

PARIS CLUB

Mozambique needs \$2 bn in foreign funds to keep peace process on the road

MOZAMBIQUE IS ASKING FOR ADDITIONAL AID OF CLOSE TO \$2 BILLION DURING TWO MEETINGS WITH DONORS IN PARIS AND ROME THIS MONTH. THE FIGURES WERE COMPILED WITH UN ASSISTANCE.

According to a World Bank report released in Maputo, the Mozambican economy needs foreign funding in 1993 of \$1,198m if it is to continue with the economic and social recovery programme (PRES), according to the World Bank report for the Paris Club meeting.

Maputo is seeking \$195,442m dollars in pledges for emergency food and other assistance to be channelled to the productive sector in the 1993/4 financial year. It says that with the exception of "a few isolated incidents", an effective ceasefire has been maintained throughout the country.

The aid will also meet the costs of preparing and conducting the country's first multi-party elections scheduled for next October.

The first meeting was with the Paris Club, under the auspices of the IMF, with a follow-up meeting, under the auspices of the Italian government in Rome, scheduled for December 15 and 16. This meeting brings together the 12 EC countries, the Scandinavian nations, the US, Japan, Canada, the UN and other international bodies.

Around \$500m will be required for emergency assistance within the national reconstruction programme for the period from April next year and May 1994.

An additional \$194,942m will be required to revamp agriculture, water supply, health, roads, education, and institutional support.

Part of the money will be used to repatriate thousands of Mozambican refugees.

The Paris meeting also reviewed Mozambique's economic reform programme launched in 1987.

Mozambique was also given this month the third installment of a three-year, \$140m loan by the IMF for its economic reform programme.

Fund officials have already credited Maputo with "reversing economic decline and ... improving key areas of economic management".

After growth of 2.7% in 1991, the

economy is projected to contract by 1.4% this year due to continued fighting and the drought. Food shortages had contributed to a hike in the inflation rate to an estimated 50%.

The government estimates that some 3,557,000 tonnes of emergency food aid are needed to feed 3,681,000 starving out of Mozambique's estimated 15.6 million people.

Others in need of drought relief include those displaced by the fighting and some half a million in rebel held areas and an additional 300,000 refugees in neighbouring states due for repatriation by next May.

The World Bank estimates that the Mozambican armed forces contain between 85,000 and 116,000 men, while Renamo forces number 15,000 to 21,000.

Since the new armed forces are to be just 30,000 strong, this would mean that between 70,000 and 107,000 troops must be demobilised.

Numbers given by the former belligerents themselves to the ceasefire commission are rather different.

Renamo said it would be sending 21,000 men to assembly points, but the government gave a figure of only 61,638.

The costs of demobilisation are estimated at \$11.1m to \$14.3m for the food, infrastructures and administration costs of the assembly points, and a further

\$41.5-\$58.9m for demobilisation pay, transporting the demobilised troops to their home areas, and administering this part of the programme.

The report puts the costs of next year's general elections at between \$40 and \$80m.

Support for resettlement of displaced people and refugees will need donor finance of up to \$87m.

The World Bank report takes a fundamentally optimistic view of the impact of structural adjustment on the Mozambican economy, despite poor growth rates since 1990.

In the first three years of structural adjustment (1987-1989), gross domestic product grew at an average annual rate of 5.4%, easily outstripping population growth.

But from 1990 to 1992, the bank estimates the average annual growth rate at 0.8%.

It attributes the decline to the continued war, the 1991/92 drought, and reduced foreign support: if drought had not devastated this year's harvests there would have been 5% growth in GDP.

The decline in foreign support refers to the very sharp cuts in assistance from Eastern Europe, and a decline in import support funds, which the Bank blames on the government's difficulty in satisfying donor requests concerning the way some of these funds are used. MRB