. In Mozambique, the civil war impacted heavily to produce a particularly rapid fall in school attendance ratios. More than half of the schools in rural areas were destroyed during this war, leaving a chronic shortage of classrooms. Almost all primary and secondary schools conduct lessons in double shifts, and schools implementing triple shifts are not uncommon. In spite of this, however, the large number of children who enter school at an age higher than the usual starting age means that the real attendance rate (approx. 40%) is much lower than the gross enrollment rate (60–70%) . There are a mountain of issues which need to be addressed, not just in terms of quantitative expansion, as evidenced by overcrowded classrooms and insufficient class hours in urban centers, but also in terms of the quality of the education.

As far as access to primary education is concerned, there has, in fact, been quite an improvement since the conclusion of the civil war. The number of classrooms in primary schools increased by more than 60% between 1992 and 1998 (particularly in rural areas) to exceed pre-war levels. There are concerns, however, that the quality of education is not keeping pace with the rapid quantitative expansion, because of the high drop-out rate.

- Higher Education

Because limited educational resources are distributed to primary schools on a priority basis, the higher education sub-sector in Mozambique is currently in the midst of reform, as is the case in other African nations. The government's basic policy for improving the quality of education is to raise its economic efficiency, with a plan for the independent securing of income and collection of appropriate fees, rather than relying on public funds, and further plans to develop a legal structure for the establishment of private universities.

While Mozambique has higher education institutions including the Eduardo Mondlane University and Pedagogical University, because only 20–30% of those entering are able to graduate it seems that the internal efficiency is rather low. In two years from 1993, the overall number of students increased by around 30%. With some 29% of the education budget (1993) being earmarked for higher education, radical reform of this area will be essential for the dissemination of basic education.

- Technical and Vocational Education

A priority in the development strategy for technical and vocational education is the re-opening of Arts and Crafts and Basic Agriculture Schools. It is thought that these kinds of schools will play an important role in rural areas in the recovery of production and in the resettlement of residents. This area shares many aspects with primary and secondary education in terms of policy, such as improved access which takes into consideration the situation of girls, and qualitative educational improvements in curriculum and facilities. There is a difference in that activities for school production and to earn an income are encouraged to boost finances. In view of the considerable investment required in technical and vocational education, diversification of income through such means as contributions from employers and the collection of fees are required.

- Vocational Training

Vocational training under the control of the Ministry of Labor is given priority in policy in which self-employment is envisaged as an employment measure for returning refugees and former soldiers. It would appear, however, that the National Institute for the Promotion of Employment and Professional Training (INEFP) , the authority in charge of vocational training, does not have the capacity to implement the various policies.

- Non-formal and Adult Education

The Mozambican government is well aware of the importance of support in the area of education for returning soldiers following the civil war. While it appears that some literacy education campaigns are being conducted, it would be appropriate to combine literacy with vocational training to gain skills that will lead to employment opportunities and self-employment. Also important is the establishment of a follow-up system to assist in starting businesses and creating employment. The adult illiteracy rate is 42.3% for male and 76.7% for female, indicating a considerable gap(1995 estimates), the emphasis will need to be placed particularly on females in the formulation of plans.

The fact that adult education receives a tiny budgetary allocation, despite its high priority in policy, heightens the importance of organizing existing resources to ensure their most effective use. Existing public primary and secondary schools, for example, are also being used for night classes, mainly in Maputo City, giving literacy education a more “formal” format.

- Aid Issues

From the above discussions, assistance should be conducted with emphasis on: (1) Quantitative Expansion and Qualitative Improvement of Primary Education;(2)Rectifying Regional and Gender Disparities;(3)Implementation of Vocational Education and Training in Line with Industry Demands; and (4) Absolute Insufficiency of the Education Budget.

- Active Involvement in Education Sector Programs

Mozambique is planning to start education sector programs (ESSP) in 1999, but there are more than a few problems in the education sector programs, and both the government and the aid agencies will have to make further efforts in order to achieve the desired results.

