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Republic of Mozambique: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

November 12, 2007

The following item is a Letter of Intent of the government of Republic of Mozambique, which describes the policies that Republic of Mozambique intends to implement in the context of its request for a policy support instrument from the IMF. The document, which is the property of Republic of Mozambique, is being made available on the IMF website by agreement with the member as a service to users of the [IMF](#) website.

Maputo, Mozambique
November 12, 2007

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Mr. Strauss-Kahn:

1. The Government of Mozambique is implementing a financial and economic program with support from the Fund through its Policy Support Instrument (PSI). We recently held discussions with the Fund staff on the first review of the new program approved by the Executive Board of the Fund on June 18, 2007. On behalf of the Government, we hereby transmit the attached Memorandum of Economic and Financial Policies (MEFP), which reviews recent economic developments, progress in the implementation of our 2007 objectives and policies, and sets out the policies that are consistent with our *Plano de Acção para a Redução da Pobreza Absoluta II* (PARPA II) and that the Government intends to pursue covering the period 2007-2010. The attached technical memorandum of understanding (TMU) defines the terms and conditions of the program.
2. Implementation of the 2007 program has been satisfactory through September 2007, with all but one of the quantitative assessment criteria (AC) for end-June 2007 and all structural assessment criteria through end-September 2007 observed. The end-June AC for base money was missed by a narrow margin because of an unanticipated increase in money demand. Because of the permanent nature of this increase, the government requests the modification of the related AC for end-December 2007. All structural benchmarks through September 2007 were met with the exception of the one related to the memorandum of understanding between the Ministry of Finance and the Bank of Mozambique for the shifting of the cost of managing monetary policy which will be agreed before end of November 2007. In light of the progress achieved in the implementation of our program, the Government of Mozambique requests a waiver for the non-observance of the quantitative AC on base money and the completion of the first review under the PSI.
3. The resources released as part of the MDRI have been incorporated in the execution of the 2007 budget and included in the medium-term fiscal framework (CFMP) to be spent on poverty-reducing priority expenditures identified in the PARPA II.
4. Looking ahead, the policies set out in the MEFP continue to aim to consolidate macroeconomic stability and sustain strong broad-based growth through a second wave of reforms in order to achieve the Millennium Development Goals (MDGs). The ACs for end-December 2007 for the second review (expected to be completed by end-June 2008) remain unchanged, except for the one on base money, set out in Tables 1 and 3 of the

MEFP. Our PSI supported program also proposes ACs for end-June 2008 for the third review, which is expected to be completed by December 2008.

5. The Government of Mozambique intends to accept its obligations under Article VIII, Sections 2, 3, and 4, of the Fund's Articles of Agreement following the approval of the new foreign exchange law which was submitted to the Assembly in September 2007, and issuance of related regulations. The government remains committed to a flexible exchange rate regime.

6. The Government of Mozambique will provide the Fund with such information as the Fund may request in connection with the progress made in implementing the economic and financial policies and achieving the objectives of the program.

7. The Government of Mozambique believes that the policies set forth in the MEFP are adequate to achieve the objectives of our PSI program; it will take additional measures to that end if deemed necessary. During the implementation of the program, the Government of Mozambique will consult with the Managing Director on the adoption of these measures and in advance of revisions to the policies contained in the PSI, at the initiative of the Government or whenever the Managing Director requests such a consultation.

Sincerely yours,

/ s /
Manuel Chang
Minister of Finance

/ s /
Ernesto Gouveia Gove
Governor
Bank of Mozambique

Attachments: Memorandum of Economic and Financial Policies
Technical Memorandum of Understanding

Attachment I

Memorandum of Economic and Financial Policies of the Government of Mozambique for the First Review of the PSI Supported-Program (June 2007–June 2010)

November 12, 2007

1. The Government of Mozambique is committed to continuing to consolidate macroeconomic stability and to achieve sustained economic growth and poverty reduction through the pursuit of prudent macroeconomic policies and a second wave of structural reforms. The strategy to achieve these goals is set out in the *Plano de Acção Para a Redução da Pobreza Absoluta II* (PARPA II) for which a Joint Staff Advisory Note was approved by the Boards of the International Monetary Fund (IMF) and World Bank (WB) in December 2006. The current Government's economic program is supported by the IMF with a three-year Policy Support Instrument (PSI) approved on June 18, 2007. This Memorandum of Economic and Financial Policies (MEFP) reviews the performance under the PSI program through September 2007 and describes the policies and targets for the rest of 2007 and for 2008.

I. RECENT PERFORMANCE AND POLICY AGENDA FOR THE REMAINDER OF 2007 UNDER THE PSI-SUPPORTED PROGRAM

2. In 2007 economic performance has remained strong so far, despite exogenous shocks. Economic growth remains robust and is expected to reach the program target of 7 percent for the year as a whole. Thanks to prudent fiscal and monetary policies inflation is expected to remain in the single digits, albeit somewhat higher than programmed, on account of food and international oil prices. Despite a marked deceleration in traditional exports net international reserves (NIR) are expected to remain at a comfortable level and exceed the program target at end 2007 mainly on account of an increase in net capital inflows.

3. In response to the floods along the Zambezi River and the cyclone Favio that affected Mozambique in early 2007, the council of Ministers endorsed in July the findings of an assessment for the national food security and nutrition situation in May 2007 prepared by the Vulnerability Assessment committee (VAC) of the Technical Secretariat for Food Security and Nutrition (SETSAN). According to the study 520,000 people are highly food insecure and need humanitarian assistance until March 2008. An additional 140,000 people are at risk of food insecurity and will need assistance from October 2007 to March 2008. The government, with the financial assistance of the donor community, is assisting the affected population and enterprises with their basic needs and reconstruction of damaged infrastructure. However, in the event that donor-financing is inadequate to cover the reconstruction plan, the Government may consider using the program adjustor to accommodate emergency fiscal outlays (up to a maximum of about MT500 million).

4. The Bank of Mozambique (BM) has stepped up its efforts to strengthen monetary and exchange rate policy and operations. The exchange rate showed greater flexibility but

remained relatively stable following the removal in June 2007 of the temporary band on the interbank foreign exchange market (MCI) introduced in November 2005. The spread between the different foreign exchange markets has narrowed to about one percent and the real effective exchange rate has remained stable.

