

The image is a composite. The top half shows a classroom with several students in white shirts and dark ties. One student in the foreground is looking through a microscope. The bottom half shows a concrete dam with two large spillways. Water is flowing through the spillways, creating white foam. The background of the dam is a grassy hillside.

African Development
Bank Group
and
MOZAMBIQUE

**Building together
a better Africa**



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1 Introduction of the AfDB

On 4 August 1963, 23 African governments signed the Agreement establishing the African Development Bank (AfDB) in Khartoum, Sudan. Eight other countries signed up in December of the same year. On 10 September 1964, the Agreement came into force when 20 member countries subscribed to 65% of the institution's capital stock, which then stood at US\$ 250 million. From 4 to 7 November, the inaugural Board of Governors' meetings was held in Lagos, Nigeria. The African Development Bank Group comprises the African Development Bank (AfDB) and two concessional windows, namely the African Development Fund (ADF), established in 1972, and the Nigeria Trust Fund (NTF), established in 1976.

The AfDB is a regional multilateral development finance institution established to mobilize resources aimed at financing economic development and social progress initiatives of its Regional Member Countries (RMCs). The AfDB is headquartered in Abidjan (Côte d'Ivoire), but it is currently operating from its Temporary Relocation Agency (TRA), in Tunis, Tunisia, due to the political situation in Côte d'Ivoire.

Tangible achievements made by the Bank Group during these past years have greatly enhanced its image and generated renewed confidence in the institution as demonstrated by the reconfirmation of its AAA rating by leading international rating agencies. In December 2004, the tenth ADF Replenishment, amounting to US\$ 5.4 billion, significantly increased the volume of available resources for low-income member countries. The amount for the replenishment of ADF-11 in December

2007 rose to US\$ 8.9 billion. Furthermore, the Bank Group is making every effort to reduce the debt of some of its regional member countries under the enhanced Heavily Indebted Poor Countries Initiative.

From the start of its operations in 1967 to the end of 2007, the AfDB approved a total of 3,174 loans and grants, amounting to 41.58 Billion Units of Account (UA¹) (US\$ 68 billion). As at 31 December 2007, the authorized capital of the Bank Group stood at UA 21.87 billion, or US\$ 33.25 billion, while the subscribed capital stood at UA 21.64 billion or US\$ 32.84 billion. The AfDB's resources are from capital subscriptions by member countries and from borrowings on the international money and capital markets, as well as incomes from loans.

The Bank's membership comprises 53 African States (Regional Member Countries) and 24 non-African States (non-regional member countries). The latter joined the Bank from May 1982, following the Board of Governors' decision to open up participation in the institution's capital to non-African States. To become a member of the AfDB, a non-regional State is required to join ADF. Only one ADF Member State, the United Arab Emirates, is yet to become a member of the AfDB. The Bank's total staff complement as at 31st December 2007 was 1,142, comprising 769 professionals (PL) and 373 regular general staff (GS). Some 80% of the professional and management staff are from Regional Member Countries (RMCs) and 20% from Non-Regional Member Countries (NRMCs). The total staff comprises some 78% males and 22% females.

¹ 1 UA = 1.64 US\$ in April 2008.



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Message

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from the **President**
of the Republic of **Mozambique**



The African Development Bank (AfDB) Group plays an important role in Africa's development efforts. In Mozambique, in particular, we have many programs that were developed with Bank support and we continue to work together, both at the national and regional levels.

In order for the continent to stay on the right developmental path:

First, Africa's voice needs to be heard. Today, when Africa speaks, there are people who listen. There were times when the continent's views were not given due consideration. We must continue to ensure that discussions on Africa are indeed held with the continent's leaders and their people.

Second, it is important for the international community to watch out for social issues; such as health, water and education. In Mozam-

bique's case, we are very concerned about education, not only in its general scope, but also in terms of capacity building. This, we hope, will enable our young people make a difference in specific vocational areas.

Third, I think it is essential that in Africa we have the capacity to create other infrastructure, in particular roads and dams. We are currently facing a very serious problem in the area of energy. We need to have many investments in this area in order to be able to grow without the constraints with which we occasionally deal with, such as our inability to industrialize because we do not have the energy, although the natural resources are there. These natural resources are still underdeveloped, because we lack the financial and human resources, as well as the requisite technology to develop them.

The establishment of an AfDB regional office in Mozambique gives us great pleasure as it makes us get closer to the Bank. It also enables us to gain better understanding of Bank procedures and benefit from its services.

The African Development Bank can be a channel through which the continent's voice can be heard given that it has extensive knowledge of the continent and its challenges. It is a channel through which we can attract more investments.

Armando Guebuza
President of the Republic of Mozambique



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Message from AfDB President

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Donald Kaberuka

This brochure is published at a time when the 43rd Annual Meeting of the Board of Governors of the African Development Bank and the 34th Annual Meeting of the Board of Governors of the African Development Fund are taking place in Maputo. The choice of this city to host the institution's most important event reflects the Bank's confidence in Mozambique's current and future economic performance. In recent years, government's efforts to reduce poverty and promote economic growth have produced commendable results. Real GDP growth averaged 8% per year over the last ten years (6% in per capita terms), allowing for a reduction in the proportion of the population living in absolute poverty from 69% in 1996/97 to 54% in 2005, according to national estimates. This achievement matched by major structural improvements in the macroeconomic situation with a managed inflation rate and an improved business environment. Important progress, to foster accountability and transparency, has also been made in the regulatory framework (new tax and labor code) and in key public financial management reforms.

These, notwithstanding, significant challenges still remain. Economic growth has been impressive but the number of people in poverty still remains very high. Moreover, the sustainability of growth will require substantial improvements in infrastructure, in the business environment, as well as further reforms, particularly implementation of concrete measures in governance. In this regard, the Bank supports the government's agenda to fight poverty through the enhancement of its efforts to improve governance and infrastructure. The

Bank is proud to be one of Mozambique's leading partners and to contribute to the achievement of goals of the government's Action Plan for the Reduction of Absolute Poverty (PARPA). As part of its support to the plan, the Bank has joined other donors in using the government's preferred mode of assistance, budget support. In 2007 the Bank was the fourth highest contributor from among a total group of 19 program aid partners (PAPs) that provided assistance through budget support.

Since the start of its operation in Mozambique in 1977, the Bank has approved 74 operations amounting to approximately US\$ 1.6 billion. The Bank Group's active portfolio is composed of 22 operations for a total amount of US\$ 614.33. Our main achievements in Mozambique are mainly dominated by infrastructure (transport, power, water support and sanitation) and agriculture. Many of these projects have directly assisted beneficiaries in improving their livelihoods and reducing poverty. The Bank has financed two private sector operations, namely Sasol Gas and the mega-project Moma Titanium Mines. These mega-project investments in aluminum smelting, gas and minerals are adding 1.5% a year to GDP growth. The current challenge is to foster the impact of such financed projects in the development of local community.

In order to have a stronger presence in the Southern African region, the Bank inaugurated a regional Office in Maputo (MZFO) in February 2006. The MZFO is expected to improve the impact and quality of Bank operations, as well as interface very closely with the government, development partners, private sector and civil society.

The year 2007 marked thirty years of fruitful partnership between the Bank and Mozambique in meeting the country's challenges. The forthcoming years herald the beginning of even stronger collaboration to reduce poverty through social and economic growth. We are looking forward with confidence to the future and we will continuously support Mozambique's legitimate development aspirations.

Donald Kaberuka
AfDB President



AfDB/Mozambique: General Presentation



Mozambique is considered one of Sub-Saharan Africa's strongest economic performers and remains a successful example of post-conflict transition. The country has enjoyed impressive economic growth averaging 8% in the past ten years, and sustained macroeconomic and political stability. Growth has been driven mainly by investment in mineral resources, industry, services, policy reform, pro-poor government expenditure and strong donor support. The investment climate has been enhanced, resulting in an improvement of its ranking in the ease of doing business from 140th position to 134th place.

On the social level, income poverty fell 22 percentage points between 1997 and 2003 from 69.4% to 54.1% of the population. Infant mortality also decreased by 35 percent, and primary school enrollment increased by 65 percent. During the same period the male literacy rate rose from 65.6% in 2005 to 68% in 2006 and the female literacy rate from 33.8% to 35.5%.

Although the government's commitment to reaching the Millennium Development Goals (MDGs) backed by strong donor support, has led to significant social and economic development, there is still a long way to go. Mozambique remains among the poorest countries in the world and has major challenges related to

a high prevalence of HIV/AIDS, chronic malnutrition, lack of schools and qualified teachers as well as insufficient health services and inadequate infrastructure to stimulate private sector activities.

Since Bank Group assistance to Mozambique began in 1977, it has evolved from helping to stabilize the economy in the 1980s after the war to the current strategy that involves close collaboration with the Government with a view to helping it meet the MDGs, mainly through the enhancement of governance and infrastructure sectors, pillars of the current Country Strategy Paper (CSP). This strategy (2006-2009) was approved by the Boards of Directors in June 2006. It is aligned to the Government's Poverty Reduction Strategy Paper (PARPA II) which covers the same period.





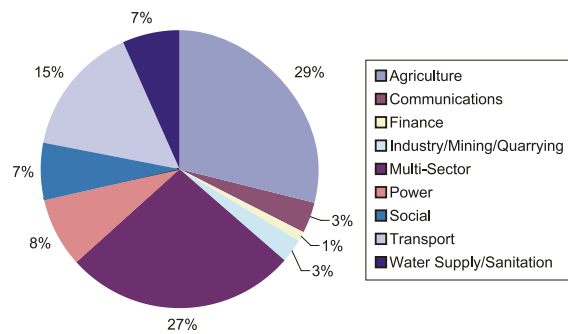
AfDB Operations in Mozambique

The Bank has approved 74 operations in Mozambique since 1977, amounting to approximately UA 1.046 billion, equivalent to US\$ 1.6 billion. Over the last 10 years, the AfDB has approved 33 operations worth some UA 553.209 million, equivalent to US\$ 831.725 million. Mozambique is the fifth most supported country with ADF resources. These interventions have targeted several sectors, notably

agriculture, infrastructure development (roads, water supply and sanitation, and electricity), multi-sector, health and education. Agriculture has received the largest proportion of the resources, accounting for 29% of overall commitments. Please see table below showing Bank's cumulative commitments in Mozambique over a thirty-year period:

Mozambique Historical Project Summary

From 1977 to 31 March 2008		
Sector	No. of Projects	Amount Approved (in million UA)
Agriculture	25	303,5
Communications	4	35,2
Finance	4	14,0
Industry/Mining/Quarrying	3	28,0
Multi-Sector	8	282,9
Power	7	82,4
Social	9	70,4
Transport	9	159,7
Water Supply/Sanitation	5	69,6
TOTAL	74	1 045,7



The operations in Mozambique have evolved over time to align the priorities of the government and the Bank. Although agriculture was initially the main focus of Bank Group investment in the country, the Bank's new policy orientation leans more towards infrastructure. Investment forecasting indicates that the Bank's commitments will be scaled up significantly in the next few years particularly in the water sector, as well as in the transport and energy sectors.