In light of the fact that Mozambique relies on external aid for 70% of its education budget, the introduction of this type of program in coordination with aid agencies is unavoidable in efficiently developing education, enhancing the participation by the recipient nation’s government. Japan’s active involvement in this program will be of the utmost importance in identifying areas in which to provide assistance in the field of education.

9. Infrastructure and Energy

- Overview of Transport Infrastructure

In the colonial era, the transport infrastructure in Mozambique was focused on routes to link inland countries in southern Africa with the Indian Ocean coast, thus internal links such as north-south transport routes remained undeveloped. The majority of external aid during the civil war was concentrated in the Beira and Nacala rail routes in order to support the landlocked countries of Zimbabwe and Malawi. This resulted in the further dilapidation of internal transport routes, which had a massive impact on agricultural production.

The corridor development in the transport sector would result in increased income of foreign capital. While there are three corridor development plans – for Maputo, Beira and Nacala – the speediest progress is seen in the Maputo corridor. As such, development in the Beira and Nacala corridors is expected to go ahead depending on the success or otherwise of development in the Maputo corridor.

- Overview of Energy, Water and Communications Infrastructure

Despite a rich abundance of energy resources such as coal, hydroelectric power and natural gas, even domestic demand is not being met. Only 6% of the entire population enjoy access to electricity partly because of the extremely small scale of electricity systems. Another reason for this is that the public electricity board has its hands full with post-civil war restoration, leaving it

without the capacity to address the expansion of power transmission systems.

A common problem throughout the energy sector is that the organizational systems and charges structure do not reflect the current circumstances. Charges, in particular, have not been reviewed in line with inflation, leaving them well below the cost of supply, excluding biomass, whose charges fluctuate in line with supply and demand.

From a geographical perspective, Mozambique is located downstream from international rivers whose sources lie in other nations, so in the majority of cases, Mozambique's water supply cannot be secured without maintaining relations with neighboring countries. Estimates state that only round 60% of demand can be met with domestic water resources, and securing a stable water supply system will be essential for Mozambique's future development as an industrialized nation. Furthermore, domestic water supply service levels are miserable in both terms of quantity and quality, with only 30% of the population having access to safe water.

- Points for Assistance

Assistance required to eradicate poverty is the stable provision of drinking water and energy. Although needs are greater in rural areas, assistance to urban residents is just as vital. Given Mozambique's potential for industrialization, there will be a need for enormous numbers of workers, so the necessary urban infrastructure will need to be developed in line with the progress of industrialization. In rural areas, development of renewable energy resources as alternatives to biomass would ideally be conducted in conjunction with planned management of forests and water resources.

Domestic network of transport, communications and power grids need to be developed as part of assistance for restoration. Given the broad-scale destruction of domestic infrastructure, it is necessary to inject massive funds and to consider the effective use of those funds. Required in the roads sector is the development of roads and bridges which link trunk roads, railways and port hubs with up land areas. While the entire domestic demand can theoretically be met by Cabora Bassa, it is owned by South Africa and it is not practical to meet demands through the importing of power. Neither will costs be covered by establishing transmission lines from Maputo over the long north-south disposition of the country. For this reason, it would be best to select the most appropriate methods and scales for power supply according to each region.

With its natural resources potential and its position as a strategic point for transportation between neighboring countries, it will be highly feasible to conduct infrastructure and industrial projects in Mozambique in particular. There is no need to implement all these projects with ODA funding; rather the inefficiency of public sector necessitates participation by the private sector with its strict and well defined business objectives.

A point of concern when restoring infrastructure is landmines. Estimated to number over one million at the time of the 1992 peace agreement, it is believed that the ensuing demining activities have been conducted to the extent that the clearing required for social infrastructure restoration has been completed. Although the landmines have been cleared, it has been pointed out that redevelopment plans themselves are not yet ready, leaving a strong possibility of providing technical cooperation in that area.