5. The fiscal position at end-June and end-September 2007 was better than programmed and fiscal targets for end 2007 are well within reach. This notwithstanding the administrative cost related to the forthcoming elections that were included in a supplementary budget that was approved by Parliament in October 2007. Tax collections were slightly higher than targeted through end-September 2007 led by the buoyancy in corporate and income taxes (including collection of tax arrears). Domestic current and capital expenditures were as programmed, but the share of priority expenditures were slightly below 65 percent PARPA target due to delays in disbursement of donor-financed projects, which is expected to pick up towards the end of the year. Net credit to the government (NCG) at end-June (assessment criteria) remained negative and within the upward adjusted target taking into account lower than projected foreign aid due to a delayed disbursement by one donor.

6. A number of administrative measures have been implemented to increase tax collection and widening the tax base, including (i) an increase of registered tax payers by 138,472 at end-September exceeding the objective of 100,000 by end-December 2007; (ii) an increase of tax audits of large tax payers, including mega projects, in line with the 2007 target of 675 audits; (iii) a simplification of tax declaration forms; (iv) intensification of fiscal education and communication campaigns at central and provincial levels; and (v) a reduction in average time to release imported goods at the border to a maximum of two hours. In addition, the Information Technology Master Plan (PDTI) for 2007-2010 was approved by Government in June and a business case (BC) for a revenue collection network, that electronically consolidates all classified revenues and links them to e-SISTAFE (e-Tributação) has been developed and awaits the approval of financing from the development partners by end-January 2008. A study on operationalizing an "electronic one-stop-window" through an integrated IT system in which both customs and tax IT systems are incorporated will be finalized by end 2007.

7. In the area of tax policy a number of draft laws were submitted to Parliament: (i) on the Municipal Finances and Property; (ii) on the Inheritance and Donations; (iii) amendments to the personal and corporate tax income laws (IRPS and IRPC); and (iv) amendments to the VAT law. The proposed changes in the VAT law grant a limited exemption on public works as a transitory solution but the government remains committed to the full taxation of services related to public works and will seek to gradually reduce the deduction from the tax base and eliminate the limited exemption in due course. Following the approval of the new mining and petroleum fiscal regime laws in June 2007, model contracts for the mining and petroleum sectors were approved in June and September 2007 respectively (structural assessment criteria). A draft law updating excises taxes on alcoholic beverages, beer and tobacco will be submitted to the Council of Ministers by end-December 2007 and submitted to Parliament by end-February 2008 (structural assessment criteria).

8. Public Financial Management (PFM) reforms are progressing well.
- An integrated and e-SISTAFE compatible payroll database was developed in June following the completion of the civil services census (structural benchmark). The validation of the database by the Administrative Tribunal (TA) is now expected for early 2008. However, the salary payments via e-SISTAFE will start in early 2008 (end-April benchmark) while the validation process continues. The institutional responsibilities for keeping the payroll system updated will be decided by the authorities before end-December 2007.
 - Ahead of schedule, e-SISTAFE has been successfully rolled out in September to all remaining ministries at the central and provincial levels (structural benchmark for end-December). The roll out of e-SISTAFE to 27 districts originally envisaged for October will now be initiated on January 1, 2008 to coincide with the new fiscal year. The progressive roll-out of e-SISTAFE to State organs at the central level will start in 2008.
 - Phase II of the budget formulation module has been developed and successfully implemented for the preparation of the 2008 budget.
 - In close coordination with the ATM and Treasury Directorate, a fully articulated BC was approved in July 2007 by the Government to implement a revenue collection network (RCN) with which all government revenues collection will be automated and classified before being transferred to the Treasury Single Account (CUT).
 - The module for a multi-currency CUT has been finalized (structural benchmark for September 2007) and the pilot case with UTRAFE external funds has been initiated for salary payments and allowances. In order to maximize the benefits from e-SISTAFE the government encourages donors to rapidly put all their projects on-CUT.
 - A tender for the implementation of the asset management system and procurement interface to e-SISTAFE will be launched by December 2007, pending financing from the international community.
 - Well ahead of schedule, the direct budget execution of e-SISTAFE has drastically improved from 5 percent in 2006 to more than 80 percent in 2007 (structural assessment criteria for end-December 2007).
9. Monetary policy has remained prudent. At end-June, NCG remained negative and within the upward adjusted target (assessment criteria), and net international reserves exceeded the floor by US\$69 million (assessment criteria). In June 2007 the BM lifted all remaining bands in the foreign exchange markets. Since then, both interest rates on government securities and the exchange rate are market determined. Credit growth to the economy has remained strong and has almost doubled in the last three years, albeit starting from a low base. Base money at end-June (assessment criteria) and end-September was higher than programmed because of a structural increase in money demand. In June, the BM issued new regulations for repo operations and a new facility was added to the main money market instrument system (Metical net), allowing the BM

to perform reverse repo auctions. An initial stock of treasury bills for repo operations of about 1.75 billion meticaís was issued in July. The BM has started using reverse repo auctions in July 2007 to mop up aggregate liquidity excess. Monetary policy transparency and credibility were enhanced with the approval and electronic dissemination of a long-term monetary policy strategy document and the creation in June 2007 of a new Monetary Policy Committee whose meeting communiqués are published. In order to strengthen the balance sheet of the BM, securities in an amount of MT 1.5 billion were issued to BM in June 2007 as envisaged in the program. An agreement between the BM and the treasury to shift the cost of monetary policy to the budget to enhance the BM's independence will be finalized before end-November 2007 (an end-September 2007 structural benchmark).

10. Prudential ratios of the banking system have continued to improve. Bank profitability remains high. Nonperforming loans (NPL) have fallen to less than 5 percent of all loans. By end-December 2007, the BM will complete an assessment of the impact of IFRS on banks' nonperforming loans and on prudential regulations. Banks are also becoming more efficient with non-interest expenses to gross income and to a lesser extent personal expenses to non-interest expenses declining since 2004. Greater confidence in the banking system and regulatory measures introduced in May 2005 requiring the provision of 50 percent of their foreign currency-denominated loans to non-exporters have led to a significant decrease in liability dollarization and thus less financial vulnerability.