The Bank has also changed its financing modalities over time. Over the last decade, the Government of Mozambique (GoM) embarked on a series of substantial economic and governance reforms to lay the foundations for economic growth and poverty reduction. One of the key policy frameworks for these reforms is Mozambique's "Reduction of Absolute Poverty (PARPA II)." The three pillars of this plan include: i) improving governance, ii) enhancing human capital, and iii) fostering sustainable economic development. The Government's

preferred financing modality of this agenda, designed to reduce the incidence of poverty from 54 percent in 2003 to 45 percent in 2009, is budget support.

To support these efforts, the African Development Fund, in collaboration with other donors, has thus, since 2000 provided budget support loans to Mozambique. To date, three budget support operations have been approved by the AfDB and the total amount disbursed until now is UA 139.000 million (US\$ 219.655 million). The last such operation was the Poverty Reduction Support Loan (PRSL I) of UA 60 million (US\$ 94.815 million) for 2006 and 2007. It represents the largest intervention financed by the Bank in Mozambique in terms of amount committed. The PRSL I was designed to contribute to the implementation of Mozambique's Action Plan for PARA II.

Expenditure in PARPA priority sectors has been growing since 2006. In 2007, it represented 21.8% of GDP. Over the next two years,

the Mozambican government plans, among other things, is to implement a second phase of institutional reforms, contained in PARPA II, to provide the country with suitable economic and social infrastructure to address the main bottlenecks to private sector development. The African Development Bank is actively sup-

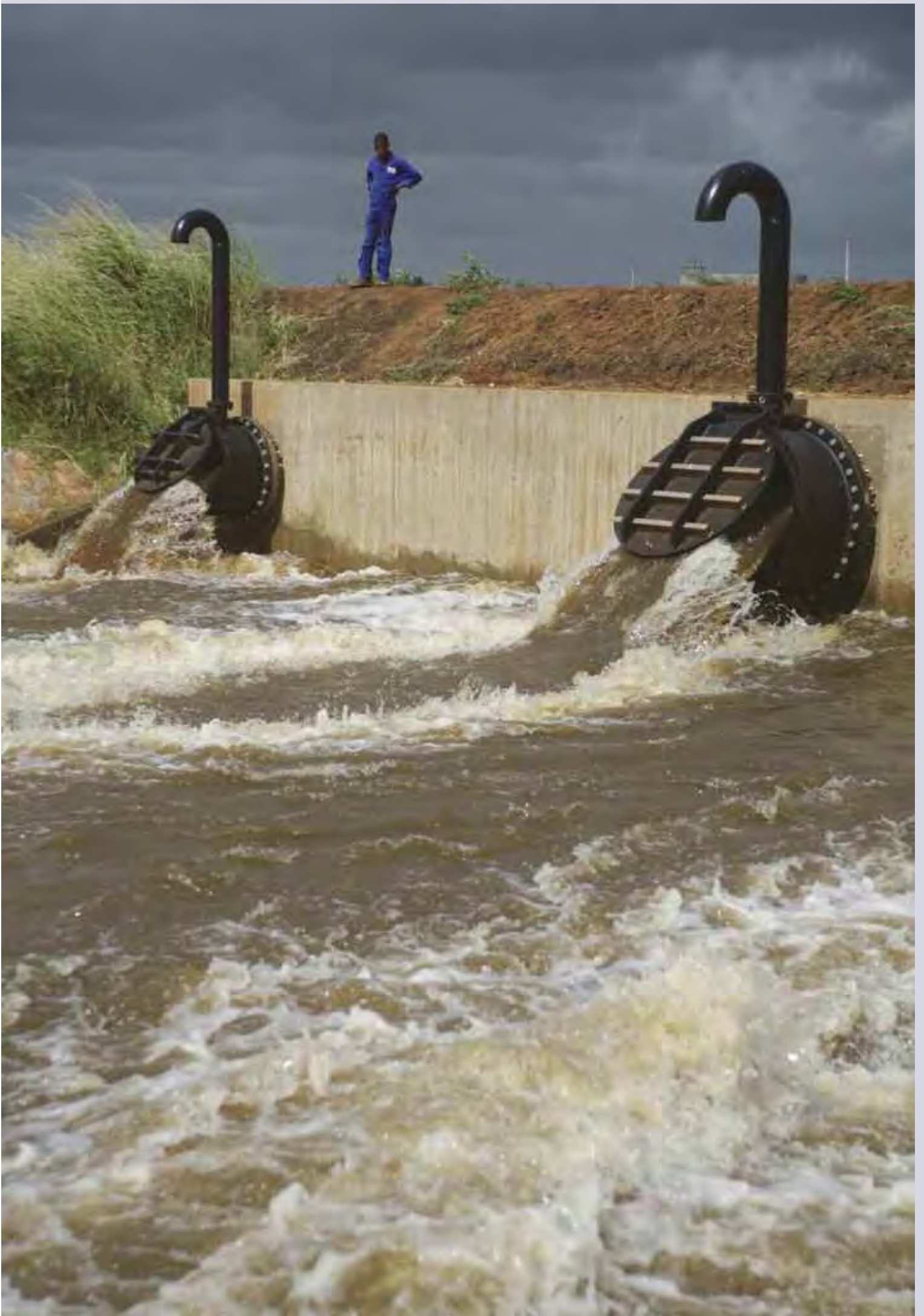
porting Mozambique in meeting this goal. In this regard, a loan is currently under negotiation for PRSL II, which seeks to continue supporting reform efforts through budget support lending for the period 2008 to 2010. (See details of Historical Bank Group Operations in Mozambique in next tables)

Bank Group Operations in Mozambique as at 31 March 2008

#	Project Title	Approval Date	Approved Amount	Cancellations	Disb. Amount	Disb Rate
<i>Amounts in thousand UA</i>						
Agriculture						
	PEQUENOS-LIBOMBOS IRRIGATION STUDIES	10-Feb-78	461	-	461	100,00%
	TEA REHABILITATION (I)	21-Nov-78	5 000	69	4 931	100,00%
	LIOMA AGRICULTURAL DEVELOPMENT	27-Nov-79	8 000	137	7 863	100,00%
	LIOMA AGRICULTURAL DEVELOPMENT	29-Nov-79	7 368	712	6 656	100,00%
	INHASSUNE RURAL DEVELOPMENT	30-Oct-80	7 368	215	7 153	100,00%
	CITRUS DEVELOPMENT	18-Dec-80	8 197	1 732	6 465	100,00%
	TEA REHABILITATION (II)	09-Jun-81	10 000	127	9 873	100,00%
	ZAMBEZI VALLEY RURAL DEVELOPMENT	24-Nov-81	7 500	7 500		Terminated
	ZAMBEZI VALLEY RURAL DEVELOPMENT	04-Dec-81	8 000	8 000		Terminated
	PEQUENOS LIBOMBOS DAM	16-Feb-82	9 800	2 867	6 933	100,00%
	PEQUENOS-LIBOMBOS IRRIGATION	18-Mar-82	9 487	(0)	9 487	100,00%
	HEALTH (FOOT - MOUTH DISEASE CONTROL)	26-May-82	3 684	82	3 602	100,00%
	ANACARD REHABILITATION	08-Feb-84	9 600	5 313	4 287	100,00%
	ANACARD REHABILITATION	09-Feb-84	8 428	1 506	6 922	100,00%
	UMBELUZI VALLEY IRRIGATION STUDY	24-Aug-84	1 336	77	1 259	100,00%
	MAFAMBISSE SUGAR REHABILITATION	23-Aug-88	13 060	1 487	11 573	100,00%
	MAFINBISSE SUGAR REHABILITATION	23-Aug-88	21 986	2 445	19 541	100,00%
	FAMILY FARMING LIVESTOCK REHABILITATION	28-Aug-90	13 696	1 596	12 100	100,00%
	PROJET DE DEVELOP.FEMININ DES ZONES V.	23-Mar-92	7 368	41	7 328	100,00%
	BUZICO SUGAR STUDY	12-May-93	645	1	644	100,00%
	MASSINGIR DAM AND SMALLHOLDER AGRICULTURAL REHAB.	24-Nov-93	55 000	-	52 404	95,28%
	FORESTRY AND WILDLIFE RESOURCES PROJECTS	24-Nov-93	8 900	1 655	7 245	100,00%
	SMALL SCALE IRRIGATION PROJECT	02-Dec-98	12 430	-	6 937	55,81%
	SMALL SCALE IRRIGATION PROJECT	02-Dec-98	1 210	-	776	64,13%
	SPECIAL PROGRAMME FOR FOOD SECURITY (PILOT PROJECT	19-Jun-00	746	-	746	99,93%
	FAMILY SECTOR INCOME ENHANCEMENT PROJECT	31-Oct-00	12 460	-	7 123	57,17%
	FAMILY SECTOR INCOME ENHANCEMENT PROJECT	31-Oct-00	1 000	-	577	57,70%
	ARTISANAL FISHERIES DEVELOPMENT PROJECT	14-Nov-01	14 170	-	3 378	23,84%
	ARTISANAL FISHERIES DEVELOPMENT PROJECT	14-Nov-01	1 730	-	355	20,51%
	RURAL FINANCE INTERM.SUPPORT PROJECT	12-Nov-03	11 520	-	2 939	25,51%
	RURAL FINANCE INTERM.SUPPORT PROJECT	12-Nov-03	3 840	-	239	6,23%
	Women's Entrepreneurship And Skills Deve	25-Jan-06	2 510	-	-	0,00%
	MASSINGIR DAM AND SMALLHOLDER AGRICULTUR	02-Mar-07	17 000	-	-	0,00%
	Agriculture Total		303 500	35 561	209 796	80,84%

