

Chapter 5.

Resources

5.1 Donor conference and response

The International Reconstruction Conference held in Rome on May 3-4, 2000 was the key mechanism for raising funds for Mozambique's post-flood recovery. The appeal document and CD-ROM produced for that meeting had strong government ownership, with additional support provided by UNDP and the World Bank. UNDP played a key role in facilitating the conference (Simkin 2000).

The total reconstruction program appeal was for US\$449.5 million, and subsequent pledges totaled US\$456.48 million (Table 5.1). By August 2001, US\$437.15 million had been committed by agreements and US\$323.69 million had been disbursed or was under execution (72 percent of the total appeal amount).

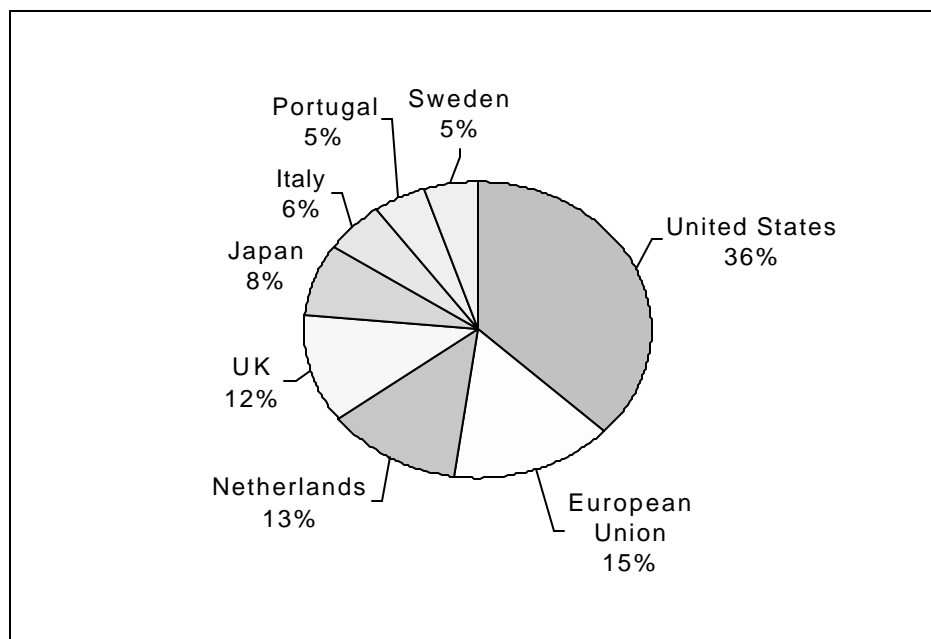
Table 5.1: Donors' response to the 2000 flood appeal as of August 28, 2001 (US\$ million)

	(US\$ million)	% of Appeal Amount
Appeal Amount	449.5	
Pledged in Rome	437.9	97
Confirmed post Rome	456.48	101
Committed by agreement	437.15	97
Disbursed or under execution	323.69	72

Excluding World Bank and Spanish government loans totaling US\$45 million

Figure 5.1 shows the proportional contributions of the major donors. The evolution of donor responses is given in Annex C.