11. The BM has continued to strengthen the regulatory and supervisory framework in order to comply with Basel I principles. In March 2007, the BM issued a set of regulations related to International Financial Reporting System (IFRS) implementation in the financial sector, including risk management, maximum limit exposures, consolidated supervision, capital ratios, and connected lending. Banks with non-bank holdings are now required to publish consolidated accounts using IFRS by October 31, 2007, and all banks by January 2008. To strengthen risk-based banking supervision the banking supervision department is reviewing the Inspection Manual with the assistance of IMF technical assistance. Furthermore, the positions of "Chief Inspector" responsible for a group of financial institutions were created in the banking supervision department (BSD). In the context of the implementation of the Anti-Money Laundering Law, the Government created a financial intelligence unit in June 2007.

12. Progress was also made to increase access to finance, in particular for rural financing. In order to promote the physical presence of banks in rural districts and direct bank lending to the agriculture and rural sector, the authorities have launched a package of initiatives targeted to reduce the operational costs of providing banking services in rural areas through infrastructure improvements, and by relaxing reserve requirements in rural branches so as to include cash in vault. Transport costs related to the constitution of legal reserves and cash in vault for immediate withdrawal have been further minimized with the opening of five BM branches (with due regard to its cost) in selected provinces. Progress was also made in improving the institutional lending environment. In order to accelerate dispute settlement and improve contract enforcement, the Parliament approved in October 2007 a new bankruptcy and insolvency law for banks. Furthermore, the

Parliament also approved a new national payment system law consistent with the SADC payment system initiative. The BM has launched a survey in the banking sector on the rationale of the fees and charges structure.

13. Progress on structural reforms also accelerated, particularly in the areas of the cost of doing business. Several measures helped to improve the investment climate resulting in an improvement of its ranking in the ease of doing business, as assessed in the Doing Business report 2008, by 6 positions to 134th place. The authorization to publish the bylaws of firms electronically approved in early 2007 has helped reduce the time it takes to start a business from 113 to 29 days, while the costs of business registration has decreased by two-thirds and the number of procedures declined from 13 to 10. The Decree on Simplified Licenses for Micro and Small Business will be submitted to the Council of Ministers by end of 2007. The new restructuring plan of PETROMOC will be submitted to the Council of Ministers by end-December 2007 to improve its operational and financial performance.

14. With regard to the Justice sector, several important laws were approved recently, including (i) the Law on Judiciary Organization, which increases the district tribunal competencies bringing the justice system closer to the citizens; and (ii) the Organic Law of the Public Ministry and the Statute of the Magistrate, which improves their organization and functioning and contributes to better access to justice. The draft Integrated Strategic Plan will be submitted to the Council of Ministers before end-December 2007. The Law revising principles and regulation of Institute for the Provision of Judicial Assistance (Instituto de Patrocínio e Assistência Jurídica—IPAJ) will be submitted to the Council of Ministers before end-December 2007.

15. The government intends to strengthen the selection and monitoring of all major investment projects, Public-Private Partnership (PPPs) and concessions with the help of the World Bank, particularly ensuring non-recourse financing clauses to the Government. Importantly, the process leading to the approval by the Council of Ministers of new projects and concessions will be strengthened to ensure that the fiscal regime, the maximization of fiscal revenue, and minimization of fiscal risks are duly taken into account before end-December 2007. The MPD will also develop standards and guidelines, including mandatory cost-benefit analysis for public investment projects and concessions in key sectors. To strengthen the management and transparency of natural resources, the government will issue regulations to the new Mining and Petroleum Fiscal Regime laws by end-December 2007 (structural benchmark for end-February 2008) and start publishing transactions relating to natural resource concessions. A list of megaprojects and concessions together with their related fiscal regime will be published in the budget execution documents starting in March 2008. The Government remains committed to ensuring that any new mineral resource project agreements and Exploitation and Production Concession Contracts (EPCs) in the petroleum sector will adhere to the principles of the new fiscal laws and its proposed regulations. The Moatize coal mine contract has been signed and is broadly in line with the new mining fiscal regime. The model contracts for mining and petroleum will be used in the current round of negotiations of new projects.

16. A number of large infrastructure projects in the pipeline will be carefully managed to maximize the benefits to the economy. For the purchase of shares in Cahora Bassa, an agreement has been reached with a consortium of international banks in October 2007 which includes a non-recourse financing clause (i.e., the financing package does not increase liabilities of the Government to commercial creditors). While strengthening the investment planning capacity of the Ministry of Energy, the Government, with the assistance of its financial advisors, is now in the process of selecting strategic investors for: (i) Temane gas-fired generation project (about 1100 MW); (ii) Moatize coal power project (about 1,500 MW); and (iii) Mphanda Nkuwa hydropower plant (about 1,500 MW). To support these new generation projects, there would be a need to build a major transmission line to distribute the power to the Mozambican market and for export. For all these projects, the Government will ensure, with the help of the World Bank and other partners, that: (i) financing is non-recourse and does not increase central government liabilities; and (ii) maximizes private sector investments through the use of public-private partnerships with any equity stake by the state-owned electricity company (Electricidade de Moçambique, EDM) raised through concessional borrowing or without government guarantees. Aeroportos de Moçambique (ADM) is now seeking to mobilize funds for its Investment Plan, estimated at US\$94 million, including the Modernization of Maputo Airport Infrastructure (about US\$46 million) through only concessional borrowing.

17. In order to improve the trade regime, the government will continue in 2007 Economic Partnership Agreement (EPA) negotiations, with technical advice under the Integrated Framework. The government is also pursuing bilateral free trade arrangements as recommended in the Diagnostic Trade Integration Study (DTIS). The government is continuing its negotiations with Angola, Tanzania, and Zambia in order to reach trade agreements similar to the ones concluded with Zimbabwe and Malawi in 2005.

18. With the financial assistance of the World Bank and the Government of Norway the Government completed the buyback operation for its commercial debt of US\$153 million in October 2007 at the price of 9 cents per dollar. Discussions are ongoing with Russia on mechanisms of 100 percent debt cancellation. The Government recognizes the importance of reaching rescheduling agreements with all bilateral creditors in the context of the enhanced HIPC Initiative. It has made significant progress in the bilateral debt rescheduling with non-Paris club creditors by concluding bilateral negotiations with Hungary and Romania. Negotiations are ongoing with Bulgaria and Libya and are scheduled with Iraq and Portugal. The Government has also invited Angola, Poland and Algeria to negotiate and awaits confirmation of dates. In this regard the Government of Mozambique looks forward to the continuing support of the Bretton Woods institutions.