#	Project Title	Approval Date	Approved Amount	Cancellations	Disb. Amount	Disb Rate
<i>Amounts in thousand UA</i>						
Communications						
	MAPUTO-BEIRA TELECOMMUNICATIONS	24-Mar-78	1 900	-	1 900	100,00%
	TELECOMMUNICATION II	08-Feb-84	25 900	1 187	24 713	100,00%
	TELECOMMUNICATION II	08-Feb-84	4 990	236	4 754	100,00%
	INSTITUT.SUPPORT TO TDM (TELECOMM.)	27-Aug-91	1 796	8	1 788	100,00%
	TELECOMMUNICATION NETWORK FEASIBILITY	02-Jun-93	645	266	379	100,00%
	Communications Total		35 231	1 696	33 534	100,00%
Finance						
	B.P.D. INSTITUTIONAL SUPPORT (GRANT)	20-Sep-88	206	71	135	100,00%
	INSTITUTIONAL SUPPORT TO B.P.D. (LOAN)	30-Oct-91	1 483	1 040	443	100,00%
	INSTITUTIONAL SUPPORT TO B.P.D.(GRANT)	30-Oct-91	1 971	265	1 706	100,00%
	SUPPORT TO SMES DEV. IN MOZAMBIQUE	16-Jan-02	3 500	12	3 488	100,00%
	Financial Sector TA Project (FSTAP)	04-Oct-05	6 800	-	923	13,57%
	Finance Total		13 960	1 388	6 695	57,90%
Industrial						
	CREDIT FACILITY FOR SMALL SCALE INTERPRISES STUDY	10-Jul-93	396	232	164	100,00%
	MINERALS RESOURCES MANAGT CAP. BUILDING	03-Sep-01	3 290	-	2 415	73,40%
	MOMA MINERAL SANDS PROJECT	21-May-03	24 324	-	24 324	100,00%
	Industrial Total		28 010	232	26 903	96,88%
Multisector						
	ECONOMIC REHABILITATION PROGRAMMATION	28-Apr-88	32 237	292	31 944	100,00%
	ECONOMIC AND SOCIAL REHABILITATION PROGRAMME	29-Oct-92	53 421	11	53 410	100,00%
	SOCIAL DIMENSIONS OF ADJUSTMENT PROJECT	29-Oct-92	4 605	2 086	2 519	100,00%
	SOCIAL DIMENSIONS OF ADJUSTMENT PROJECT	29-Oct-92	461	434	27	100,00%
	THIRD ADF ECONOMIC REHABILITATION LOAN	02-Jul-97	50 000	-	50 000	100,00%
	PROGRAM OF ECON. REFORM & GOOD GOVERNANCE	16-Nov-00	50 000	47	49 953	100,00%
	SECOND PROG. OF ECONOMIC REF-	01-Dec-04	30 000	-	29 966	99,89%
	Inst. Support for Public Sector Reform	22-Jun-05	2 126	-	261	12,28%
	POVERTY REDUCTION SUPPORT LOAN	27-Oct-06	60 000	-	60 000	100,00%
	Multisector Total		282 850	2 870	278 080	99,33%
Power						
	MASSINGIR DAM REHABILITATION PROJECT	29-Oct-86	1 805	42	1 763	100,00%
	ELECTRICITY I	27-Aug-91	14 553	1 621	12 932	100,00%
	ELECTRICITY II PROJECT	12-Dec-96	16 650	1 900	14 750	100,00%
	ELECTRICTY MASTERPLAN AND FEASIBILITY STUDY	15-Jun-00	994	-	994	100,00%
	RURAL ELECTRIF.PROJECT (ELECT III)	03-Sep-01	11 120	-	2 353	21,16%
	Energy Reform and Access Program	05-Nov-03	1 965	-	61	3,10%
	Energy Reform and Access Program	05-Nov-03	9 017	-	1 656	18,37%
	ELECTRICITY IV PROJECT	13-Sep-06	26 300	-	-	0,00%
	Power Total		82 404	3 563	34 509	46,20%

#	Project Title	Approval Date	Approved Amount	Cancellations	Disb. Amount	Disb Rate
<i>Amounts in thousand UA</i>						
Social						
	ED&TECH STUDIES OF THE TEACH TRAIN CENT	21-Jan-86	1 243	327	916	100,00%
	PRIMARY TEACHERS TRAINING	18-Apr-89	9 211	1 147	8 063	100,00%
	HEALTH STUDY	21-May-91	470	269	201	100,00%
	PROJET EDUCATION II	23-Mar-92	17 132	3 480	13 651	100,00%
	PROJET EDUCATION II	23-Mar-92	368	181	187	100,00%
	BEIRA CORRIDOR HEALTH PROJECT	18-Oct-96	7 710	1 286	6 424	100,00%
	EDUCATION III PROJECT	15-Jul-98	10 687	-	9 780	91,51%
	EDUCATION III PROJECT	15-Jul-98	1 628	-	603	37,04%
	POVERTY REDUCTION	10-Dec-98	2 340	173	2 167	100,00%
	HEALTH II PROJECT	21-Dec-00	600	-	79	13,14%
	HEALTH II PROJECT	21-Dec-00	9 000	-	2 786	30,96%
	EDUCATION IV PROJECT	13-Sep-01	10 000	-	403	4,03%
	Social Total		70 389	6 864	45 260	74,05%
Transport						
	NAMPEVO-ALTO-MOLOUCUE ROAD CONSTRUCTION	29-Apr-77	7 368	-	7 368	100,00%
	ALTO-MOLOUCUE-LIGOUBA ROAD CONSTRUCTION	30-May-79	7 368	2 669	4 700	100,00%
	BEIRA CORRIDOR TRANSPORT SYSTEM	27-May-88	17 454	657	16 796	100,00%
	BEIRA-MASHIPANDA ROAD (GRANT)	27-May-88	829	50	779	100,00%
	TRANSPORT PROGRAMME	01-Dec-92	2 487	864	1 623	100,00%
	TRANSPORT PROGRAMME	01-Dec-92	23 947	4 958	18 990	100,00%
	PEMBA-MONTEPUEZ ROAD REHABILITATION	25-Jun-97	26 000	3 716	22 284	100,00%
	VANDUZI-CHANGARA ROAD REHABILITATION PROJECT	15-Dec-99	16 790	-	9 202	54,81%
	VANDUZI-CHANGARA ROAD REHABILITATION PROJECT	15-Dec-99	800	475	325	100,00%
	ROAD TRANSPORT STUDIES	17-May-00	1 609	247	1 362	100,00%
	ROADS REHABILITATION AND UPGRADING PROJECT	08-Dec-00	25 010	-	20 563	82,22%
	MONTEPUEZ-LICHINGA ROAD PROJECT	27-Oct-06	30 100	-	-	0,00%
	Transport Total		159 763	13 635	103 992	73,63%
Water						
	MAPUTO WATER SUPPLY	27-Oct-81	10 000	27	9 973	100,00%
	DISTRICT CENTERS WATER SUPPLY REHABILITATION	09-Sep-98	1 800	811	989	100,00%
	MAPUTO WATER SUPPLY AUGMENTATION PROJECT	17-Jun-99	2 160	-	717	33,19%
	MAPUTO WATER SUPPLY AUGMENTATION PROJECT	17-Jun-99	17 500	-	17 104	97,74%
	INTEGRATED WATER SUPPLY AND SANITATION PROJECT	08-Dec-00	1 000	-	286	28,60%
	INTEGRATED WATER SUPPLY AND SANITATION PROJECT	08-Dec-00	15 770	-	7 186	45,57%
	URBAN WATER SUPPLY, SAN.& INST. SUPPORT	20-Dec-02	19 065	-	8 493	44,55%
	URBAN WATER SUPPLY, SAN.& INST. SUPPORT	20-Dec-02	2 310	-	628	27,19%
	Water Total		69 605	838	45 376	66,39%
	Grand Total		1 045 711	66 649	784 146	81,36%





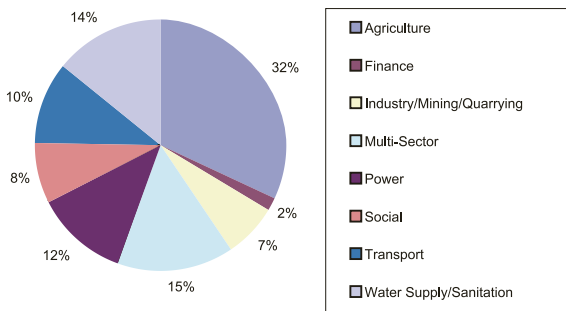
6 AfDB current portfolio in Mozambique

The Bank's current portfolio in Mozambique comprises 22 ongoing investment projects (including the budget support) for an amount of UA 408.610 million. The cumulative disbursement rate for the current ongoing operations as at 31 March 2008 was 60.26%. The main sectors in the current portfolio are agriculture (32%), multi-sector (15%) and water supply and sanitation (14%). The Massingir Dam & Smallholder Agriculture Rehabilitation Project and its Supplementary Loan represent the biggest operation in terms of resources

committed, accounting for more than half of the total amount of ongoing commitments in agriculture. The objective of this project is the rehabilitation of Massingir Dam and the development of the irrigation potential of the alluvial plain in the Limpopo River valley in Southern Mozambique. The project seeks to enhance the productive capacity of smallholders and improve living conditions in the rural areas around the Xai-Xai scheme through the rehabilitation of irrigation, drain infrastructure and agriculture development.