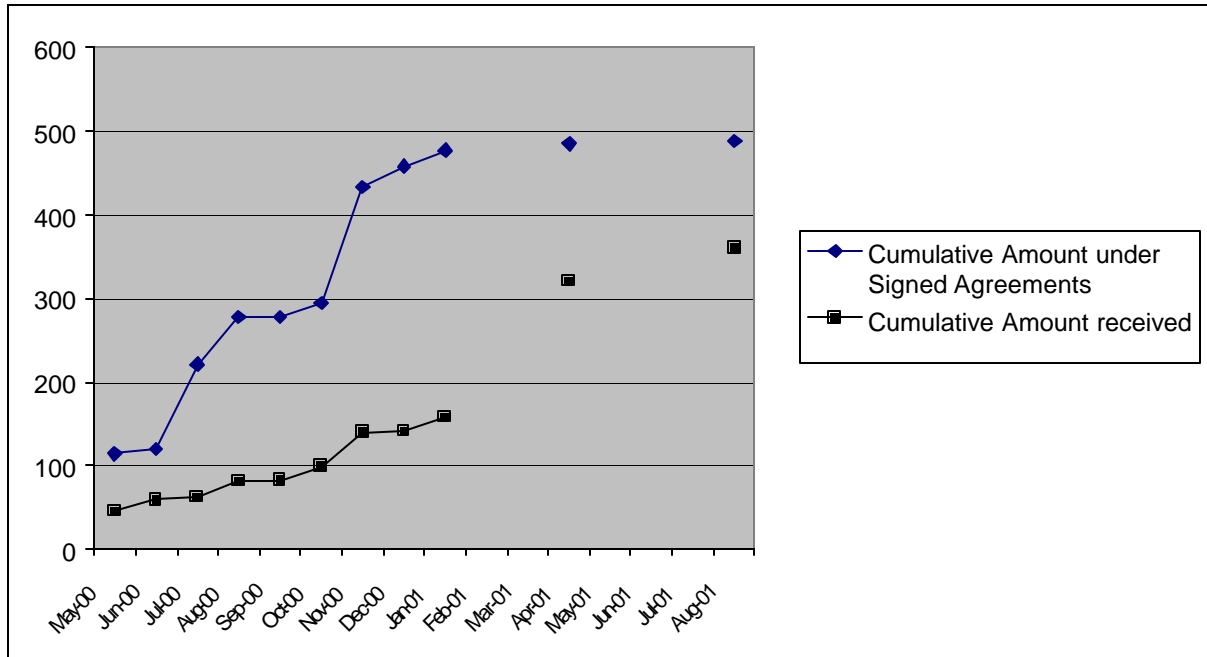
Figure 5.1: Proportion of donor commitments to 2000 appeal as of August 28, 2001



There were a number of reasons for the extraordinarily high level of donor response:

- The pre-existing level of donor support and commitment to Mozambique⁴
- Some carry-over of impact from the very high level of international media coverage for the floods
- The importance of organizing the conference as soon as possible after the disaster to benefit from the sympathy for Mozambique's plight
- The quality and credibility of the appeal document
- Follow-up to the conference: The government quickly signed legally binding agreements with the donors to firm up their pledges.

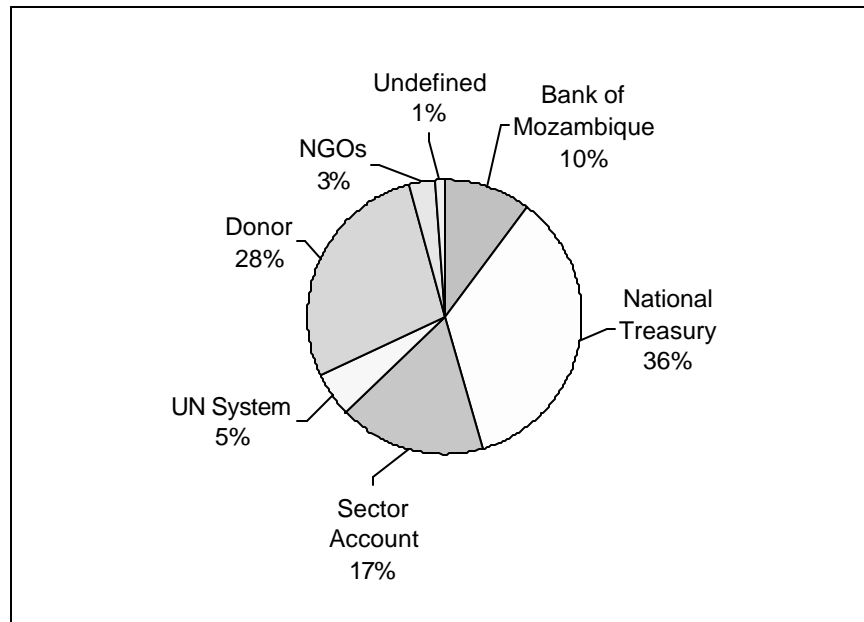
Figure 5.2: Reconstruction funds under signed agreements and amounts received (US\$ million)



In the appeal, the government stressed its commitment to maintain macroeconomic stability. Recovery expenditure was included in an additional government budget, separate from the main budget, to avoid imbalances with ongoing programs. The government aimed to make the impact of recovery income and expenditure on the national budget neutral. Both the government and UNDP advised donors to fund through existing government channels in order to strengthen national systems of accountability, transparency, and scrutiny. Figures for December 2000 show that about two thirds of funds were channeled through the Bank of Mozambique or the Treasury (see figure 5.3) (GoM/UNDP 2000b).