19. The Government is continuing its efforts to improve the quality of macroeconomic statistics in order to improve policy formulation and the monitoring of economic developments. The National Institute for Statistics (INE) launched in June 2007 a new national accounts framework, including the revision of annual GDP data and quarterly estimates in real term. With regards to monetary statistics, the BM is committed

to aligning the chart of accounts with the Monetary and Financial Statistics Manual, including a breakdown between local and foreign-currency denominated accounts. The BM is also aiming at improving the quality of its external sector statistics, including by improving the coverage of megaprojects with the help of the research department of the MF. The BM also aims at providing timely information to the public on monetary and economic developments through its monthly bulletins. With regards to government finance statistics, significant improvements have been made as a result of the launch of e-SISTAFE. However, the Government understands that further work is needed to expand the institutional and transactional coverage sufficient for compilation of the Funds in accordance with Government Finance Statistics (GFS) manual of 2001.

II. OBJECTIVES AND POLICIES FOR 2008

20. Economic prospects for 2008 and the medium term remain favorable with continued strong economic growth and inflation in single digits, albeit with risks related to natural calamities, a resurgence in international oil prices, and spending pressure during election times. Central to achieving these objectives will be the continuation of a prudent fiscal and monetary policy in the context of a flexible exchange rate regime. The external current account is targeted to widen on account of a scaling up of aid while international reserves will remain at comfortable levels.

21. We are committed to continue to timely implement the second wave of our reforms. Particular emphasis will be on implementing the second phase of the public sector reform program (2006–11) which consists of four pillars: (i) improving service delivery to the citizen and the private sector; (ii) strengthening the capacity of local governments, with special emphasis on the Districts (including the decentralization strategy); (iii) professionalization of the public sector (including payroll systems, performance evaluation and wage policy); and (iv) strengthening good governance systems and the fight against corruption. We continue to be determined to make Mozambique's business environment one of the most competitive in Africa to benefit from Foreign Direct Investment (FDI) and technology spillovers. We will also ensure that our natural resources are managed transparently following the principles of the Extractive Industries Transparency Initiative (EITI) and with due regard to fiscal risk so that future generations reap the maximum benefit of Mozambique's rich endowment. The fight against pandemics, and the improvement of human and physical capital, particularly infrastructure would continue with the help of the international community. The Government intends to continue to monitor its program with the existing multi-disciplinary committee, especially through reinforced coordination between the BM and the MF.

22. The 2008 budget envisages a scaling-up of aid by about 1 percent of GDP mainly due to the appreciation of the euro and an associated increase in priority spending focused towards achieving the PARPA II targets and the Millennium Development Goals (MDGs) including sufficient counterpart funds to ensure a smooth execution of donor-financed projects. There will be no recourse to domestic bank financing. The revenue losses related to trade liberalization (0.4 percent of GDP) is mitigated by bringing a number of off-

budget line items on budget. The increase in domestic revenue by 0.5 percent of GDP is expected to come from improvements in revenue administration, and tax policy measures including revisions to the personal income and corporate income tax codes submitted to Parliament (0.2 percent of GDP), reduction in VAT exemptions (0.1 percent of GDP), collection of tax arrears (0.1 percent of GDP), continued adjustment of fuel taxes, and revision of excises taxes on alcoholic drinks, beer and tobacco (0.1 percent of GDP). The expenditure path is in line with the revised CFMP, which takes into account costs related to forthcoming elections. The share of spending on priority sectors (above 65 percent), particularly education, health, and infrastructure will be closely monitored. The wage bill will reach 7.7 percent of GDP, mainly on account of the hiring of 12,000 teachers, 5,000 health workers, and reinforcement of security forces. The 2008 budget also identifies 0.5 percent of GDP contingent priority expenditures that will be executed if revenues or program aid is higher than expected.

23. The Government will continue to improve the efficiency of the tax system by implementing its medium-term tax policy reform program, with the support of the international community. By end-June 2008, the government will submit to the Council of Ministers tax policy measures defined to streamline and simplify the tax system for small and medium-sized enterprises, and rationalize the code of income tax benefits, particularly related to the agriculture sector (including biofuels), industrial free trade zones and rapid development zones benefiting from Fund technical assistance. The central revenue authority (AT) will continue to improve the management capacity and human resources policies. In collaboration with UTRAFE, AT will implement the approved IT Master Plan (PDTI), including the revenue collection network (e-Tributação) and the single electronic window. Subject to approval by the Partnership Committee a pilot will be implemented with one key tax by September 2008 and will be extended to all other taxes for the 2009 budget. In this context, in the course of 2008 AT will: (i) design and implement a detailed performance indicator framework using a modern management information system to measure performance of the tax administration's core functions and to guide management decisions; (ii) fully develop and implement a tax collection system through banks; (iii) fully develop and implement an electronic filing and payment system starting with the large tax payers; (iv) bring more informal tax payers in the tax net; (v) create new fiscal areas to bring AT closer to the tax payers; and (vi) continue to strengthen the audit function.

24. The findings of the external audit on the amount of arrears on VAT refund due to contractors of large infrastructure projects, particularly in the road and water sectors, will be approved by the Government before end-April 2008. On the basis of this audit a payment schedule will be defined to clear the arrears. Going forward, the government will ensure that VAT charged on supplies of projects be included in the final price of a contract and will establish clear coordination mechanisms between the relevant departments (Budget Directorate, Planning Directorate, line ministries and ATM), so as to avoid contradicting approaches for the resolution of the VAT issue in the future. To facilitate the Government's liquidity management and to reduce administrative burden donors are encouraged to wave VAT exemptions for externally financed projects.

25. A number of specific measures aiming at strengthening public finance management will be implemented in 2008.

- A business case (BC) list of additional district and municipalities for the rollout of e-SISTAFE will be defined by June 2008 (structural benchmark).
- The census of pensioners will take place in April 2008. Based on the new pension database that will be finalized by end-September 2008, pension payments will be made through e-SISTAFE starting in January 2009.
- The concept of program budgeting will be further developed on the basis of the current pilot projects for the road program, Proagri Common Fund, and the primary education program and will be rolled out to cover the entire ministries of public works, agriculture and education and culture. In this context, the reports generated will be improved to allow for a more strategic and systematic use of e-SISTAFE data by March 2008.
- To strengthen the existing control mechanisms of the General Finance Inspection (IGF) for internal control and the Administrative Tribunal (TA) for external control, UTRAFE will facilitate that both institutions can use e-SISTAFE by June 2008 for consulting purposes.