Mozambique Ongoing Project Summary

Ongoing as at 31 March 2008		
Sector	No. of Projects	Amount Approved (in million UA)
Agriculture	6	130,4
Finance	1	6,8
Industry/Mining/Quarrying	2	27,6
Multi-Sector	2	62,1
Power	3	48,4
Social	3	31,9
Transport	2	42,6
Water Supply/Sanitation	3	57,8
TOTAL	22	407,6



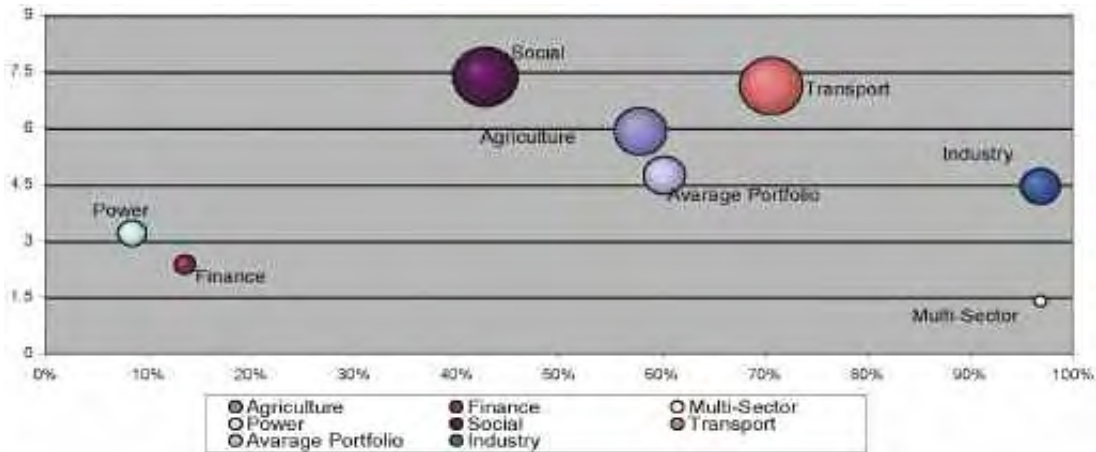
The budget support (PRSL I) represent 97% of the amount committed to multi-sector operations in the ongoing portfolio. The infrastructure sector (transport, power, water supply and sanitation) accounts for 37% of ongoing total investment. Within this sector, water supply and sanitation absorbs the largest investment (US\$ 91.345 million). The AfDB private sector window has also financed two of the main mega-projects in Mozambique: the Sasol Gas and the Moma Titanium Mines projects. Sasol involves the development and production of natural gas at Temane and Pande. It contributes 14% of total exports and has created 3.000 jobs. The Moma Titanium Mines, which represents the fifth largest project in the on-

going portfolio in terms of amount committed, will generate export revenues of roughly UA 50 million per year and is expected to create 425 direct and 1,500 indirect jobs. It is estimated that the Moma mine will provide 6% of the world production of ilmenite, rutile and zircon. The AfDB financed the project to the tune of UA 27.986 million (US\$ 44.225 million).

In addition, financial sector reforms, namely the de-regulation and introduction of competition in the commercial banking sector, have been supported by AfDB technical assistance programs to the Bank of Mozambique and the Ministry of Finance. (See next table for details of ongoing operations)

AfDB Ongoing Operations in Mozambique as at 31 March 2008 in thousand UA

Sector Name	Long name	Approval Date	Approved Ammount	Disbursed Amount	Disb. %
Agriculture	ARTISANAL FISHERIES DEVELOPMENT PROJECT	14-Nov-01	14 170	3 378	23,84%
	ARTISANAL FISHERIES DEVELOPMENT PROJECT	14-Nov-01	1 730	355	20,51%
	FAMILY SECTOR INCOME ENHANCEMENT PROJECT	31-Oct-00	12 460	7 143	57,33%
	FAMILY SECTOR INCOME ENHANCEMENT PROJECT	31-Oct-00	1 000	577	57,71%
	MASSINGIR DAM AND SMALLHOLDER AGRICULTUR	02-Mar-07	17 000	-	0,00%
	MASSINGIR DAM AND SMALLHOLDER AGRICULTURAL REHAB.	24-Nov-93	55 000	53 157	96,65%
	RURAL FINANCE INTERM.SUPPORT PROJECT	12-Nov-03	11 520	2 939	25,51%
	RURAL FINANCE INTERM.SUPPORT PROJECT	12-Nov-03	3 840	239	6,23%
	SMALL SCALE IRRIGATION PROJECT	02-Dec-98	12 430	6 937	55,81%
	SMALL SCALE IRRIGATION PROJECT	02-Dec-98	1 210	776	64,10%
Agriculture Total			130 360	75 501	57,92%
Finance	Financial Sector TA Project (FSTAP)	04-Oct-05	6 800	923	13,57%
Finance Total			6 800	923	13,57%
Ind/Mini/Quar	MINERALS RESOURCES MANAGT CAP. BUILDING	03-Sep-01	3 290	2 415	73,41%
	MOMA MINERAL SANDS PROJECT	21-May-03	24 324	24 324	100,00%
Ind/Mini/Quar Total			27 614	26 739	96,83%
Multi-Sector	Inst. Support for Public Sector Reform	22-Jun-05	2 126	261	12,28%
	POVERTY REDUCTION SUPPORT LOAN	27-Oct-06	60 000	60 000	100,00%
Multi-Sector Total			62 126	60 261	97,00%
Power	ELECTRICITY IV PROJECT	13-Sep-06	26 300	-	0,00%
	Energy Reform and Access Program	05-Nov-03	9 017	1 656	18,36%
	Energy Reform and Access Program	05-Nov-03	1 965	61	3,10%
	RURAL ELECTRIF.PROJECT (ELECT III)	03-Sep-01	11 120	2 353	21,16%
Power Total			48 402	4 069	8,41%
Social	EDUCATION III PROJECT	15-Jul-98	10 687	9 780	91,51%
	EDUCATION III PROJECT	15-Jul-98	1 628	603	37,07%
	EDUCATION IV PROJECT	13-Sep-01	10 000	403	4,03%
	HEALTH II PROJECT	21-Dec-00	9 000	2 786	30,96%
	HEALTH II PROJECT	21-Dec-00	600	79	13,14%
Social Total			31 915	13 652	42,78%
Transport	ROADS REHABILITATION AND UPGRADING PROJECT	08-Dec-00	25 010	20 563	82,22%
	VANDUZI-CHANGARA ROAD REHABILITATION PROJECT	15-Dec-99	16 790	9 202	54,80%
	VANDUZI-CHANGARA ROAD REHABILITATION PROJECT	15-Dec-99	800	325	40,67%
Transport Total			42 600	30 090	70,63%
Water Sup/Sanit	INTEGRATED WATER SUPPLY AND SANITATION PROJECT	08-Dec-00	15 770	7 186	45,56%
	INTEGRATED WATER SUPPLY AND SANITATION PROJECT	08-Dec-00	1 000	286	28,61%
	MAPUTO WATER SUPPLY AUGMENTATION PROJECT	17-Jun-99	17 500	17 104	97,74%
	MAPUTO WATER SUPPLY AUGMENTATION PROJECT	17-Jun-99	2 160	717	33,21%
	URBAN WATER SUPPLY, SAN.& INST. SUPPORT	20-Dec-02	19 065	8 493	44,55%
	URBAN WATER SUPPLY, SAN.& INST. SUPPORT	20-Dec-02	2 310	628	27,17%
Water Sup/Sanit Total			57 805	34 414	59,54%
Grand Total			407 621	245 648	60,26%





AfDB in Mozambique: Infrastructure

Development

Overview of Infrastructure

Development in Mozambique

Inadequate infrastructure, particularly in rural and semi-urban areas, is a major cause of poverty in Mozambique, and a barrier to sustainable economic growth. Only 26% of the rural population has access to adequate water supply, while only 6% of the population has access to electricity, despite the country's huge power generation capacity. Given its low accessibility, the costs of modern forms of energy, as well as water and sanitation services have been prohibitive for most Mozambicans. The country's physical infrastructure, which was devastated during the long civil war, needs substantial investment for rehabilitation and expansion. Besides the cross-sector impacts and contributions to the attainment of

the MDGs, the development of Mozambique's infrastructure is essential to enhance business productivity and regional competitiveness. The Bank therefore seeks to contribute to the development of Mozambique's infrastructure and increase access to basic economic and social services by improving the national road network; increasing access to water and sanitation; and bringing access to electricity up to regional standards, thus addressing one of the main obstacles to the growth of business. The first Bank-funded project in Mozambique was a road intervention, namely the Nampevo-Alto-Molocue Road construction Project that was approved in 1977. Since then 21 projects in the infrastructure sector (transport, power and water and sanitation) have been approved for a total amount of UA 311.76 million (equivalent to USD 483.24 million).

Road Projects

Mozambique has one of the least developed road infrastructure networks in the Southern Africa region, with a road density of less than 0.02 km/m² and 0.86 km per capita, against 0.2 km/m² and 36 km for developing countries. The government, with the support of development partners, has made significant investments in the sector to foster regional integration and give rural population access to basic social services. Mozambique's transport development policy on railway and road networks is built around three development corridors which give access to neighboring landlocked countries. The country's ports and railways were developed mainly to serve regional trade while the road system served internal trade and access to coastal ports.

Since 1977, the Bank has approved nine transport projects for a total of UA 160.000 million. Currently the Bank Group is financing two projects namely; Vanduzi/Changara and Lichinga/Montepuez. The road Mussacam/Colomue was just finished in 2007 while arrangements for the commencement of work on the Nampula/Nacala road are being made for 2009 in a co-financing scheme with JBIC, the Japanese Development Bank.





CHOICE PROJECT 1

Roads Rehabilitation and Upgrading Project

PROJECT NAME

Roads Rehabilitation & Upgrading Project

APPROVAL DATE

December 2000

PROJECT AMOUNT

UA 27.80 Million (US\$ 43.09 Million)

SOURCES OF FINANCE

ADF: UA 25.01 Million (US\$ 38.76 Million)

GoM: UA 2.79 Million (US\$ 4.32 Million)

STATUS OF PROJECT

Completed

The road rehabilitation project was approved in December 2000 and finalized in 2007. The objective of the project was to reduce vehicle operating and road maintenance costs, thereby increasing the quality of service as well as protecting the investments in road infrastructure. The project comprises: (A) Upgrading/rehabilitating 162 km of a paved road of a width of 7.0 meter carriageway and 1.5 meter shoulders on either side; (B) Consultant services for the supervision of civil works; and (C) Project audit services.

