



**AFRICAN PEER  
REVIEW MECHANISM**



**African Peer Review  
Mechanism**

# REPUBLIC OF MOZAMBIQUE



**APRM COUNTRY REVIEW REPORT NO 11**

**JULY 2010**



Gabinete do Primeiro Ministro - RD



Casa de Ferro - RD



Mesquita da Baixa - RD

# MOZAMBIQUE



Mercado Central - RD



# FOREWORD

It gives me great pleasure to present the APRM Country Review Report, together with the National Programme of Action of the Republic of Mozambique. This is the eleventh report in the series and the eighth to have been accomplished under my stewardship as Chairperson of the APR Forum.

After a challenging past, Mozambique has, no doubt, reinvented itself as a highly successful post-conflict transition country characterized by vitality and perseverance, as evidenced by its stability, political freedom and impressive economic growth with macroeconomic stability. Indeed, Mozambique's economic growth over the last decade ranked among the highest rates for a non-oil producing country in Africa. The country also stands as a beacon of hope worthy of emulation by post-conflict countries not only in Africa but also worldwide. The APRM offers Mozambique the opportunity to consolidate these achievements.

Nonetheless, significant challenges remain, as indicated in the Country Review Report. These include the fight against poverty and corruption, and other forces that hamper democratisation as well as sustaining the fast economic growth the country has attained in recent years. These challenges call for a concerted effort on the part of all concerned parties across the country. Furthermore, I invite the key stakeholders in the country and the Development Partners to study this Report carefully and contribute to the implementation of the National Programme of Action emanating from the exercise. In this regard, the APR Forum will receive periodic Progress Reports and maintain interest in the implementation process.

I would like to thank the Government and People of Mozambique and my Peers in the APR Forum for their continued determination and commitment that have enabled us to arrive at this stage of implementation of the Mechanism as a whole.

Finally, I thank the members of the APR Panel of Eminent Persons and the APRM Secretariat for investing their time and effort in preparing this Country Review Report.



Meles Zenawi  
Chairperson of the APR Forum

# COUNTRIES PARTICIPATING IN THE AFRICAN PEER REVIEW MECHANISM (APRM) AND APR PANEL OF EMINENT PERSONS

As of 30 June 2010, countries participating in the APRM are as follows:  
Algeria, Angola, Benin, Burkina Faso, Cameroon, Democratic Republic of Congo,  
Djibouti, Egypt, Ethiopia, Gabon, Ghana, Kenya, Lesotho, Malawi, Mali, Mauritius,  
Mozambique, Nigeria, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone,  
South Africa, Sudan, Tanzania, Togo, Uganda and Zambia

## **APR Panel of Eminent Persons**

Prof. Adebayo Adedeji of Nigeria, representing West Africa  
(Chairperson)

Ambassador Bethuel Kiplagat of Kenya, representing East Africa  
(Member and Lead Panellist for the Mozambican APRM Process)

Prof. Mohammed Seghir Babés of Algeria, representing North Africa  
(Member)

Dr Graça Machel of Mozambique, representing Southern Africa  
(Member)

Mrs Domitila Mukantaganzwa of Rwanda, representing Eastern Africa  
(Member)

Prof. Dorothy Ndjeuma of Cameroon, representing Central Africa  
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# ACKNOWLEDGEMENTS

The APRM Panel is proud to produce, yet again, another and the eleventh in the series of APRM Country Review Reports, this time for Mozambique.

Many people have worked tirelessly to bring about the successful completion of the peer review process in Mozambique. The APRM Panel is very grateful to His Excellency, Armando Guebuza, President of the Republic of Mozambique, for his unwavering commitment to the APRM process since its inception, and for giving the Country Review Mission (CRM) all the support needed to undertake an independent exercise.

The Panel would like to express its thanks to the APRM Focal Point in Mozambique, the Honourable Dr Aiuba Cuereneia, Minister of Planning and Development, and members of the National Governing Council (NGC). The Panel is very grateful to the Focal Point and the NGC for their positive engagement with the CRM.

The Panel also extends its gratitude to all those who played a critical role in raising awareness about the APRM in Mozambique. Specific mention should be made of the role played by the country's media and various civil society organisations. This made it possible for Mozambique to conduct a successful self-assessment process. Above all, the APRM Panel thanks the people of Mozambique for their warmth, hospitality and enthusiastic support for the peer review process. Without their participation, the CRM would have had an impossible task. We were amazed by the insight of the citizenry during the mission, and the seriousness with which they participated in the stakeholder consultations.

Our colleague, Ambassador Bethuel Kiplagat, led the Mozambique peer review process with diligence, balanced sense of judgement and utmost calmness. He used his unique combination of diplomatic skills and deep knowledge of the country to ensure a successful review process.