26. On monetary policy, the BM will continue to target base money with a view to achieving its inflation goal of 5-6 percent at end-2008. Base money growth will be limited to 14.5 percent—or higher than nominal GDP growth—to take into account the ongoing financial deepening. In order to enhance the transparency of the Monetary Policy Committee, the BM will publish its regulations before end-December 2007. With the first generation of reforms successfully implemented, the BM will consider the possibility of moving to a monetary framework to better reflect determinants of price stability with the help of Fund technical assistance.

27. The BM will continue to improve liquidity management, and deepen financial markets as part of the Financial Sector Technical Assistance Program (FSTAP). In this context, the MF will improve the preparation of its cash-flow projections and communicate it to the BM in a timely manner. Monetary policy operations will continue to be fine-tuned using repo operations. The deposit auctions will be replaced by reverse repo operations in early 2008. In addition, the BM will gradually be more proactive in the market using repo and reverse repo operations. The Meticalnet will be adapted to allow for outright operations for the secondary market by June 2008 (structural benchmark for June 2008). The BM intends to continue to increasingly use foreign exchange sales to sterilize liquidity and thus avoid a large build-up in domestic debt and crowding-out of the private sector.

28. Based on the results of the FSTAP study, to be completed by mid-2008, the application of IFRS will also be extended to the corporate sector in January 2009 for large companies. A firm that will be selected in early 2008 will help with the introduction of IFRS in the corporate sector. This will improve the ability of the financial system to evaluate the quality of their loan portfolios. In order to buttress its analytical capacity, the BM will strengthen the human resource capacity of its Banking Supervision Department

(BSD) (its regulatory division) for updating the regulatory framework, updating internal tools made available to inspectors, providing training to inspectors, researching issues related to banking supervision, preparing and monitoring of Financial Soundness Indicators (FSIs), and reviewing its supervision manuals. Furthermore, the BSD will review by June 2008 the role assigned to external auditors of banks and issue regulations which give the BM access to audit reports, working papers, contracts and other documents produced by the external auditors and related to the audited institutions. The BSD intends by December 2008 to develop a framework for assessing market and operational risks, review banks' rating system (CAMEL) as a function of the banks' risks, create an information system within the BM intranet for all the managerial information of banks and financial system in the interest of supervisions, and design a plan for on-site inspections on the basis of banks' risk profile.

29. The Government is committed to supporting a sound expansion of the non-bank financial sector. The BM will continue to license and supervise microfinance deposit-taking institutions to facilitate enhanced access to finance by rural households and small-and-medium sized enterprises. Both the FSTAP and the IFAD supported Fundo de Apoio à Reabilitação Económica (FARE) and the Rural Finance Support Program (RFSP) will support the government's efforts to improve access to finance, especially in rural areas. Following the recent adoption of a new law on social protection the authorities intend to strengthen the social security and supplementary pension system. As part of the restructuring of the National Social Security Institute (INSS), an actuarial study will be finalized by early 2008 and an investment strategy taking into account fiscal sustainability will be approved by June 2008. In the meantime, guarantees of minimum benefits will be limited until the full study is carried out. Efforts to strengthen the regulatory and supervisory framework of the insurance sector as well as the institutional capacity of the Inspeção Geral de Seguros (IGS) are under way. The review of the Insurance Law will be finalized to bring it in line with international best practices, revised prudential and solvency requirements for Mozambican insurers are being developed, while new IFRS-compliant Chart of Accounts for insurers would also be designed.

30. Regarding the foreign exchange system, a new foreign exchange law taking into account comments from all stakeholders and the Fund, was submitted to the Assembly in September 2007. Following approval of the new law and implementing regulations, the authorities intend to accept their obligations under Article VIII sections 2, 3, and 4 of the Fund's Articles of Agreement. The recent regulation (Aviso 2/06) pertaining to the current import and export transactions remains suspended and will be replaced by the issuance of a new one in consultation of all stakeholders including the Fund.

31. In the area of public debt management, the MF will in 2008: (i) restructure the Public Debt Unit (PDU) and strengthen procedures and controls with the help of a resident public debt advisor, under the FSTAP project; (ii) consolidate and reconcile the debt database for all public debt with the assistance of the COMSEC; (iii) strengthen information analysis and reporting with the help of an IT consultant under the FSTAP project; (iv) prepare the debt sustainability analysis and design an integrated debt strategy

with support of ASDI; and (v) improve the Treasury cash management policies and procedures. The MF intends also to start to publish debt reports regularly.

32. The Government of Mozambique is keen to accelerate reforms to reduce the costs of doing business to make Mozambique's business environment the most competitive in SADC by 2015. To address this challenge and significantly improve the investment climate in Mozambique, the Ministry of Industry and Commerce has coordinated the development of a strategic action plan to improve the business environment through an inter-ministerial committee. The World Bank will provide comments on the strategy and technical assistance in concert with other donors for advancing the reform agenda. The inter-ministerial committee will monitor the implementation of this plan.

33. In 2008, the following actions are envisaged:

- Reducing the cost of inspections and fines while improving compliance. To that, the decree on unified inspections for business activities will be adopted by the Council of Ministers by March 2008;
- Reducing the licensing burden. To speed up the licensing process, the Ministry of Industry and Trade will transfer the authority to issue licenses to the "One-Stop-Shops" at the provincial level in the first trimester of 2008.
- Simplifying the procedures of closing businesses. Through a new insolvency law for the corporate sector that will be submitted to the Council of Ministers by end March 2008, the Government intends to simplify the business closing process and increase the recovery rate with the objective of helping viable businesses to overcome a short-term cash flow crisis, and insolvent businesses to be rapidly liquidated.
- Facilitating trading across borders. The Government will carry out a review of the import and export procedures, with financial assistance from the international community and will implement the recommendations of that study with the specific aim of reducing documents, signatures and the amount of time required for both importing and exporting; and
- Improving the system for VAT refunds. This would be achieved by (1) identifying regular exporters and audit their refund requests; (2) do the same with providers of public work services to the government; and (3) improve coordination with customs regarding information on actual exports.

34. In 2009, the four key actions envisaged are:

- Consolidate the progress in streamlining and reducing licenses for all sectors;
- Consolidate the progress in facilitating trading across the borders. By end-2009, Mozambique should be one of the most efficient within SADC in the clearance of goods for both imports and exports. This will require reducing the number of documents filled out by at least half;

- Simplification of Tax Filing. Electronic filing of taxes should be provided and forms should be simplified to reduce the time required for tax filing; and
- Property Registration. Amend the relevant legislation to speed up the registration process by improving communication among different government agencies and developing an electronic database for the real estate registry.