Major achievements – The project's major achievements include: (i) the improvement of the Mussacama/ Colomue Road which led to more stable and competitive prices of agricul-

tural produce. (ii) Increased internal trade in agricultural produce, poultry, etc., have expanded because of access to bigger markets, (iii) increased access for craftswomen who are now able to dispose of their wares at bigger markets in urban and tourist centers. These socio-economic boosts to the local economy provide a valuable opportunity for reducing poverty levels.

Project Beneficiaries – The project was designed to provide direct employment for local and migrant labourers together with semi-skilled construction workers and road equipment operators. The project generated temporary employment for a significant number of local people. About 400,000 man-days were generated during construction and 18,000 man-days per year under maintenance related activities have been generated. Through a policy of actively recruiting women, local women have been able to improve their family incomes. The project created opportunities for local businesses related to the supply of food, goods and other services to the labour force and this resulted in a substantial boost to the local economy.



Water Projects

Over the past ten years, access to clean drinking water has increased from 40% to 67% in urban areas and from 17% to 26% in rural areas. However, the MDG on halving the population without access to water may not be achieved. Furthermore, both urban and rural water connections are significantly below the regional average. The gap between Mozambique and comparable countries has decreased in cities from 35%, in 1990 to 25%, in 2002, but in rural areas it has increased from 25% to 37%, in 1990 and 2002. Investment in urban sanitation remains a major concern, even though rural household connections are also clearly insufficient. Access to sanitation improved marginally over the last ten years, from 48% to 51% in urban areas and from 14% to 15% in rural areas. The gap with comparable countries increased in both areas.

CHOICE PROJECT 2

Urban Water Supply, Sanitation and Institutional Support Project

PROJECT NAME

Urban Water Supply, Sanitation and Institutional Support Project

APPROVAL DATE

December 2002

PROJECT AMOUNT

UA 23.96 Million (US\$ 37.16 Million)

SOURCES OF FINANCE

ADF: UA 19.065 Million (US\$ 29.55 Million)

TAF: UA 2.31 Million (US\$ 3.58 Million)

GoM: UA 2.60 Million (US\$ 4.03 Million)

STATUS OF PROJECT

Ongoing

The objective of this project is to improve access, quality and sustainability of water supply, as well as sanitation services in Chokwe, Xai-Xai, Maxixe and Inhambane. The project will increase the population's access to clean water from 37% to 65 % and provide better sanitation to the population in the project area, resulting in up to a 25% reduction in water-borne diseases in the project area. FIPAG (Investment Fund and the Heritage Water Supply) is the executing agency for the water supply activities, while the sanitation related activities are implemented by the National Directorate of Water (DNA).



Major achievements – Work on phase one of Chokwe and Xai-Xai cities have been completed. The water towers, transmission mains, provision of connections, boreholes and ground level tanks are being handed over to beneficiaries. For the cities of Inhambane and Maxixe, 78% of the works have been completed. The tasks carried out include the construction of water treatment plants in each city, construction of ground-level tanks and water towers, laying of transmission and distribution mains, construction and rehabilitation of stand posts and the provision of new house connections.

The sanitation program, which comprises capacity building in the Sanitation Department and in the Sanitation and Solid Waste Units of the four Municipalities, and the institutional support to the Regulatory Board of Water Supply (CRA), is being managed by DNA, utilizing

the services of four individual consultants recruited in April/May 2006. A consultancy service to study the establishment of Municipality Autonomous Services for Xai-Xai, Chokwe, Inhambane and Maxixe Municipalities has been mobilized. Another consultancy for the development of sanitation, solid waste and hygiene education awareness programs is being negotiated between DNA and the contractor, while consultancy for the development of a sanitation master plans is being processed. The ins-

titutional development component for CRA commenced with the establishment of the coordination team in July 2006. Bidding for the information centre is underway.

Project Beneficiaries – The populations of the four cities namely; Chokwe, Xai-Xai, Maxixe and Inhambane are the beneficiaries of the project which aims at expanding the existing urban water supply system.



BENEFICIARIES' TESTIMONIES

Infrastructure Development



Water Supply in Chokwe

"The AfDB is a partner of the government, thus it is also a partner of the Investment Fund and the Heritage Water Supply (FIPAG), which is providing water in the urban areas. Before the project we used to have major problems of water supply in the city. We had low water pressure mainly in the peripheral neighborhoods. The water flow did not take place 24 hours a day and it was not possible to make many connections, as we are doing now. There were no good network conditions and we also used to register great water losses of about 65%. There were many people without access to drinking water. This project has

brought more water to the community and it has, at the same time increased the number of beneficiaries from 33% to around 54%. There is a great adherence on the part of beneficiaries to connect water to their homes." Isaias Sitoi – Chokwe Water Supply Unit Director.

FIPAG beneficiary in Chokwe



"Before we used to suffer... To get water, we sometimes had to converge on the same site, two, three families to fetch water simultaneously, because it was not easy to get water from the taps... I've made a request to FIPAG to have water at home, we signed a contract and after a week I had water at home. There is water now in almost every home." Glória Francisco Biza – FIPAG Woman beneficiary (Water was connected to Gloria's home in January 2008).

Energy/Power Projects

Mozambique is blessed with large coal, gas and forestry reserves and hydropower capabilities. Coal deposits are estimated at about 87 million tons and exist extensively.

throughout the central-western part of the country while a gas field discovered at Pande, about 800 km North-East of Maputo, has proven reserves of 60 billion cubic meters. Moreover, Mozambique has a significant endowment of surface fresh water resources comprising Lake Nyasa (Malawi) and 13 major river basins including the Zambezi, the Limpopo and Save Rivers. The 12 dams in the country have a total storage capacity of 44,700 million cubic metres giving the country a remarkable hydro-power generation capacity. The Cahora Bassa dam, the second largest dam in Africa, has an installed capacity of 2,075 MW. Mozambique is connected to the Southern Africa Power Pool (SAPP) via the Republic of South Africa and Zimbabwe, and Hydro Cahora Bassa is beginning to participate in the Short-Term Energy Market introduced under SAPP, as a net seller of electricity. In spite of the current generation capacity, due to the lack of distribution networks, electricity does not reach national end users, particularly in rural areas.

According to the World Bank Investment Climate Report, 64% of the sampled companies in Mozambique have identified energy as being a major problem with an average of 17 power cuts registered per month. The electricity access rate is significantly below the SADC average, most of energy comes from fuel-wood and charcoal, which are costly, inefficient and environmentally damaging. Energy consumption is dominated by petroleum products, which account for 70% of commercial consumption. Besides the urgency to invest in transmission lines, the country should also increase its installed capacity to meet and not only the expected rise of internal peak load consumption, but also to take advantage of its neighbors' energy dependence. Given its natural conditions, Mozambique offers vast opportunities for private sector investments and Public-Private Partnerships (PPP) initiatives in this area.



CHOICE PROJECT 3

Electricity II Project

PROJECT NAME

Electricity II Project

APPROVAL DATE

December 1996

PROJECT AMOUNT

UA 19.69 Million (US\$ 30.52 Million)

SOURCES OF FINANCE

ADF: UA 16.65 Million (US\$ 25.80 Million)

GoM: UA 3.04 Million (US\$ 4.71 Million)

STATUS OF PROJECT

Completed

The electricity II Project was the Bank Group's second power project in the energy sector in

dium voltage lines (64 km of 66 Kv and 360 km of 33 Kv) and low voltage lines (105 km), and the construction of 6 sub-stations, among others. The project completion report rated the project's overall performance as satisfactory, concluding that all the project objectives have been successfully achieved, with cost savings. On the whole, the project has delivered more than the envisaged outputs, contributing therefore to higher returns compared to the appraisal estimates.

Project beneficiaries – The additional and reliable supply of electricity has contributed towards the creation of increased economic activities in the rural and semi-urban centres of Maputo and Gaza provinces. Moreover, through the provision of electricity, the project has facilitated the resettlement of people displaced during the civil war and the 2000/01 flood. Because these areas are major tourist attractions, there are now many guest lodges which are helping to boost the emerging tourism industry and flourishing small businesses.

Mozambique. The loan was approved in 1996 and activities relating to project were completed by December 2003. The objective of the Electricity II Project was to extend and rehabilitate the national power grid, as part of infrastructure development, in rural and peri-urban centers in Maputo province. The objectives of the project were to (i) assist in resettling of the population displaced during the civil war, (ii) restore power supply in industries rehabilitated after the civil war ended, and (iii) encourage investments in agriculture and tourism sectors.

Major achievements – The physical outputs of the project include the installation of me-

Women are also benefiting from this project because they are the main group engaged in the preparation and sale of smoked fish, which is now done with electrical appliances rather than charcoal or fuel wood burners.







8

AfDB in Mozambique: Agriculture and Rural Development

31

Overview of Agricultural and Rural Development in Mozambique

Mozambique is heavily dependent on agriculture. Agricultural production accounts for 31% of the country's Gross Domestic Product (GDP) and it is one of the major sources of government revenue (nearly 21% in recent years), obtained largely from cotton, tobacco, sugar and cashew nut production. Well over 75% of the population, is involved in the agricultural sector, with 90% of this number being constituted of women. Although, agricultural and rural development growth has been increasing by 6% a year on average over the last 10 years, the local population continues to face dire constraints on their livelihoods. Challenges in agriculture and rural development result from the fact that most of the rural dwellers are vulnerable, not just due to their low incomes (less than \$1 per day) but also because they lack access to education (literacy rates at 52% for men and 16% for women), health and other services. This is due, in part, to physical isolation and frequent social exclusion. The poverty of the rural families is demonstrated by their inability to provide for themselves and their dependents the basic mi-

nimal conditions for their subsistence and well-being, as required by societal norms. In order to significantly improve welfare in rural areas, the agriculture and rural development sectors need to increase by 6.6 percent per year, which will, in turn, increase the overall GDP growth from 6.3 to 7.0 percent per year. This higher growth rate would reduce national poverty to 32.6 percent by 2015.

