Board Meeting of Thursday, December 18, 1997  
Statement by Surendra Singh  

**Mozambique: Country Assistance Strategy**

We welcome the presentation of the country assistance strategy for Mozambique. The document is comprehensive, well balanced and informative. The overall achievements recorded by Mozambique are indeed noteworthy. Economic growth has been around 6 percent and exports have grown at 30 percent. The government has brought inflation under control and it is now in single digit figures. Equally impressive are the financial sector reforms and the privatization program. It is also noteworthy that expenditure and outlays for the social sectors have increased, while defense outlays have come down sharply. All these efforts will need to be further strengthened, but they would undoubtedly have laid a strong foundation for future development.

There are of course many challenges that lie ahead. One of the principal issues that will need to be addressed relates to capacity building. The document highlights very clearly the national gaps in this regard. To my mind, this issue would appear to be central to our engagement with this country. Without this, the sustainability for development and growth would be severely limited. I am therefore encouraged to see that the Bank has fully recognized this, and has built upon this concern in the proposed strategy.

Another area of concern is the issue of governance. The document rightly points out that weak public sector institutions have the potential of becoming a constraints on economic development by hampering the government’s ability to provide adequate services. In this regard, it is important for the government to ensure that it remains committed to addressing these issues. It is therefore extremely encouraging to see the various steps already initiated by the government. The Bank should be ready and prepared to provide any support in the regard.

On the question of portfolio performance, we note that considerable improvement has been achieved, based on close joint monitoring exercises. It is however a matter of concern that even though the relationship between the Bank and the government has improved, some differences remain between the two on policy issues. We must very clearly recognize that unless the government fully owns and commits itself to a policy framework, its effort are likely to be lukewarm. It therefore becomes incumbent upon the Bank to persuasively demonstrate to the
government the need and relevance of any policy reform which it would like to see. But while doing so, the Bank will need to assess the ground situation realistically and, if necessary, be prepared to wait for the appropriate opportunity to push a particular effort forward. Poor timing will run the risk of failure.

We are particularly pleased to see the shift of focus to the rural area. Agriculture accounts for 32 percent of Mozambique’s GDP, employs 70 percent of the labor force, and accounts for 80 percent of exports. Considering the largely agro-based nature of the economy, our assistance should continue to give due importance to strengthening this otherwise very vulnerable sector.

Overall, we support the proposed strategy for Mozambique, and fully endorse its objectives and goals.