- Assistance Strategy

Organizational reform and human resources development are underway to improve infrastructure in Mozambique. Sustainable infrastructure improvement is one of the highest-priority issues in Mozambique. To be specific, experts in the operation and management of infrastructure need to be dispatched, and information needs to be collected in the field through dialog with the government and other donors. Projects should be formulated from the perspectives of the management and maintenance capacity of the primary implementer.

In developing infrastructure projects, clear delineation of role is possible between the government and the private sector. While ODA naturally provides support to the activities of the government, there are also steps the government should take in creating an investment environment for areas conducted by the private sector. From this viewpoint, assistance should be directed towards areas in which use of ODA is highly efficient, with due examination of concession conditions.

More than ever, determinations will need to be made in terms of the efficiency of investment when uncovering priority projects. Another role the government could perform is to monitor the various development projects and infrastructure projects. Possible cooperation areas include the establishment of a regulatory framework for the energy and transport infrastructure sector, and the development of competition and management methods.

Future potential for infrastructure development in Mozambique is unlimited, and the significant natural resources potential

opens up many opportunities for the private sector. As such, it is recommended that Japan provide assistance based on ascertaining the trends in the infrastructure sector, and conducting infrastructure development in tandem with the institutional assistance vital to the operation of infrastructure, such as restructuring organization and concession systems.

Part II. Trends in Japanese ODA to Date

Fully aware of just how important Mozambique's stability and growth is for peace and development of the Southern African region, Japan will continue its positive approach to assistance, keeping in view the reconstruction-development continuum.

Based on the Policy Dialogues over grant aid and technical cooperation which was held in April 1994, and considering the range of challenges faced by Mozambique in improving the food situation, resettling the waves of returning refugees, and reintegrating demobilized troops back into society, the Japanese government decided that ODA should focus on agriculture, the social sector (basic human needs – (BHN), and basic infrastructure), and human resources development. ODA priority is also given to the removal of anti-personnel mines laid during the civil war from the viewpoint that their removal is pivotal to the rehabilitation of Mozambique. Up until 1998 Japan had provided a total of ¥11.5 billion in non-project-type grant aid to assist Mozambique's efforts for Structural Adjustment.

In the cooperation provided to Mozambique so far, priority has been given to agriculture, social development (BHN, basic infrastructure), and human resources development.

Future assistance should take into account Mozambique's capacity to absorb aid, trends in private-sector investment, and rectification of regional disparity.

Part III. Recommendations for Future Japanese Assistance

1. Basic Perspectives on International Cooperation for Mozambique

- **The "World's Poorest Nation" and the Arduous Path to Post-war Restoration and Development**

With a per capita GNP of \$210 (1998; 199th out of 210 nations) and 60% of the total population (approximately 10 million people) living in absolute poverty, not only is Mozambique one of the poorest countries in the world, but it also endured a protracted civil war of nearly twenty years immediately following independence. The scars of the civil war remain vivid, presenting as a myriad of social problems including the securing of employment for the estimated 1.7–2 million returning refugees, former soldiers, jobless people resulting from personnel reductions in line with privatization, and expatriate workers flooding back into the country having lost work due to labor cuts in South African mines, as well as guaranteeing of a living for widows and war orphans, landmines, and the destruction of economic and social infrastructure including rural primary and secondary schools. Highest priority is given to the eradication of poverty in the second 5-year development plan (2000–2004) which is currently under way.

- **Abundant Development Potential and Foreign Investment- and Aid-driven High Economic Growth**

Mozambique is potentially a nation of abundance, favored with rich natural resources, fertile soil and a geographically advantageous position as a corridor nation, and there are minute signs that its potential is gradually starting to bloom following the conclusion of the civil war. Foreign investment climbed to an annual average of approximately \$800 million from 1996 – 1998, accounting for around one-third of the GDP (\$2.4 billion in 1997). Moreover, it is receiving foreign aid of between \$900 million and \$1.1 billion per annum.

Thus, the current high rate of economic growth has come to fruition through foreign investment and aid-driven endeavors. That is to say, in order for Mozambique to realize its ample potential and achieve economic growth, it is recognized that not only foreign investment, but also aid in the form of financing with a high degree of concessions and technical cooperation is of overwhelming importance, and that the time is not yet ripe for self-sustainable development.