To assist Mozambique with its agricultural and rural development efforts, the Bank Group has financed a wide range of projects, including crop production, livestock, forestry, artisanal fishery and rural finance. The Bank's support to the country's agricultural sector aims at achieving a sustainable increase in household incomes and food security, in particular, for small-holder farmers. Most Bank projects in the sector involve the production and processing of cash crops (cashew, tea, citrus and sugar cane), irrigated food crops, forestry and wildlife resources and livestock production. The support for rural development sector aims at transforming rural communities, women in particular, in order to improve their livelihoods by strengthening their capacities, creating an enabling environment to increase production and marketing, promoting knowledge management, governance and leadership at the community level.



Agriculture projects

Major challenges faced by the agricultural sector are related to the need to transform subsistence farming (less than 3 ha) to more private oriented farming (more than 10 ha) and to increase productivity (from 300 kg/ha to more than 2000 kg/ha of staple food). To achieve these goals, investments should be made to improve research and support to subsistence farmers, in particular women, and commercial farmers, at large and small-scale. Resources are also needed to build infrastructure (in particular large and small irrigation schemes, roads and storage places) to provide farmers access to markets and to enhance their ability to absorb new technologies. The agriculture sector should also strengthen producer associations to increase the benefits of linking farmers to domestic food supply chains and to high value, export-oriented supply chains.

The Bank Group commenced its interventions in the agricultural sector in 1978 and has so far approved and financed 25 operations in that sector. These operations involve loans and grants amounting to UA 303.500 million with a total disbursement rate of 80.6%, net of cancellations. Agriculture has consumed the largest proportion of Bank Group investments in Mozambique, accounting for 29% of commitments. So far, 19 of the approved projects, the highest number in any sector, have been completed. Due to their location, most projects were affected by adverse security in the 1980's and environmental problems after 2000. The ongoing AfDB portfolio in the agricultural sector includes the Massingir Dam and Smallholder Agricultural Rehabilitation Project, as well as the Small-Scale Irrigation Project and Family Farming Income Enhancement Project.

BENEFICIARIES' TESTIMONIES

Agriculture – Small Scale Irrigation Project



Small Scale Irrigation project

"The Small Scale Irrigation Project is a project of the government of Mozambique, financed by the African Development Bank and the government of Mozambique. It is benefiting around 1500 people from three provinces of the country; Maputo, Sofala and Zambezi. Apart from the expansion of irrigated areas, the project provides technical assistance, grants credits for the implementation of cam-

paigns and in some cases for the purchase of equipment for irrigation. Assistance was given in the area of training and organization of beneficiaries in irrigation associations. Literacy programs for the beneficiaries were equally implemented." Armando Ussivane – National Coordinator of the Small Scale Irrigation project.

Muculavane Association – The Association benefits from the Small Scale Irrigation Project



"This project has changed my life; because before I had nothing in my house, but now I have

a good house, I have a generator, I also have cattle... My partners also rehabilitated their homes. Life before was poverty, we had nothing in Mucuvulane, but now everyone has a

bank card and can go to the bank to make small financial transactions with their money, this is because of the project.” Celina Zita Mabuza – Muculavane Association President.



CHOICE PROJECT 4

Massingir Dam and Smallholder Agricultural Rehabilitation Project (MDSAR)

PROJECT NAME

Massingir Dam and Smallholder
Agricultural Rehabilitation Project

APPROVAL DATE

November 1993

SOURCES OF FINANCE

ADF: UA 55 Million (US\$ 82.25 Million)
GOM: UA 6.01 Million (US\$ 9.32 Million)

APPROVAL DATE OF SUPPLEMENTARY LOAN

March 2007

SOURCES OF FINANCE

ADF: UA 17 Million (US\$ 26.35 Million)
GoM: UA 1.89 Million (US\$ 2.93 Million)

STATUS

Ongoing

schemes, including the cultivation of food crops including rice, beans, maize, groundnuts, cassava, vegetables and cotton as cash crops. Infrastructural facilities like buildings, water supply and access roads have been provided. The agriculture development and credit are components of the project. The project is mainly located in Gaza Province (Massingir and Xai-Xai).

Major achievements – The project is contributing significantly to GDP growth and poverty alleviation. Considering that the dam is built to its designed capacity of 2,840 million m³, it is expected to be able to generate hydropower of 60MW if the electrical station is constructed as well. This power generation is expected to meet significant energy requirements, therefore contributing significantly to local and regional development, as well as economic growth.

The dam is also capable of providing sufficient water to irrigate 90,000 ha of land along the Elephants and Limpopo valleys. The dam has been completed with some 60,000 smallholders benefiting directly from irrigated agriculture while about 150 commercial enterprises are expected to operate profitably as a result of the project.

The objective Massingir Dam and Smallholder Agricultural Rehabilitation Project is to rehabilitate the Massingir Dam and Xai-Xai Irrigation

The rehabilitation of the dam and irrigation infrastructure has been triggering a number of

economic activities in the region, in particular the production under the Chokwe irrigation scheme and horticulture production in the Limpopo Valley.

Women have been benefiting substantially from the generated agricultural activities in the Xai-Xai irrigation scheme. Over 60 percent of smallholders in the area are women.

Perhaps the most important contribution of the rehabilitation of the dam is the avoidance of floods. Over the last ten years, weather conditions in Southern Africa have been unpredictable and adverse. Heavy floods have been followed by serious drought and this has hurt food production and incomes. To help the area cope with future challenges, the dam has been designed to withstand the pressure of floods. Should the catchments area of the upper parts of Elephants River experience heavy rains, the damage will be minimal as compared to past experiences.

Project beneficiaries – There are presently a large number of women engaged in agricultural production in the project area and in the farmers associations. At least 60 percent of the irrigated scheme is occupied by women. By targeting the smallholders in the Xai-Xai area, the project has improved the welfare of many families. The long and tedious work of land preparation under irrigated conditions has been made easier for women by facilitating their access to the use of machinery. The women also benefited from the introduction of threshing machines in the project area. This has made processing much easier for the women who would traditionally resort to hand threshing. Women's access to tractors and threshing machines has been facilitated through "Casas Agrárias" a credit system established by a microfinance institution. In addition, training in the use of these technologies was organized by the project's extension service.



BENEFICIARIES' TESTIMONIES

Agriculture – Massingir/Xai-Xai

The agricultural component of the Massingir dam Rehabilitation Project



"This was an old irrigated area that had three irrigation stations, which remained for many years without funding and with the flood of

2000, they simply collapsed. The problem here is that without the system of pumping and drainage, water invades the areas of cultivation. With the construction of this station it is possible to drain the water in less than seven days and secure farmers' produce. The work here includes the rehabilitation of the irrigation itself, which is mostly the construction of the irrigation station and drainage, as well as the rehabilitation of more than 5,000 hectares of irrigated land. Along with this, there is a program of institutional development, farmer training... There are credits for farmers... There are agricultural extension to farmers. The irrigated area benefits around 8 thousand families and the major benefit is the self-sufficiency in food." Inácio Pereira – Director of the agricultural component of the Massingir dam Rehabilitation Project.



The Association for the Agrarian Development of Nhampondzoene
 – The association is a member of the Agrarian House and beneficiary of the agricultural component of the Massingir dam Rehabilitation Project in Xai-Xai

“In the Machamba (small land for planting)

there was no way for the water to flow. The plants we used to sow such as maize, sweet potatoes, beans, cabbage and lettuce were not very resistant. When we take much cabbage to the market and it does not get sold on the same day, it becomes difficult to sell it in the day after. The project has brought us cabbage, potatoes, beans, garlic; five plants that are resistant. So my life and the life of the population as a whole have improved.

Those who apply the training that has been given by the project have seen their lives change.” Jonas Mucuacuaíla Inguane – President of the Association for the Agrarian Development of Nhampondzoene.

Rural Development Projects

Some of the challenges in this sector are to improve community livelihoods and participation of the people in local development processes. This has already been partially addressed by reducing the rural population exodus from 90% in 1975 to 60% in 2005. This situation can also be improved by giving women more access to land; some 53% of labour is provided by women and 47% by men respectively, while 80% of the farms are controlled by men. Another challenge to the sector is the need to increase land utilization. Since 1970, land utilization has been reduced from 12.5% in 1970 to 5% in 2005. Rural road networks must also be improved to enable rural communities to take part in the expanding market economy. Large parts of the country are still without road access. In 2006, indications were that between 10,000 km and 12,000 km of rural feeder roads still needed to be improved and reconstructed.

Since 1981 the African Development Bank has approved and supported the implementation of 5 operations in the Rural Development sub-sector in Mozambique amounting to UA 56.638. The objective of Bank assistance has been to support local communities to enhance their livelihoods by strengthening their capacities, creating an enabling environment to increase their production and marketing, promoting knowledge management, governance and leadership at community level. Two of these projects have already been completed. Most recently the Mozambican government approved a rural development strategy which aims at supporting development of a country-tailored methodology to establish rural finance, local development agencies, community entrepreneurs, as well as increase outreach and policy dialogue. The Bank's current interventions in this sector, the Rural Finance Intermediation Project and the Artisanal Fisheries Development Project as well as Women Entrepreneurship and Skill Development Project, fall within the framework of this strategy.

CHOICE PROJECT 5

Rural Finance Intermediation

Support Project

PROJECT NAME

Rural Finance Intermediation Support Project

APPROVAL DATE

November 2003

PROJECT AMOUNT

UA 18.64 Million (US\$ 28.90 Million)

SOURCES OF FINANCE

ADF loan: UA 11.52 Million
(US\$ 17.86 Million)

ADF grant: UA 3.84 Million
(US\$ 5.95 Million)

FINANCIAL INSTITUTIONS

UA 0.63 Million (US\$ 0.98 Million)

GoM: UA 2.65 Million (US\$ 4.11 Million)

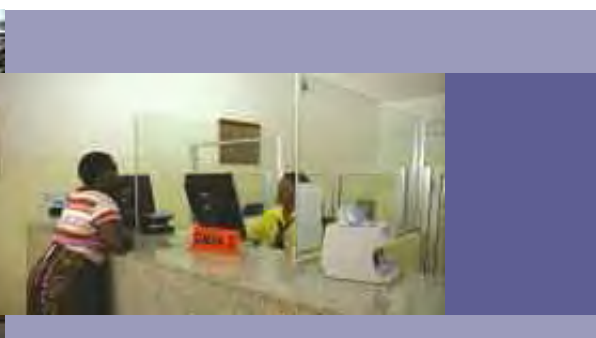
STATUS

Ongoing

The main objective of the Rural Finance Intermediation Support project is to improve the access of rural households to sustainable rural financial services all over the country. It comprises capacity building and institutional deve-

in the local market funded by an NGO which is supporting locally-based organizations to establish small and medium size development projects, including small-scale credit to farmers' groups of 15 to 25 people. This organization benefited from a US\$ 60.000 matching grant and US\$ 90.000 loan, under the project. The Malanga Microbank has become the most important bank along the Maputo Corridor, an area that connects Maputo to South Africa. This is one of the largest business areas in southern Mozambique. The Malanga Microbank now has nearly 3000 clients after two years of activity.