35. Aiming at improved overall fiscal risk management and accountability, transparency and revenue forecasting, the MF intends to implement a number of recommendations made by the recent Fund technical assistance. With the help of the international community the MF will buttress the compilation and consolidation of financial data from partial or full state shareholdings in private or public enterprises, State's autonomous institutions, Public-Private Partnerships (PPPs) and other concessions, and mega-projects. This will help improve its reporting through the systematic compilation and publication of an annex to budget execution documents covering quasi-fiscal activities, contingent assets and liabilities, and sensitivity analysis of fiscal risks.

36. Improving transparency remains a priority for the Government. The Government intends to follow the EITI principles with regard to management of natural resources and other megaprojects. On the basis of the EITI scoping study the government will decide whether to formally solicit the views of all stakeholders on the findings of this review and will convene and participate in a seminar in Maputo in 2008 to discuss these findings and build a national consensus around joining the initiative. The Government may thereafter consider becoming a member of the EITI through the public declaration of its intent, formation of a national multi stakeholder EITI working group, and adoption of an implementation work program to collect, verify and publish all significant payments between the government and the natural resource sector.

37. With regard to judicial reforms the revision of Law of the Community Tribunals will be submitted to the Council of Ministers before end-September 2008. The Penal Procedures Code is expected to be submitted with some delay to the Council of Ministers before end-June 2008 pending the authorization by Parliament.

38. The public sector reform program is being reinvigorated, particularly:

- A decentralization strategy is being finalized with the help of the World Bank and other partners and will be approved by the Council of Ministers by end-2008. The strategy will propose, among other things, a clear legal, regulatory, and institutional framework for revenue raising and spending responsibilities and functions of subnational units (provinces, districts, and municipalities) and monitoring of subnational fiscal operations. The sequencing of the strategy will pay due regard to the administrative capacity of subnational units and need to maintain fiscal control as well as fiscal sustainability.

- A preliminary wage policy is being elaborated, by a reference group comprised by the following ministries: Civil Service, Finance, Planning and Development, Education and Culture, Health and Agriculture, with the help of consultants from the World Bank on the on the basis of the recent census of civil servants. This study will be presented to the Council of Ministers and it will include the costing of alternative scenarios duly taking into account fiscal sustainability.
- Public sector accountability will be improved by reinforcement the capacity of the Tribunal Administrativo and the Inspectorate General of Finances, and conducting more internal and external audits.
- The government intends to forcefully implement its public sector reform program and anti-corruption strategy to improve governance. To this effect, a committee is working with the help of the World Bank to define by March 2008 a number of measures that will help improve a number of governance indicators.

IV. PROGRAM MONITORING

39. The semiannual quantitative assessment criteria for end-December 2007 and end-June 2008 and indicative targets for end-March 2008 which will be used to evaluate the implementation of the program for 2007-08 are shown in Table 1 of this memorandum, with further definitions and explanations contained in the annexed Technical Memorandum of Understanding. In addition, the Government has specified in Table 3 a list of structural assessment criteria and benchmarks for 2008.

40. The Government understands that the completion of the second review is contingent upon the observance of the assessment criteria for end-December 2007 set out in Tables 1 and 3; which is expected to take place before end-June 2008. In reviewing developments under the program during the second review, particular attention will be paid to the implementation of measures aimed at broadening the tax base, further developing e-SISTAFE, improve the overall fiscal risk assessment, the 2008 budget execution, monetary and financial sector reform, reducing the cost of doing business, infrastructure financing with due regard to debt sustainability, and improving the fiscal regime and transparency of natural resource exploitation and megaprojects as well as their net contribution.

Table 1. Mozambique: Quantitative Performance/Assessment Criteria and Indicative Targets, 2007-2008 1/
(Millions of MT, unless otherwise specified)

	2007						2008					
	End-June Assessment Criteria			End-Sep. Indicative Target			End-Dec. Assessment Criteria		End-March Indicative Target	End-June Assessment Criteria	End-Sep. Indicative Target	End-Dec. Indicative Target
	Prog.	Adj.	Prel. Act.	Prog.	Adj.	Prel. Act.	Prog.	Rev. Prog.	Prog.	Prog.	Prog.	Prog.
Net credit to the government (cumulative ceiling)	-1,948	-960	-1,332	-1,713	-1,228	-2,831	-1,828	-1,828	-2,000	-1,600	-700	-1,200
Stock of reserve money (ceiling)	14,235	14,535	14,647	14,990	15,174	15,467	16,020	16,904	15,859	17,394	17,747	19,334
Stock of net international reserves of the BM (floor, millions of US\$)	1,283	1,228	1,309	1,341	1,285	1,465	1,300	1,300	1,532	1,552	1,566	1,566
New nonconcessional external debt contracted or guaranteed by the central government or the BM with maturity of one year or more (ceiling)	3	3	0	3	3	0	3	3	5	5	5	5
Stock of short-term external public debt outstanding (ceiling)	0	0	0	0	0	0	0	0	0	0	0	0
External payments arrears (ceiling)	0	0	0	0	0	0	0	0	0	0	0	0
Indicative targets:												
Balance of the government's savings account set up abroad with proceeds from the coal exploration contract (floor, in millions of U.S. dollars)	55	55	55	35	55	55	35	35	35	0	0	0
Government revenue (floor)	14,594	...	15,557	22,711	...	23,058	31,942	32,274	8,367	17,271	26,590	37,773

1/ For definition and adjustors see the attached Program Monitoring Section of Memorandum of Economic and Financial Policies and the Technical Memorandum of Understanding.