- **Dealing with the Simultaneous Occurrence of the "Three Agonies"**

In dealing with the three agonies of (1) 10 million people in absolute poverty; (2) the aftermath of a protracted civil war, and;

(3) growing disparities and aberrations stemming from rapid social changes due to economic liberalization and high growth, the securing of social stability as a basis for people to enjoy life with peace of mind is an important factor in all. From this standpoint, it is vital to support the poorest and the most vulnerable in society. In other words, a basic approach to be considered is the priority input of aid resources into social groups or regions in which the above three issues are present, or are inter-related.

- **Poverty Eradication and Social Stability and ODA for Self-Sustainable Development**

Need for ODA is basically present in all areas in Mozambique provided the following conditions are met: reconciliation with development plans and other basic policy framework of the government; securing the ability to absorb aid and sustainability; the ability to input specific resources appropriate to the requirements; and ensuring no overlap with private sector economic activities and other aid activities.

As there is a limit to the aid resources that Japan has, however, it will be vital to have a strategy for prioritizing input in areas in which greater effectiveness expected. The study committee concluded that the following two concepts should form the axis of assistance to Mozambique: (1) ensuring the eradication of poverty and social stability; and (2) self-sustainable development.

2. Issues Regarding Assistance for Mozambique

- **Rectification of Regional Disparities and Stabilization of Society through Aid for the Poorest, Victims of Civil War and the Society's Most Vulnerable**

Given that some 60% of the population in Mozambique(around 10 million people)live below the absolute poverty line, almost all aid could be used in poverty measures without particular selection of the subject of the aid. When the degree of urgency of aid is considered, however, there are people even among this massive strata of the poverty- stricken who emerge as being the greatest priority. They are war widows and orphans (1.7–2 million people) , former soldiers without job prospects, victims of landmines and other people who have lost the basis of their lives due to the effects of the civil war. The enormous number of Mozambicans returning to the country after losing their jobs in South Africa also constitute a recent, major social issue, making assistance for these people also of importance from the perspective of measures against socially disruptive factors.

- **More Direct Aid for Regional Stabilization**

Demining in poor, rural areas in Mozambique and the provision of basic needs for refugees and soldiers returning to rural villages in particular are gravely insufficient, compounding the already dire state of poverty of the regions in question. And in more than a few cases, some of these people make their way to urban areas, where they contribute to the already excessive circulation of firearms, and also to the seeds of social instability.

In relation to landmines, estimates are that it will be another 5–7 years before the situation is no longer considered serious. So the need for continued, dogged demining work, and for support for post-demining rural development and rehabilitation of landmine victims remains high. In response, Japan should ideally form effective links with UNDP and other donors and NGOs to conduct direct aid for demining activities themselves, and also take a positive role in activities such as the support of capacity building on the Mozambican side in order for them to conduct initiatives including landmine mapping.

- **Human Resources Development and Institutional Building for Self-Reliant Development in the Mid- to Long-term**
– Development of personnel to act as facilitators for the needs of the poor in the policy process

From the viewpoint of human resources development towards self-sustainable, it is important that attention should also be directed towards middle managers who are at the center of regional administration or community planning and are executing a range of reforms, and who can act as liaison between the poor and the policy process. From this perspective, it can be argued that it would be worthwhile to support the mid- to long-term development of core personnel for promoting the independent development of regional governments and communities in all areas.

The important point is how to build into international aid efforts a mechanism to prompt future self-reliant development. While the most vital factors in this are the development of human resources and institution/capacity building, these cannot be achieved overnight. In this sense also, a start should be made at this point on creating a scenario regarding human resources development aimed at independence from a mid- to long-term view.