Project beneficiaries – The direct beneficiaries of the project are the rural finance operators, namely microfinance institutions, community based associations (ASCs), rural finance associations, banks and private operators. Considering that this project aims at expanding financial services to rural areas, the project, through rural finance operators, will create a large number of indirect beneficiaries, in particular women. Under current operators that have received funds from the project, the Malanga Microbank in the District of Moamba had at the time 1790 clients, while Tchuma in Manica province had 2400, Women Development Fund in Gaza and Inhambane provinces had 2160 (all of them women), Hlu-vuku in Maputo province has 2700, Progresso in Cabo Delgado with 500 clients and So-cremo in Maputo, Sofala and Manica provinces had 600 clients. Except for the FDM,



lopment, support to outreach expansion, a line of credit, and program management.

Major achievements – 2000 women are developing small-scale projects, that is, selling farm products, small business operations and selling retail products from wholesalers

the average women's participation in those schemes is around 40%. After the Community Based Microfinance Institutions (ASCAS) and Rural Finance Associations (RFAs) component have been established it is expected that their services will reach a large number of direct beneficiaries.

BENEFICIARIES' TESTIMONIES

Rural development

Micro Bank Malanga



“Moamba was for a while without a bank. To make a bank transaction, the people had to go to Rossano Garcia; then we opened the Micro Bank Malanga (MBM). The MBM is the first bank to be funded by the government’s Fund for Support to Rural Economic Development (FARE). The MBM does not work directly with the AfDB. It works with FARE, whose funds come from the AfDB.” Glória do Rosário – Micro Bank Malanga Executive Director.

The Association of Regadio of Block 1 in Moamba – Association beneficiary of the Micro Bank Malanga



“I was financed through the micro-credit from Bank Malanga. The bank is headquartered here in Moamba. Being close, they come to see our activities before financing. Before you come to the Machamba, you have nothing. This means that first we work for our subsistence, and then when we think we are self-sufficient in food production, we sell the rest of the production to others; from that we get the income. Let's say the earnings are good. It means that a person can build his house, a house of cement; can improve the diet at home, since we do not just eat corn; we also eat rice and other things. Things that we do not produce here, but with the income we can

buy them; such as, clothes for children. We can also send our children for higher education through the income that we get from the Machamba. I think the situation has improved after the implementation of the project. But this year we had a small problem because of the rain. With the end of the rainy season, we think that by May we will be harvesting this year's tomatoes, so life will go back to normal. I do not know much about the African Development Bank. I only know that it finances development projects in the Republic of Mozambique, such as the project that funds the Micro Bank Malanga, from which we benefit.” Joshua Siteo – President of the Association of Regadio of Block 1 in Moamba.





AfDB in Mozambique: Human

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Development

Overview of Human Development in Mozambique

Mozambique is rated low on the Human Development Index, ranking 172nd. However, the human development trend has been very positive over the last years, supported among others factors, by a rapid expansion of the education sector. The country expects to meet some of the Millennium Development Goals, namely those on the reduction of child and maternal mortality. The mortality rate among children under the age of five dropped from 219 to 178 per 1,000 live births. The infant mortality rate dropped from 147 to 124 per 1,000 live births. The maternal mortality ratio decreased from an estimated 1,000 maternal deaths per 100,000 live births in the 90's to 408 per 100,000 live births in 2003. In spite of these improvements, targets related to communicable diseases and gender equality remain more elusive. Poverty in the households led by men declined by 18% between 1996/97 and 2002/03, while it declined

by only 4% in households led by women. One of the issues of great concern for the Mozambican economy is the high rate of HIV/AIDS prevalence. The latest estimates indicate that 16 percent of the population aged 15-49 is sero-positive.

The Bank Group has intervened in three human development sub-sectors, namely; health, education and social protection. Support to education encompasses activities at the levels of primary, secondary, vocational as well as tertiary education. Health activities have focused on activities that strengthen primary health care systems. Social protection interventions have aimed at supporting safety nets to assist vulnerable groups. Finally, cross-cutting issues such as gender and participation have been and remain critical issues not only in Mozambique's human development interventions, but across all aspects of the portfolio. The two main sub-sectors of Bank Group intervention in human development have been education and health.

Education Projects

Mozambique has made substantial progress in improving access to primary education. Between 1992 and 2004, the number of pupils in the primary system tripled from approximately 1.3 million to over 3.8 million. The number of students in the secondary system increased from around 45,000 to 245,000. However, factors that affect education outcomes have only marginally improved or even worsened, including: the quality of teachers, the number of students per teacher, drop-out rates, transition and completion rates, and the incidence of double and triple shifting. Challenges to the sector are reflected in the fact that there is an average of 1 teacher for 74 pupils in the lower levels of primary education. AfDB Group assistance to the government's agenda was first provided within the context of the ten-year Action Plan for Education (1990-2000), with emphasis on primary teachers training and basic education in deprived rural areas. Later the government formulated its broad goals into a comprehensive Education Sector Strategic Program (ESSP), and the Education and Culture Sector Strategic Plan (PEEC) which defines the objectives, activities and resource requirements for the sector during the periods of 1999-2003 and 2006-2010/1, respectively. The PEEC maintains the commitment to Universal Primary Education (UPE) which was also the focus in the ESSP I. In addition, it places greater emphasis on quality and on post-primary education expansion. The AfDB has, since 1989, approved and supported the implementation of four education projects in Mozambique amounting to UA 49.287, approximately US\$70.97 million. The construction and rehabilitation of infrastructure have been the main drivers of AfDB project implementation in the education sector. Additional activities include specialized technical assistance, training and capacity building.

In Mozambique the success of primary education has put secondary education under high pressure. Enrollments in ES1 (low secondary level) have tripled since 2002; the 2005/2006 year-on-year increase was 25%. ES2 (upper secondary level) enrollment has almost quadrupled since 2002

and increased by 30% in 2006 over the preceding year. Priority requirements in lower secondary education, as well as technical and vocational education, and inadequacies in educational management are critical to the improvement of the overall efficiency of the education system.



CHOICE PROJECT 6

The Education III project

– Basic Education Improvement

PROJECT NAME

The Education III Project-Basic Education Improvement

APPROVAL DATE

July, 1998

PROJECT AMOUNT

UA 13.9 Million (US\$ 21.55 Million)

SOURCES OF FINANCE

ADF loan: UA 10.69 Million
(US\$ 16.57 Million)

TAF grant: UA 1.63 Million
(US\$ 2.53 Million)

GoM: UA 1.58 Million (US\$ 2.45 Million)

STATUS

Ongoing

The Education III project, which is ongoing, was approved in 1998. The objective of this project on Basic Education Improvement is to contribute to increased access to and improved quality of basic education, especially in deprived rural areas in Maputo, Inhambane,

Manica, Sofala and Cabo Delgado. The main focus is on:

- Lower Secondary Education: Interventions under this component comprised the construction of two secondary schools at Caia and Espungabera in Sofala and Manica Provinces, supply of furniture, equipment, textbooks and a vehicle. The secondary school at Caia is in full operation with a total of 1187 students in three shifts (morning, afternoon and night).
- Primary Teacher Training: Construction and equipment of two IMAPS (Primary Teacher Training Centre) with a capacity of 210 students in Cabo Delgado and Inhambane Provinces. Both the IMAPs of Vilankulo and Pemba have been in operation since the 2005 academic year. The AfDB is also financing the renovation of IMAP-Vilankulo which was damaged by a storm in February 2007.
- Distance Education: Construction, furniture and equipment of the IAP headquarters (Institute for Teacher Improvement) in Marracuene, (including the seven staff houses) and alterations to 7 Provincial Education Units.



Institution	Male	Female	Total	Year
IMAP Vilanculo				
	134	102	236	2007
	138	142	280	2006
	72	63	135	2005
IMAP Pemba				
	191	86	277	2007

Major achievements of the project – Both the IMAPs of Vilankulo and Pemba have been in operation since the 2005 academic year. The AfDB also financed the renovation of IMAP-Vilankulos which was damaged by a storm in February 2007. The project provided much-needed boarding facilities for students and accommodation for teaching staff, in line

with the Ministry of Education and Culture requirements. Regional imbalances in coverage and disparities in access constitute the basis for the choice of the location of these IMAPs. The delivery of distance education, currently being developed on a wider scale aimed at improving the performance of school teachers, are also benefiting from the spread of the teacher training institutions as the supervision is undertaken by the placed IMAPs teachers. Thus, the focus of the projects in Teacher Training facilities to cope with the growing number of schools will, in the medium and long terms, improve the quality of education and reduce regional imbalances in access to basic quality education, especially in rural areas.

BENEFICIARIES' TESTIMONIES

Education

The Directorate of Planning and Cooperation of the Ministry of Education and Culture



“The Matola Teachers Training Institute was built in the 90s with funding from the African Development Bank and the government of Mozambique. In general there is a shortage of teachers for primary education. The lack of teachers has led to the construction of this training institute that has been producing some of the necessary teachers who are currently teaching in various schools across the country. The AfDB is an African financial institution, this country is African; therefore, the AfDB is a partner of the government of Mozambique in the implementation of development projects.” Caetano Alberto José - Project Coordinator in the Directorate of Planning and Cooperation of the Ministry of Education and Culture.



Matola Teachers Training Institute



“This school (Matola Teachers Training Institute) began operating in 1997/1998, as a product of a financing from the African Development Bank Group provided to the Mozambican government. I left the direct teaching of children to prepare teachers on how to teach children. We did not have an institute that trained teachers at this level before this funding. The institute was an added value to the city of Matola and the province, as a whole, because we had no facilities such as this one for teacher training.” Feliciano Mahalambe – Matola Teachers Training Institute Director.