Table 2. Mozambique: Structural Assessment Criteria and Benchmarks Under the 2007 Policy Supported Instrument (June 2007–December 2007)

Actions	Expected Date of Implementation	Comments
Structural assessment criteria		
Adoption of the new model contract for mining concessions.	End-June 2007	met
Adoption of the new model contract for the petroleum sector.	End-September 2007	met
The level of effective direct budget execution via e-SISTAFE (according to the sequence of commitment, verification, and payment) for goods and services will be increased to 50 percent.	End-December 2007	met
Structural benchmarks		
An integrated and e-SISTAFE compatible payroll database will be developed—register of the state employees (CAF)—enabling the Ministry of Finance to carry out salary payments via e-SISTAFE.	End-June 2007	met
A limited number of separate foreign currency accounts will be opened within the CUT.	End-September 2007	met
A memorandum of understanding will be agreed between the Ministry of Finance and the Bank of Mozambique, to shift the costs of managing monetary policy to the budget.	End-September 2007	End-November 2007
All budgetary operations for goods and services of Financial Management Departments (DAFs) of all remaining ministries at the central and provincial levels will be executed through the e-SISTAFE.	End-December 2007	met

Table 3. Mozambique: Structural Assessment Criteria and Benchmarks Under the 2007/08 Policy Supported Instrument (December 2007—June 2008)

Actions	Expected Date of Implementation	Comments
Structural assessment criteria		
Submission to Parliament of a draft law on the excise tax on alcoholic beverages, beer, and tobacco.	End-February 2008	
The level of effective direct budget execution via e-SISTAFE (according to the sequence of commitment, verification, and payment) for goods and services will be increased to 50 percent.	End-December 2007	met
Structural benchmarks		
All budgetary operations for goods and services of Financial Management Departments (DAFs) of all remaining ministries at the central and provincial levels will be executed through the e-SISTAFE.	End-December 2007	met
Adoption by the Council of Ministers of regulations for the new mining and petroleum fiscal regime laws.	End-February 2008	
An integrated and e-SISTAFE compatible payroll database will start to be used by the Ministry of Finance to carry out salary payments via e-SISTAFE.	End-April 2008	
A list of additional district and municipalities for the rollout of e-SISTAFE will be defined.	End-June 2008	
The Meticalnet will be adapted to allow for outright operations of treasury bills for the secondary market.	End-June 2008	

Attachment II

Technical Memorandum of Understanding on Selected Concepts, Definitions, and Data Reporting Under Mozambique's Policy Support Instrument Program

November 12, 2007

1. This technical memorandum of understanding (TMU) purpose is to describe the concepts and definitions that will be used in monitoring the Policy Support Instrument (PSI) program, including the following:

- net claims on the central government by the banking system;
- government revenue;
- net international reserves, and reserve money of the Bank of Mozambique;
- new nonconcessional external debt contracted or guaranteed by the central government or the Bank of Mozambique with a maturity of more than one year;
- short-term external public debt outstanding;
- external payments arrears; and
- foreign program assistance and external debt service.

This memorandum also describes the adjusters that will be applied to certain quantitative assessment criteria of the program.

Net Claims on the Central Government by the Banking System

2. **Net claims on the central government (NCG)** by the banking system is defined as the difference between the outstanding amount of bank credits to the central government and the central government's deposits with the banking system, excluding deposits in project accounts with the banking system, recapitalization bonds issued to the Bank of Mozambique and commercial banks, and proceeds from the signing fee for coal exploration. Credits comprise bank loans and advances to the government and holdings of government securities and promissory notes. NCG will be calculated based on data from balance sheets of the monetary authority and commercial banks as per the monetary survey. The limits on the change in net claims on the central government by the banking system will be cumulative beginning end-December 2006 for the 2007 program and end-December 2007 for the 2008 program.

3. The government encompasses all institutions whose revenue and expenditure are included in the state budget (*Orçamento do Estado*): central government ministries, agencies, and the administration of 11 provinces. Although local governments (33 municipalities or *autarquias*) are not included because they are independent, the bulk of their revenue is registered in the state budget as transfers to local governments.

Government revenue and financing

4. Revenue is defined to include all receipts of the Domestic Tax Administration (Administração Tributária de Impostos or DGI), the National Directorate of Customs (Direcção Nacional de Alfândegas, DNA), and nontax revenue, including certain own-generated revenues of districts and some line ministries as defined in the budget. Net receipts from privatization received by the National Directorate of State Assets (Direcção Nacional do Património do Estado) and unrealized profits transferred by the central bank

to the treasury will not be considered as revenue (above the line) and will be accounted for as other domestic financing (below the line).

5. For the purpose of program monitoring, revenue is considered as collected at the time when it is received by the DGI from private agents or other government collecting agencies, in cash or checks, or through transfers into a DGI bank account.

6. An indicative target consisting of semiannual floors on the resources in the government's savings fund abroad has been added to monitor the use of the proceeds from the signing fee for coal exploration.

Money supply

7. **Base money** is defined as the sum of currency issued by Bank of Mozambique (BM) and the commercial banks' deposits in the BM. The commercial bank deposits include the statutory required reserves and excess reserves held at the BM. The base money ceilings for 2007-08 will be the total stock of base money outstanding at end-December 2007, end-March 2008, end-June 2008, end-September 2008 and end-December 2008, and will be monitored by the monetary authority and provided to the IMF by the BM.

Net international reserves

8. **Net international reserves** of the Bank of Mozambique are defined as reserve assets minus reserve liabilities. The Bank of Mozambique's reserve assets include (a) monetary gold; (b) holdings of SDRs; (c) reserve position at the IMF; (d) holdings of foreign exchange; and (e) claims on nonresidents, such as deposits abroad (excluding the government's savings account related to the Moatize coal mine concession). Reserve assets exclude assets pledged or otherwise encumbered, including but not limited to assets used as collateral or guarantee for a third-party external liability (assets not readily available.) The Bank of Mozambique's reserve liabilities include (a) all short-term foreign exchange liabilities to nonresidents with original maturity of up to and including one year; and (b) all liabilities to the IMF.

9. The Bank of Mozambique will publish the exchange rates quoted by commercial banks on average as the market rates.

New nonconcessional external debt contracted or guaranteed by the central government or the Bank of Mozambique with maturity of more than one year

10. The term "debt" will have the meaning set forth in Point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted on August 24, 2000. Government debt is outstanding debt owed or guaranteed by the central government or the Bank of Mozambique (but does not include debt of any political subdivision or government-owned entity with a separate legal personality that is not otherwise owed or guaranteed by the central government).

11. The central government will limit contracting or guaranteeing external debt up to US\$3 million in 2007 and US\$5 million in 2008 with original maturity of one year or more with a grant element of less than 35 percent, calculated using currency-specific discount rates based on the Organization for Economic Cooperation and Development

(OECD) commercial interest reference rates in accordance with the Budget Laws of 2007 and 2008. This assessment criterion applies not only to debt as defined in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted on August 24, 2000, but also to commitments contracted or guaranteed for which value has not been received. This assessment criterion will be assessed on a continuous basis.