3. Practical Measures and Considerations

- Approach for the Effective Input of Aid Resources

1) Measures to Imbedding Aid

When the poorest and most disadvantaged people are to be the priority recipients of aid, generally unavoidable problems are securing absorptive capacity and aid sustainability. It must be kept in mind, however, that Mozambique is seeking aid which will take root – that is, aid that will lead to the self-reliant development of the poorest, rather than aid which is temporary, emergency measures.

Keys to conducting aid which will take root in Mozambique are as follows:

- Taking the long-term view
- Avoid premature narrowing down of entry points and intermediaries
- Begin with the creation of self-circulation mechanisms in a small area
- Gradually strengthen safety nets
- Efficiently nurture counterparts with a good understanding of Japan to create a multi-strata network

2) Rectification of Regional Disparities

There is wide-spread absolute poverty in most rural areas outside the capital district, which is flourishing due to the introduction of foreign investment, and all are in need of similar levels of aid. Sources say that the situation is dire in the central region where the ravages of war are striking, and the northern region which has a lack of social infrastructure considering the relatively high population density. In many instances, other aid agencies concentrate their efforts on certain areas according to the field of aid.

When determining recipient areas for specific aid at the aid program level, it is necessary to secure the ability to absorb aid and sustainability and make priority selections of areas in which there is a relatively high chance that effective aid can be conducted, in addition to considerations of aid needs as stated previously.

As a basic strategy, even if aid for the poor is continued in the relatively affluent southern provinces in light of aid implementation, the monitoring systems and the ability of the counterparts to absorb aid, work should now commence on creating bases to allow aid to be developed in the central region, such as Zambezia province, or the northern region where there is serious poverty and a large population.

- Promotion of Stabilization through the Deepening of Regional Interdependence

As is widely known, Mozambique has a highly advantageous geographical location which provides the most economical path to the sea for all the inland countries in Southern Africa, apart from Lesotho, and for the South African capital area. Well aware of this significance, Mozambique is ambitiously developing Major Corridor Development Plans shored up with aggressive investment of South African capital, starting with the Maputo Corridor Development. The progress of this Corridor Development Plans, and the promotion of their use by inland countries and South Africa will not only open up the prospect of economic revitalization centered on this one axis spearing through the entire Southern African region, the so-called “inland country = corridor country”, but also contribute to regional stability as a result of deeper ties of interdependence between the nations of the region.

When considering these Corridor Developments for the time being, the following responses would ideally be based on a cooperative and complementary relationship with private-sector economic activities and OOF, etc. (1) place importance on complementing private sector economic activities; and (2) prioritize consideration of soft forms of aid first.

- Aid Coordination

1) Active Participation in Sector-wide Approaches

a) Active Participation in Sector Meetings and Donor Meetings

In addition to the frequently held sector meetings for at least five fields (agriculture, transport (roads) , health, water and education) , there are also regular meetings of the heads of aid agencies in Mozambique. Ideally, actual practitioners of interna-

tional aid with the requisite knowledge should be more actively utilized in these meetings in the future to positively gather relevant information and provide information from the Japanese side.

From the perspective of placing importance on Japan's present personnel system and its efficient utilization, rather than attempt the same kind of planning participation in all sectors at such a time, a more realistic approach would be to apply selective modulation primarily in the areas of the following two categories when participating in planning: (1) Areas such as the social sector, including education and health care which will continue to be priority fields for Japanese ODA,(2)Sectors such as transportation and communications, which are directly related to the stable development of not just Mozambique but the south African region as a whole, and in relation to activities other than ODA, specifically private sector economic and investment activities.

b) Demonstrating Initiative in Japan's Priority Areas

The most vital point when demonstrating initiative in aid issues considered important by Japan is timely participation at the planning stage. It is highly desirable at this type of donors' planning and consideration stage for cooperation and assistance in particular that Japan actively participates to create a common awareness of the objectives of the aid. It is essential that strategic scheduling be undertaken to ensure opportunities are not missed which would allow constructive Japanese advice to be put forward during the planning process by positively taking part in sector and donor meetings and having foreseen the timing of basic framework compilation. It will be of particular importance to maintain close exchanges of information and opinions between the Mozambican government and donors regarding the areas on which Japan places importance.