⁴ In their support to development programs, donors tend to focus on one or two provinces. This means that response to disasters "out of area" can present them with a dilemma as to whether to respond or not. However, in general this has not been a major issue.

Figure 5.3: Channels of reconstruction funds amount (US\$ million) as of December 2000



Human resources for recovery were not raised as a significant issue during this review. However, it seems likely that recovery efforts have exacerbated Mozambique's structural shortages of skilled personnel, particularly in government when international agencies and the burgeoning private sector are paying.

5.2 Balance of payments and debt relief

The total losses to the Mozambican economy from the 2000 floods were estimated at US\$600 million, of which direct losses amounted to US\$273 million and the balance to reduced production (US\$247 million), reduced exports (US\$48 million) and increased imports (US\$31 million). The consumer price index showed a rise of 9.7 percent in prices between January and March 2000. The GDP growth rate was 2.1 percent in 2000 compared with 8 percent in 1999. Inflation for 2000 was 11.4 percent against a government target of 10 percent, the highest in four years. There was a 66 percent increase in the cost of petroleum derivatives imports from 1999 from US\$72.5 million to US\$120.5 million (BoM 2000; GoM 2000f).⁵

The negative economic impacts of the floods were offset by the positive response to the government's reconstruction appeal and the first earnings from the MOZAL factory (BoM 2000). In 2001 the economy started to recover, reflected by a GDP growth of 13.9 percent attributed to agricultural production, post flood reconstruction, and MOZAL exports (BoM 2001).

The impact of the 2001 floods on economic growth was not expected to be significant (GoM 2001d), and the Bank of Mozambique noted that the economic impact of the 2000 and 2001 disasters was not seen as a major economic factor in the medium term (GoM 2001c).

Government policy throughout both years of floods was to maintain a stable macroeconomic framework and as much as possible to avoid recovery expenditure adversely affecting rates of inflation and levels of state

⁵ Arising from relief flights, increases in the price of crude oil plus more consumption for cars.

savings (GoM 2001d). This policy was as successful as might be expected, given the inherent weaknesses of the economy on the one hand and the levels of additional external support on the other.

The World Bank issued a Flood Emergency Recovery Project (FERP) loan of US\$30 million after the 2000 floods to help Mozambique maintain macroeconomic stability by supporting a higher level of imports necessary for relief and reconstruction activities (WB 2000d). Under this loan agreement, approved April 20, 2000, arrangements for procurement and disbursement were streamlined. Part of the loan could be set retrospectively against emergency purchases, and the normal World Bank rule that limited expenditure up to 50 percent on any one item was waived. In fact, the loan was used for the importation of petroleum products.⁶

According to the project evaluation, the loan achieved its main objective of helping to stabilize the economy after the floods. Although the impact of the FERP on inflation cannot be fully disaggregated, it seems likely that it had a positive signaling effect on exchange rates. The World Bank's comprehensive damage and needs assessment of the likely macroeconomic impact of the 2000 flood, which was made rapidly after the flood event, helped to set the agenda for the Rome donor conference, lent added credibility to the government's appeal for support, and probably acted as a catalyst for other multilateral and bilateral agencies, leveraging other funds (WB 2002).

In April 2000 the World Bank approved accelerated debt relief worth US\$10 million to cover 100 percent of IDA debt interest over the next 12 months. Under the existing HIPC process US\$120 million was shifted from debt service to social sectors during 2000. These funds were not limited to flood-affected areas (UNICEF 2000d).

5.3 Sectoral responses

Although the overall scale of donor support for recovery was good, the spread across sectors appears to have been uneven, partly reflecting the donors' own priorities (Table 5.2). Productive sectors, agriculture, and education have been well subscribed, while health and social welfare, repairs of public buildings, and preparedness, early warning, and capacity building have been less well funded. For example, the National Meteorology Institute (Instituto Nacional de Meteorologia or INAM) has struggled to get funds for areas such as the replacement and reactivation of river and rain gauges and the development of a storm radar system (IFRC 2002). Elements of the capacity building program for the INGC have been greatly delayed and had still yet to commence in November 2002.