Stock of short-term external public debt outstanding

12. The central government will not contract or guarantee external debt with original maturity of less than one year. This assessment criterion applies not only to debt as defined in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted on August 24, 2000, but also to commitments contracted or guaranteed for which value has not been received. Excluded from this assessment criterion are short-term, import-related trade credits. This assessment criterion will be assessed on a continuous basis.

External payments arrears

13. The government undertakes not to incur payments arrears on external debt owed or guaranteed by the central government, with the exception of external payments arrears arising from government debt that is being renegotiated with creditors, including Paris Club creditors. This assessment criterion will be assessed on a continuous basis.

Foreign program assistance

14. Foreign program assistance is defined as grants and loans received by the Ministry of Finance through Bank of Mozambique accounts excluding those related to projects (Table 1).

Actual external debt-service payments

15. Actual external debt-service payments are defined as cash payments on external debt-service obligations of the government and central bank, including obligations to Paris Club and other bilateral creditors rescheduled under enhanced HIPC Initiative completion point terms, multilateral creditors, and private creditors, but excluding obligations to the IMF (Table 1).

Adjusters

16. The quantitative targets (floors) for the central bank's net international reserves will not be adjusted for any excess in disbursements of foreign program assistance (and any shortfall in external debt service), compared to the program baseline. These targets will be adjusted downward by 100 percent of any shortfall in external program aid (up to a maximum of US\$50 million) and any excess in external debt service payments, compared to the program baseline (Table 1). The quantitative targets (floors) for the central bank's net international reserves will be adjusted downward/upward for any revision made to the end-year figures corresponding to the previous year. They will also be adjusted upward for the full amount of any external privatization proceeds in excess of those envisaged in the program, unless these proceeds are deposited in the government's savings account abroad. If they are deposited abroad, the indicative targets on the balance

in this account will be adjusted upward for the full amount of the higher than envisaged proceeds, net of any costs related to the privatizations, including severance payments. The quantitative targets (floors) for the central bank's net international reserves will be adjusted equivalently downward up to a maximum of US\$50 million per annum by the amount that the projected fuel import bill is higher due to a rise in the average global oil price (average petroleum spot price of West Texas Intermediate, U.K. Brent, and Dubai Fateh crude). This adjustment will be equal to the difference between the realized and the projected average global oil price, multiplied by the volume of total fuel imports projected for each quarter (Table 2).

17. The quantitative targets (ceilings) for net claims on the central government (NCG) will not be adjusted for any excess in disbursements of foreign program assistance (and any shortfall in external debt service), compared to the program baseline. These targets will be adjusted upward by 100 percent of any shortfall in external program aid (up to a maximum of US\$50 million) and any excess in external debt service payments, compared to the program baseline (Table 1). These targets will also be adjusted downward for the full amount of any privatization proceeds in excess of those envisaged in the program, unless these proceeds are deposited in the government's savings account abroad. The quantitative targets (ceilings) for NCG will be adjusted downward (upward) for any increase (decrease) in domestic financing from the non-financial private sector. The government expenditures contingent on higher disbursements of foreign program assistance (and lower external debt service) will be used to finance greater "priority" spending identified in the budget.

18. The quantitative target (ceiling) for net claims on the central government (NCG) for end-December 2007, end-March 2008, end-June 2008, end-September 2008, and end-December 2008 will be adjusted upward (and the floors on net international reserves adjusted downward) to accommodate the possible need for higher locally financed government outlays to deal with natural disasters, up to a total limit of MT 500 million.

19. The base money ceiling will be adjusted equivalently upward up to a maximum of MT 500 million at end-December 2007, end-March 2008, end-June 2008, end-September 2008, and end-December 2008 to the extent that the outstanding stock of currency issued by the BM exceeds those projected in Table 3.

Data reporting

20. In addition to providing the monthly and quarterly data needed to monitor program implementation in relation to the programs' quantitative targets and broader economic developments, the authorities will provide weekly updates of the daily data set out in Table 3 as well as the weekly data set out in Table 4 of the TMU dated May 26, 2005. Monthly updates will also be provided of the foreign exchange cash flow of the Bank of Mozambique.

21. The government will continue to provide Fund staff with the data corresponding to monthly government revenues (in detail according to the fiscal table), with a lag not exceeding one month. In addition, the government will continue to publish and provide Fund staff with the quarterly budget execution reports with a time lag not exceeding 45 days.

22. In addition, the government will provide monthly information on the balance of its savings account abroad and will start developing and providing information on domestic arrears on a quarterly basis.

23. From December 2005 onwards, the monetary survey made available by the Bank of Mozambique will clearly identify donor-financed project deposits (with a breakdown between foreign and domestic currency) included in net credit to the government in both the central bank's and commercial banks' balance sheets.

Table 1 Mozambique: Foreign Program Assistance and External Debt Service for 2007 and 2008
(In millions of MTn; unless otherwise indicated)

	2007	2008				
	Prog.	Q1 Prog.	Q2 Prog.	Q3 Prog.	Q4 Prog.	Year Prog.
Foreign program assistance	10179.5	4877.7	2672.5	1530.9	2550.1	11631.3
Program grants	7518.6	3926.8	2672.5	1513.8	872.1	8985.2
Program loans	2660.9	950.9	0.0	17.1	1678.0	2646.0
External debt service	-502.4	-126.8	-136.9	-129.7	-135.6	-529.0

Source: Mozambican authorities; and Fund staff estimates.

Table 2: Projected fuel import bill 2007-08

	2007	2008			
	Prog. End-Dec.	End-Mar.	End-Jun.	End-Sept.	End-Dec.
Fuel Import Bill	81.3	94.5	123.9	146.0	89.5
Forecast Oil price (US\$ per barrel)	63.5	76.5	75.3	74.5	73.8
Volume of fuel imports (in metric tons)	122,416	123,673	163,757	199,386	120,686

Sources: Mozambican authorities and Fund staff projections

Table 3: Currency issued by the BM

	2007	2008			
	End-December Rev. Prog.	End-March Prog.	End-June Prog.	End- Prog.	End- Prog.
Currency issued by BM	10,133	8,924	10,310	10,358	11,486

Source: Mozambican authorities; and Fund staff projections.