c) Responses in Consideration of Sector Strategies

In seeking aid coordination, Japan should place importance on the visibility of Japanese aid achievements. As long as coordination is maintained with the development policies of the recipient nation and the aid activities of other donors, the same methods and aid formats as other donors need not necessarily be relied upon, even to realize common objectives, and as a basic approach Japan should exercise its individuality and relative advantage as necessary. It is necessary to examine specific means of achieving this with a view to ensuring activities are mutually complementary with those of other donors and respecting the ownership of the recipient country. At the same time, it is realistic for Japan to selectively participate in sectors that it considers to be a high priority.

2) Target-oriented South-South Cooperation

In the case of Mozambique, frequent debate has taken place to the effect that the possibility of cooperation with South Africa, with which it has the closest ties, and with Brazil, with whom it shares a common language, should be investigated. South-South cooperation must be investigated as "objective-led" South-South cooperation, and it should only ever be positioned as a means of achieving specific international aid objectives effectively and efficiently.

Cooperation between South Africa and Mozambique, two nations that are forging an extremely close relationship following the democratization of the former, has already seen lively activity in the Maputo Corridor Development and other bilateral and private sector based activities. Nonetheless, in order to further deepen ties between the two countries, there is room to actively investigate ODA cooperation based on coordinated and complementary relationships with aid on a private sector base or OOF, as long as there is room for Japanese involvement.

When implementing this aid, furthermore, it would be worth investigating the development of bilateral aid in a more dynamic multi-national relationship while making use of SADC or other regional aid frameworks as required, keeping in mind the promotion of regional stability through stronger ties of interdependence between countries within the region.

Abbreviations

| | |
|---------|---|
| AfDB | African Development Bank |
| AfDF | African Development Fund |
| AIDS | Acquired Immune Deficiency Syndrome |
| AIM | Mozambiquan Information Agency |
| AJAM | Associaçao dos Jovens Agricultores de Mocambique |
| AMRU | Mozambican Naional Association for Rural Women Development |
| APD | Alianca para a Democracia |
| BCM | Banco Comercial de Mozambique/ Commercial Bank of Mozambique |
| BHN | Basic Human Needs |
| BPD | Banco Popular de Desenvolvimento |
| CBM | Community-Based Management |
| CCM | Conselho Cristão de Moçambique/ Mozambique Christian Council |
| CFM | Companhia de Portos e Caminhos de Ferro de Mocambique |
| CIDA | Canadian International Development Agency |
| CIDC | Canadian International Demining Center |
| CND | Comissao Nacional de Desminagem/ National Demining Commission |
| CNE | Comissão Nacional de Eleições |
| COMESA | Common Market of Eastern and Southern Africa |
| CPI | Centro de Promocao Investments/ Investment Promotion Centre |
| DFID | Department for International Development |
| DNA | Dirreccao Nacional de Agua/ National Directorate of Water |
| DNEP | Direccao Nacional de Estradas e Pontes |
| EDM | Electricidade de Moçambique |
| EEC | European Economic Community |
| EP | Ensino Primario/ Primary Education |
| EPI | Expanded Programme to Immunization |
| EPAR | Estaleiros Provinciais de Agua Rural/ Provincial Rural Water Enterprises |
| ESAF | Enhanced Structural Adjutment Facility |
| ESG | Ensino Secundario/ General Secondary Education |
| ESSP | Education Sector Strategic Plan/ Plano Estrategico de Educacao |
| EU | European Union |
| FAO | Food and Agriculture Organization |
| FRELIMO | Frente de Librtaçao de Moçambique/ Mozambique Liberation Front |
| GAPVU | Gabinet de Apoio a Populacao Vulnerabel/ Office for Assistance to the Vulnerable Population |