Table 5.2: Funding by sector for 2000 post-flood reconstruction as of May 30, 2001 (US\$ million)

	Appeal	Confirmed in Rome	Disbursed	% Disbursed against Appeal
Education	36.0	35.2	12.4	34
Health & Social Welfare	54.3	16.1	6.9	13
Social Sector - total	90.3	51.3	19.4	21
Infrastructure - total	213.8	255.3	65.5	31
Agriculture	58.9	62.5	37.0	63
Productive Sectors - total	123.6	152.9	103.0	83
Vulnerability Reduction	21.9	11.3	4.3	20

⁶ The preparation of this loan benefited from World Bank experience of responses to Hurricane Mitch in Honduras, floods and earthquakes in Turkey, and the 1998 flood in Bangladesh.

The 2000 appeal included an element of US\$77.7 million for the rehabilitation of the private sector, which was the first time that such an element had been supported by donors in an emergency appeal for Mozambique (GoM 2000f; UNGA SG 6/02).

5.4 Corruption

Issues of corruption and organized crime have been increasingly noted as concerns in Mozambique (Gastrow; Hanlon). The assassination of Carlos Cardoso, a widely respected independent journalist in November 2000 who had been investigating a major banking scandal, brought these issues sharply into focus (UNRC 2001a). The 2001 annual donor consultative group meeting expressed concern about corruption and the slow pace of legal and judicial reform (SIDA 2001b).

However, there do not appear to have been any major diversions of reconstruction funds, and generally donors were satisfied with the use of the funds (IRIN 7/9/01). For example, a water rehabilitation project funded by the Netherlands government that involved 66 contracts and covered US\$20 million with Mozambican companies received a clean audit and value for money report, with the work being speedily completed.

Figure 5.4: Allocations of reconstruction appeal to sectors, 2000

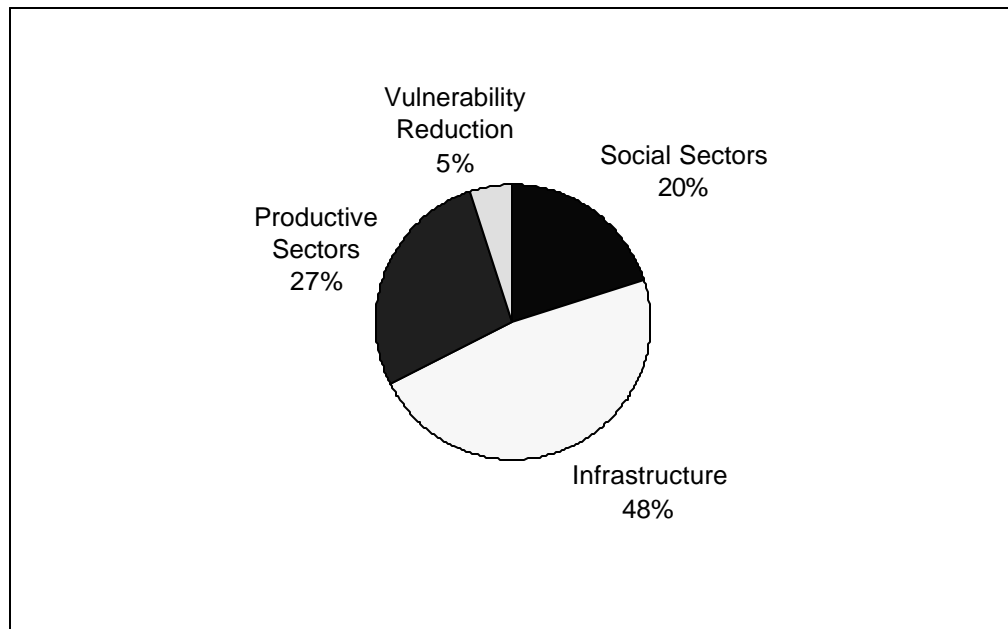


Table 5.3: Commitments of donor funds by sector as of May 3, 2001

	Total
Education	36
Health and Social Action	54.3
Sub-Total: Social Sectors	90.3
Water and sanitation	27.1
State buildings and equipment	26.6
Roads and Bridges	58.8
Railways, aviation and communications	60.3
Mineral resources and energy	16.4
Support for population resettlement	24.5
Sub-Total: Infrastructure	213.8
Agriculture	59
Livestock	4.4
Fisheries	22.1
Industry	12
Trade	19
Tourism	7.1
Sub-Total: Productive Sectors	123.6
Meteorology	7.1
Environment	5.3
Demining	7
Strengthening disaster management ca	2.4
Sub-Total: Vulnerability Reduction	21.9
GRAND TOTAL	449.5