Statement by Girmai Abraham  
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**Mozambique: Country Assistance Strategy**

At the outset, and on behalf of my Mozambican authorities, let me express my profound thanks to all donors and creditors for their commendable efforts in assisting Mozambique in forging ahead with its reform program. My authorities are also appreciative of the sizable assistance received from numerous donors in the wake of the recent floods. The proposed CAS is in line with the Government’s development strategy and objectives articulated in the Five-year Program for 2000-2004. It builds on the successes achieved and lessons learnt from the previous CAS. It has been prepared in close collaboration with the Government and after a rigorous and extensive consultative process with of stakeholders and development partners. Except for some minor issues, the Government does not feel that there are any serious differences between it and the Bank.

Poverty reduction is the centerpiece of the proposed CAS and draws much on the Government’s Action Plan for the Reduction of Absolute Poverty (PARPA), which will be developed into a full-fledged PRSP. We also commend the joint preparation of this CAS by IDA and IFC as it aims at harnessing the synergies among the Bank Group activities for enabling the country to persevere in its development efforts.

The document describes with great clarity the achievements made under the previous CAS, particularly with respect to macro-economic stability, privatization, financial sector reform, trade and price liberalization, portfolio management and reduction in the incidence of poverty. The Government is, however, cognizant of the fact that it has started from a low base and that the unfinished agenda remains large. Capacity limitations continue to pose serious constraints on the absorptive capacity of the country while more needs to be done in the social, infrastructure and the legal sectors. HIV/AIDS constitutes a major threat to the country's development while more work is needed in the area of empowering local communities and involving them in the decision-making process. Increasing economic opportunities through
private sector development and employment-creating activities are also among the Government's top priorities.

The IFC and MIGA’s involvement has been quite impressive in recent years. IFC’s portfolio in Mozambique is one of the largest in Sub-Saharan Africa, thanks to its investment in the Mozal Aluminum Smelter, the IFC’s largest single investment worldwide. MIGA’s participation in the same project has also been sizable. IFC is also active in other areas, especially in the financial sector, SMEs and tourism. It is my authorities’ expectation that both will continue to keep the momentum of their involvement.

Rural development, particularly agriculture, is crucial for poverty reduction, since poverty is predominantly a rural phenomenon in Mozambique. It is, therefore, the Government's strategy to devote most of the available resources to rural roads, agricultural extension services, disseminating market information to farmers, establishing appropriate land tenure regulations and extending special support for female farmers. The IDA/IFC assistance proposed in paragraph 48 of the CAS document fits well in the country's overall development strategy in this area.

HIV/AIDS is the largest single threat to Mozambique's development. Through the National Strategic Plan for 2000-2002 for Fighting STDs/HIV/AIDS, the Government is determined to check the spread of these diseases. Preventative methods and care are the focus of the plan. While my authorities appreciate the Bank's continuous assistance in combating these diseases in collaboration with other relevant partners, they expect IDA’s proactive role to continue.

Given its geographical location and resource endowments, Mozambique has an important role to play in the region. Hence, great importance is attached to the regional context. Already, the Government is engaged in a number of projects that can benefit the region, such as energy generation and the transport corridors. The country is also taking steps to join the trade blocs in the region. The importance of Bank support to enable the country to obtain maximum benefits from regional arrangements and investments cannot be over-emphasized.

One of the serious problems confronting Mozambique is that of the external debt burden. While a significant step was taken under the original HIPC Debt Initiative to bring the country's debt service capacity to sustainable levels, the outcome of that exercise was not sufficient to achieve the desired objective. Some improvement is expected under the Enhanced HIPC Initiative. However, given the low starting level of the development process in Mozambique and the devastating floods of last February/March, and if the country is to persevere in addressing the many formidable development and poverty reduction challenges with which it is confronted, debt forgiveness and a faster completion point under the Enhanced HIPC Initiative will need to be seriously considered. My authorities attach special importance to this issue. It is their hope that the Bank will lead the way in this respect. Every dollar saved is valuable for providing basic needs to the 80 percent of the population who are poor.

In conclusion, my authorities would like to assure all its development partners of its strong commitment to, and ownership of its development and poverty reduction programs as articulated in its Five-year Program. On their and my own behalf, I would like to commend the
staff for their close cooperation with my authorities in the preparation of this CAS. We also hope to see strong support for the country's development program from the donor community at the forthcoming Consultative Group Meeting.