| | |
|--------|---|
| GDP | Gross Domestic Product |
| GNP | Gross National Product |
| GTZ | Deutsche Gesellschaft für Technische Zusammenarbeit/ German Agency for Technical Cooperation |
| HDI | Human Development Index |
| HIPCs | Heavily Indebted Poor Countries |
| HIV | Human Immunodeficiency Virus |
| HSRP | Health Sector Recovery Program |
| IBRD | International Bank for Reconstruction and Development |
| IDA | International Development Association |
| IFAD | International Fund for Agricultural Development |
| ILO | International Labor Organization |
| IMF | International Monetary Fund |
| INAS | Instituto Nacional de Accao Social/ National Institute for Social Action |
| IND | Instituto Nacional de Desminagem/ National Institute of Demining |
| INDER | Instituto Nacional de Desenvolvimento Rural/ National Institute of Rural Development |
| INEFP | Instituto Nacional do Emprego e Formacao Profissional/ National Institute of Employment and Professional Train- ing |
| IUCN | International Union for the Conservation of Nature and Natural Resources |
| KfW | Kreditanstalt für Wiederaufbau |
| LAM | Linhas Aereas de Mocambique |
| MICOA | Ministry for Coordination of Environmental Affairs |
| MISAU | Ministry of Health/ Ministerio da Saude |
| Monamo | Movimento Nacionalista de Mocambique |
| NARC | Natural Research Coordination Council |
| NEMP | National Environmental Management Programme |
| NGO | Non-Governmental Organization |
| NORAD | Norwegian Agency for Development Cooperation |
| ODA | Official Development Assistance |
| OJM | Organização de Juventude de Moçambicana |
| OMM | Organização de Mulheres de Moçambicana |
| ONUMOZ | Oneração das Nações Unidas em Moçambique/United Nations Operations in Mozambique |
| OTM | Organização dos Trabalhadores Moçambicanos |
| PALMO | Liberal and Democratic Party(Partido de Internacional de Mocambique) |
| Panade | Parti do Panado (National Democrat) |
| PARPA | Action Plan for the Reduction of Absolute Poverty 2000- 2004 |
| PATA | Pooling Arrangements for Technical Assistance |
| PEC | Participacao e Educacao Comunitaria/ Community Educa- tion and Participation |

