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Statement by Andrei Bugrov

Mozambique - Country Assistance Strategy

1. Since the last CAS discussion Mozambique has achieved remarkable progress in its macroeconomics stabilization and the transition to a market economy. These achievements, combined with impressive strides to peace and democracy, have translated into an economic recovery characterized by the rapid growth of GDP and export.

2. Notwithstanding the commendable economic performance over the recent years, Mozambique remains among the poorest countries in the world. Its social indicators are worse than the Sub-Saharan African averages. Its considerable economic potential, which includes arable land, forests, minerals, water resources, etc. remains relatively untapped. Thus, the development challenges facing Mozambique are still enormous.

3. We are in a broad agreement with the Bank's analysis of the economic situation and the assessment of the problems facing Mozambique. However, we would like to underscore three challenges which, in our view, deserve more focused attention:

- Local capacity building. As a result of Mozambique's dramatic history, human resource constraints and institutional capacity constraints are extremely pressing and will remain so for quite a while.
- Development of the domestic private sector. Growth which is led by foreign private sector can not be sustainable either in economic or in socio-political terms.
- Drought and flood mitigation. Mozambique's exports and growth are highly vulnerable to adverse weather conditions. The poor in rural areas are particularly vulnerable.

4. We are pleased to note that the working relationship between the Bank and the Government has improved. We also appreciate very candid discussion on the remaining areas of disagreements and tensions. The importance of further strengthening of the Bank/Government partnership and mutual understanding for the successful implementation of the agreed CAS agenda cannot be overstated.

5. It is also important to create a stronger partnership with civil society, including NGOs. The CAS describes various Bank activities in this respect. However, the recent events and a letter from the *Mozambican Debt Group* to the Executive Directors indicate that more work is needed on this front.

6. We endorse the proposed CAS for Mozambique and its strategic priorities. We support the suggested Bank approach to lending and non-lending assistance. In particular, we welcome the intention to extend IDA investments beyond urban areas and especially into the center and the north of the country where the majority of the poor live.