Health Projects

About 30% of the Mozambican population does not have access to health services and only 50% has access to an acceptable level of health care. HIV/AIDS, malaria, diarrhea, respiratory infections and tuberculosis are among the top contributors to the country's disease burden. The country is estimated to have more than a 1.6 million persons infected with HIV and a prevalence rate of at least 14.5% in people over the age of 15 years. The lack of human resource capacity has been defined as one of the greatest barriers to overall health sector delivery. Mozambique has one of the lowest health worker densities in Africa, with less than 0.3 health workers per 1000 population. The challenges facing the health sector in Mozambique are enormous.

In addressing these challenges the Ministry of Health has established three priorities: 1) the development of human resource capacity; 2) improvement of health care infrastructure; and 3) increased community engagement and expansion of training and deployment of community health workers. The AfDB has supported government efforts through projects aimed at improving the general health status of the population, increasing access to health care facilities and basic health-care services. The Bank commenced its interventions in the health sector in Mozambique in 1991 and has so far approved a study and two projects including a grant of UA 17.780 million, equivalent to US\$ 28 million.



CHOICE PROJECT 7

Health II Project

PROJECT NAME

Health II Project

APPROVAL DATE

December, 2000

PROJECT AMOUNT

UA 10.69 Million (US\$ 16.57 Million)

SOURCES OF FINANCE

ADF loan: UA 9 Million (US\$ 13.95 Million)
TAF grant: UA 0.600 Million (US\$ 0.93 Million)
GoM: UA 1.09 Million (US\$ 1.69 Million)

STATUS

Ongoing

The objective of the Health II project is to enhance access to health care and improve quality of care for rural communities in Niassa, Nampula and Cabo Delgado provinces, through improved primary health-care infrastructure, support to the human resources development programme, control of infectious diseases (e.g. malaria and HIV/AIDS). The project comprises the following components: i) Improved Primary Health Care Delivery; ii) Institutional Development (Human Resources Development and Management Capacity Building); iii) Control of Infectious Diseases (Malaria & HIV/AIDS); and iv) Project Management. **Major achievements** – Metarica Health Center is operational since 2006, providing health benefits to poor rural communities in Niassa Province.

Resources to strengthen the government's capacity to combat the spread of malaria have

been provided. The Nacala General Hospital, under construction in Nampula Province, as well as the Palma Health Center in Cabo Delgado Province will contribute significantly to improve access to and quality of health services in one of the country's most populated regions. Planning capacities at the community level will be increased with the construction of the Cuamba and Mocímboa da Praia Training Centers in Niassa and Cabo Delgado Provinces, respectively.

Project beneficiaries – Workshops to strengthen the managerial and administrative capacities of health ministry staff, both at

the district and central levels, training courses in local training institutions of the northern region, namely “Centro de Formação de Lichinga, Centro de Formação de Pemba, and Instituto de Ciências de Saúde de Nampula benefited approximately 300 health workers. During the construction phase of the Nacala General Hospital, locally-based companies supplied materials, including locally-produced cement. Individuals, including women set up income-generating activities and provided stones for the construction of the hospital. About 400 workers are providing services, with some being locally contracted and trained”.





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Testimony by the **Minister**
for **Planning and Development**
and **AfDB Governor**
for **Mozambique**

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Aiuba Cuereineia

Mozambique joined the African Development Bank in June 1976, and has, since 1977, been benefiting from the institution's loans and grants. To date, the institution has approved 74 projects with most of them in the agricultural sector which continues to receive the largest share of funding, with 36% of the total funding, followed by public infrastructure with 25%.

Mozambique is the 5th largest recipient of AfDB funds, absorbing about 4.8% of the total Bank's Group portfolio, as well as one-third of the institution's allocation to Southern Africa. The current portfolio is consistent with the pil-

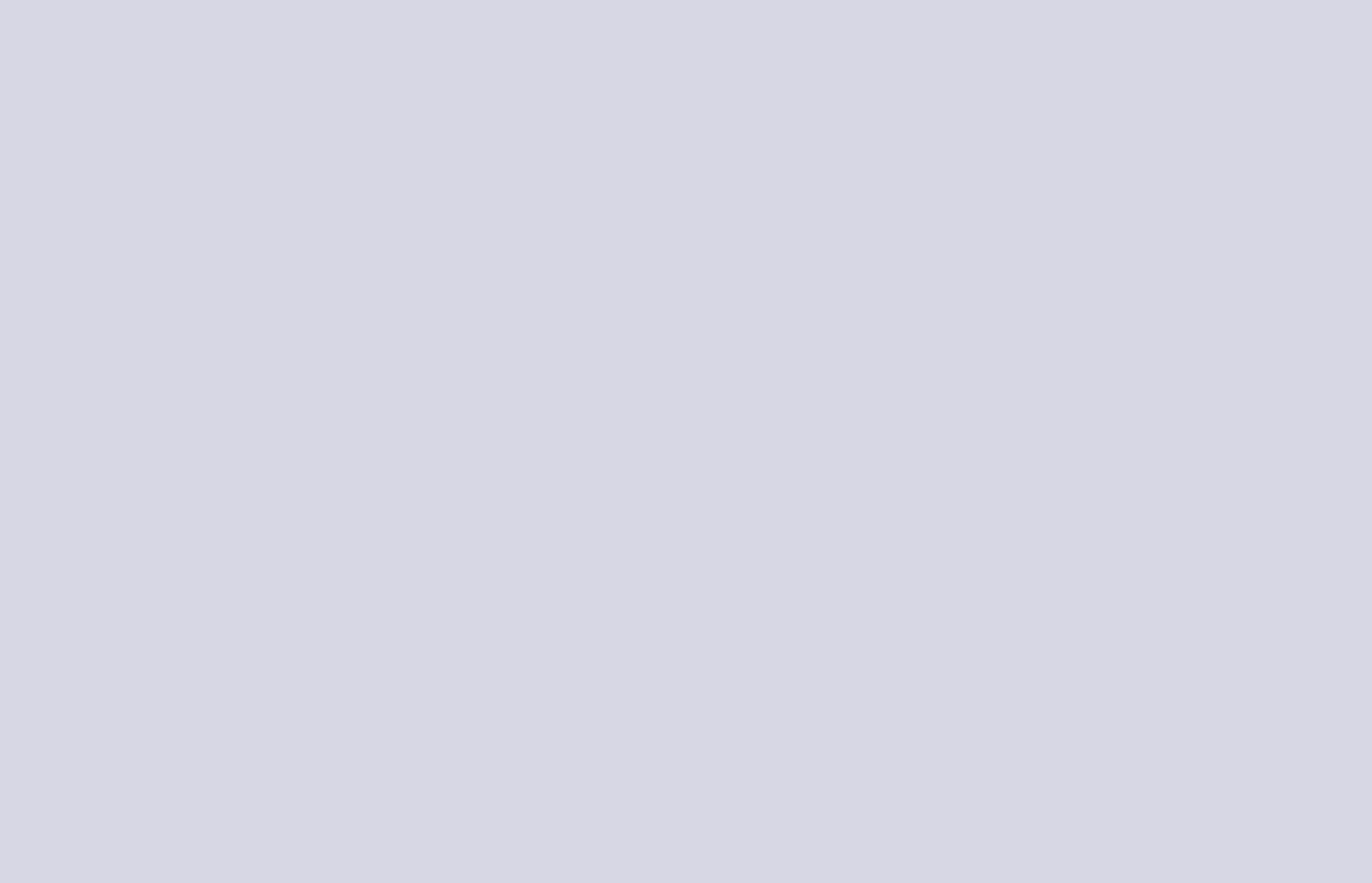
lars of the 2005-2009 Plan of Action for Absolute Poverty Reduction (PARPA II), and therefore, consistent with the objectives of the government's Five Year Program.

The AfDB is one of the country's most important economic and social development partners. That is why we feel much honored by hosting, in Maputo, the most important meeting of this Mozambique's economic and social development partner. This will help to consolidate our ties with the institution; create opportunities for business people to interact with their pairs, and project of the country's image in the international arena.

The Meetings of the Boards of Governors of the AfDB, which bring together the Ministers of Planning, Finance and Economy, Governors of Central Banks, business people and AfDB senior management are always unique due to the nature and scope of discussions held and decisions taken during the event, as well as the opportunities they offer participants to establish contacts.

Aiuba Cuereineia
Minister for Planning and Development
& AfDB Governor for Mozambique





AfDB Field Office in Mozambique



The African Development Bank Regional Office in Maputo (MZFO), inaugurated in February 2006, was established to strengthen dialogue between the Bank and the concerned governments, development partners, the private sector, and the civil society, in the design of its development policy and programs, as well as on the implementation, monitoring and evaluation of the poverty reduction strategy. The office also seeks to assist the operational functions of the Bank Group in portfolio management in five other countries of the region namely: South Africa, Namibia, Botswana, Swaziland, and Lesotho.

The major functions of the office fall under the following key areas: country programming, improved portfolio management, policy dialogue, facilitation of procurement and disbursement, capacity building, promotion of regional integration, and enhanced coordination and harmonization with development partners.

With the opening of the regional office the Bank has been able to participate in donor coordination efforts on the ground. It joined the G-19 and is contributing in many joint donor activities, such as in the sectoral Working Groups and the PAP framework that coordinates the budget support. The Bank holds the chair position in the Transport Sector Working Group since 2007 and actively participates in several other sector working groups.

MZFO is also making a significant contribution aimed at improving portfolio management and the quality. In 2006, it contributed to accelerate the fulfillment of conditions for Mozambique's Budget Support Operation in record time. In 2007, the office processed 80% of the portfolio's disbursements. In addition, MZFO staff provide strong technical support to teams managing Bank Group operations, and directly manage economic and sector work operations.

The 43rd Annual Meeting of the Board of Governors of the African Development Bank and the 34th Annual Meeting of the Board of Governors of the African Development Fund will take place in Maputo from May 14-15 2008. The holding of the meeting in Mozambique reflects the good relationship between the country and the Bank.

*Alice Hamer
AfDB Resident Representative
in Mozambique*

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