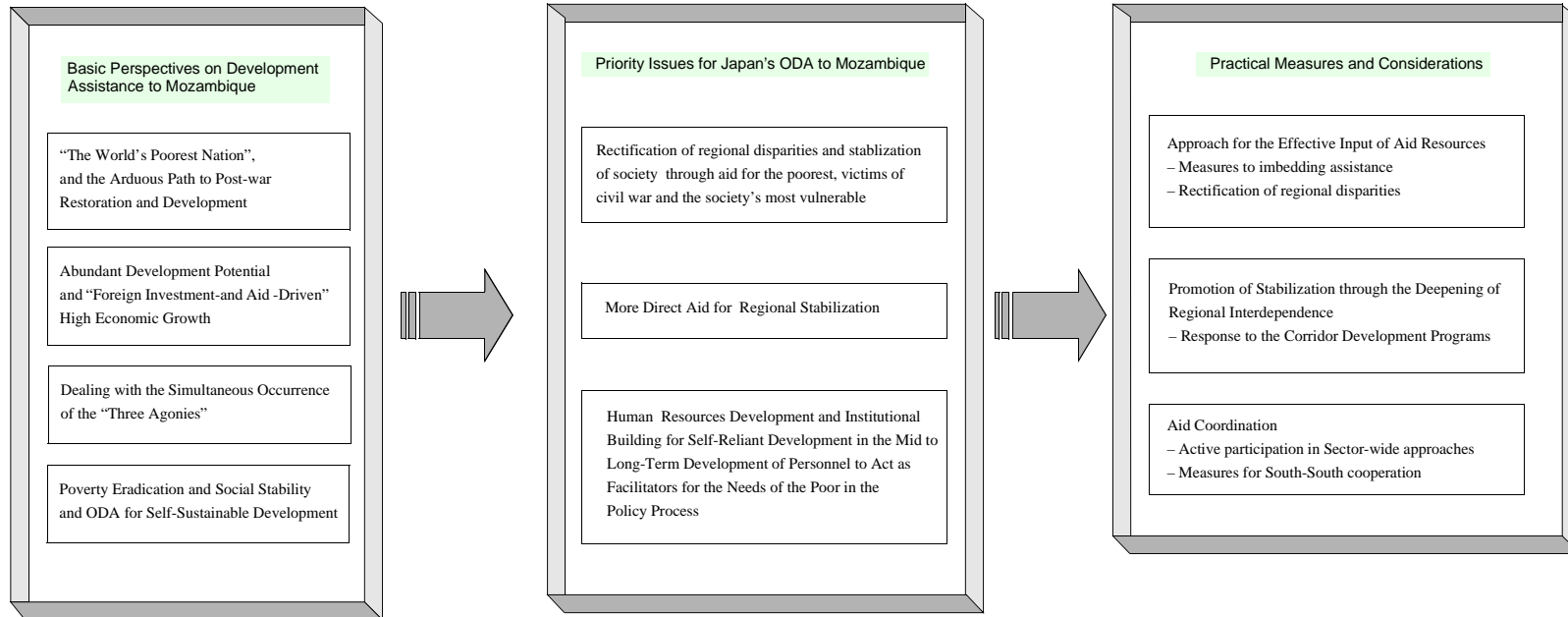
| | |
|---------|--|
| PHC | Primary Health Care |
| PIM | Mozambican Islamic Party |
| PNSBC | National Low Cost Sanitation Programme |
| PRE | Economic Recovery Program |
| PROAGRI | Programa Nacional Para o Desenvolvimento Agricola/ Agricultural Sector Investment Program |
| PROAP | National Program of Fishery |
| PRSP | Poverty Reduction Strategy Paper |
| RENAMO | Resistencia Nacional Mocambicana/ Mozambique National Resistance |
| ROCS | Roads and Coastal Shipping Project |
| SADC | Southern African Development Community |
| SADCC | Southern African Development Co-ordination Conference |
| SAF | Structural Adjustment Facility |
| SCC | Sector Coordination Committee |
| SDC | Swiss Agency for Development and Cooperation |
| SIP | Sector Investment Program |
| SNS | Servico Nacional de Saude |
| STAE | Secretariado Técnica de Administração de Eleitoral |
| STD | Sexually Transmitted Diseases |
| SWAp | Sector-wide Approach |
| TA | Technical Assistance |
| TDM | Telecomunicacoes de Mocambique |
| UDI | Unilateral Declaration of Independence |
| UNAC | National Union of Peasants |
| UNADP | United Nations Accelerated Deminig Programme |
| UNDAF | United Nations Development Assistance Framework |
| UNDP | United Nations Development Programme |
| UNE | Universidade Eduardo Mondlane/ Eduardo Mondlane University |
| UNESCO | "United Nations Educational, Scientific and Cultural Organization" |
| UNFPA | United Nations Fund for Population Activities |
| UNHCR | Office of the United Nations High Commissioner for Refugees |
| UNICEF | United Nations Children's Fund |
| UNIFEM | United Nations Development Fund for Women |
| UTRE | Unidade Tecnica para Reestruracaode Empresas/ Technical Unit for the Restructuring of Enterprises |
| VAT | Value-added Tax |
| WFP | World Food Programme |
| WHO | World Health Organization |
| WWF | Worldwide Fund for Nature |

< Currency > Currency = Metical (Metical: Mt) US\$1 = 16,579.00 Mt (as of Dec. 1, 2000.)

< List of Provinces >

| Region | Province |
|--------------------|--------------|
| Northern Region | Cabo Delgado |
| | Nampula |
| | Niassa |
| Middle Region | Manica |
| | Sofala |
| | Tete |
| | Zambezia |
| Southern Region | Gaza |
| | Imhambane |
| | Maputo |
| | Maputo City |

Basic Concepts of the Report



【Map of Mozambique】



Reference : The Economist Intelligence Unit Limited (2000) *Country Profile : Mozambique 1999–2000*.