

## Republic of Mozambique

### Chairman's Summing Up

#### Poverty Reduction Strategy and Joint Staff Advisory Note

Meeting of the Board of Executive Directors of IDA

December 19, 2006

The Executive Directors considered the second Poverty Reduction Strategy paper (PRSP) prepared by the Government of the Republic of Mozambique, and the Joint IDA-IMF Staff Advisory Note. They commended the preparation of the second PRSP, noting the Government's extensive domestic consultation, and the involvement of donors and civil society. These steps were expected to support the effective implementation and monitoring of the PRSP.

Directors commended the progress in achieving a broad range of reforms, and also noted the impressive economic performance and reduction in poverty. However, several Directors also observed that poverty levels remained high, and there was a need for more equitable growth and commensurate improvements in the social indicators. While noting that Mozambique is on track in meeting the key MDGs, many Directors urged continued attention in the areas of education and health, including transmittable diseases such as HIV/AIDS.

Directors expressed support for maintaining and consolidating macroeconomic stability, and accelerating the second generation of reforms to facilitate sustained broad-based growth. They also stressed the importance of further improving fiscal transparency and public financial management including increasing tax revenue and mobilizing domestic resources. Additionally, many Directors noted the need to strengthen the link between the PRSP targets and the budget.

Directors broadly supported the three pillars of the PRSP – economic development, human capital, and governance. They highlighted the priority areas, including focusing on the key drivers of the economy, developing and implementing a strategy to improve the investment climate, improving infrastructure, and modernizing the judicial system. Directors welcomed the emphasis on reforming public institutions and improving governance, and stressed the need to strengthen implementation capacity. Some Directors also welcomed the Government's willingness to strengthen the transparency of natural resources management according to the principles of the Extractive Industries Transparency Initiative. Many Directors called for more attention to rural development, including measures to increase agricultural productivity and access to markets.

While welcoming the significant progress in donor harmonization, many Directors urged all parties to accelerate the aligning of donor assistance with the PRSP objectives, improving the division of labor, making greater use of national systems and procedures, and providing predictable donor financing.

Finally, Directors looked forward to the forthcoming Country Partnership Strategy, and encouraged the Bank to continue working with the Government and other partners in its preparation.