We are equally grateful to the team of consultants who undertook the CRM of Mozambique. This outstanding team, with their impressive credentials and glowing track records, included Prof. Alex Gboyega; Prof. Michele Olivier; Ms Laura Nyirikindi; Dr Abdul Aziz Jalloh; Mr Leo Kibirango; Prof. Adeniyi Gbadegesin; Prof. Fatima Karaja; and Mr Bernard Ntegeye. Apart from validating the Country Self-Assessment Report (CSAR) in Mozambique, the team members also assisted in drafting and finalising the present report under the guidance of the Lead Panellist, Ambassador Kiplagat.

The Mozambique peer review process also received valuable support from two of the three designated strategic partners of the APRM: the United Nations Economic Commission for Africa (UNECA) and the African Development Bank (AfDB). The representa-

tives of these institutions who participated in the CRM were Dr Gladys Mutangadura, Mr Guillermo Mangué Nandongo and Dr Mzwanele Griffiths Mfunwa, all from UNECA; and Mr Dawit Makonnen representing the AfDB.

The APR Panel further acknowledges the assistance provided by the APRM Secretariat to the Mozambique review process. Dr Afeikhena Jerome, Mr Ferdinand Katendeko, Dr Francis Chigunta and Ms Gertrude Takawira represented the Secretariat on the CRM and provided invaluable support to the thematic groups. The work of the CRM was also facilitated by logistical support from Ms Dorothy Mwangi. Dr Jerome also coordinated the drafting of this Country Review Report (CRR).

Last, but not least, we thank the specialists and experts who contributed to drafting background papers on Mozambique in the four thematic areas of the APRM. These papers were very useful in complementing and validating the findings of the CSAR.



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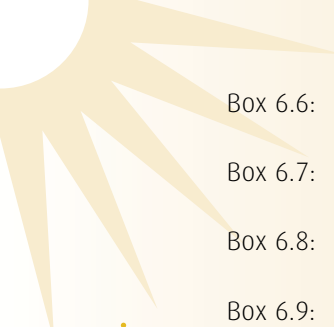
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# POLITICAL MAP OF MOZAMBIQUE



# COUNTRY FACT SHEET

<b>Location:</b>	South-eastern Africa, bordering the Mozambique Channel, between South Africa and Tanzania. Border countries: South Africa to the south; Malawi, South Africa, Swaziland, Zambia and Zimbabwe to the west; Tanzania to the north
<b>Area:</b>	Total: 801 590 square km Land: 784 090 square km Water: 17 500 square km
<b>Coast line:</b>	2 470 km
<b>Population:</b>	21 669 278 (2009 estimate)
<b>Age structure:</b>	0–14 years: 44.3% (male 4 829 272 / female 4 773 209) 15–64 years: 52.8% (male 5 605 227 / female 5 842 679) 65+ years: 2.9% (male 257 119 / female 361 772) (2009 estimate)
<b>Population growth rate:</b>	1.792 (2008 estimate)
<b>Birth rate:</b>	38.21 births/1 000 population (2008 estimate)
<b>Death rate:</b>	20.29 deaths/1 000 population (2008 estimate)
<b>Infant mortality rate:</b>	Total: 107.84 deaths/1 000 live births Male: 110.67 deaths/1 000 live births Female: 104.97 deaths/1 000 live births (2008 estimate)
<b>Life expectancy at birth:</b>	Total population: 41.04 years Male: 41.62 years Female: 40.44 years (2008 estimate)
<b>Total fertility rate:</b>	5.24 children born/woman (2008 estimate)
<b>Capital:</b>	Maputo
<b>Main towns:</b>	Beira, Chimoio, Inhambane, Lichinga, Maputo, Nampula, Pemba, Quelimane and Tete
<b>Land use:</b>	Arable land 5.43%; permanent crops 0.29%; other 94.28%
<b>Territorial provinces:</b>	Cape Delgado, Inhambane, Manica, Maputo city, Maputo province, Nampula, Niassa, Sofala, Tete, Zambézia
<b>Ethnic groups:</b>	African 99.66% (Lomwe, Makhuwa, Sena, Tsonga and others), Portuguese 0.06%, Euro-Africans 0.2%, Indians 0.08%
<b>Languages:</b>	Emakhuwa 26.1%, Xichangana 11.3%, Portuguese 8.8% (official), Elomwe 7.6%, Cisena 6.8%, Echuwabo 5.8%, other Mozambican languages 32%, other foreign languages 0.3%, unspecified 1.3% (1997 census)



- Official language:** Portuguese (spoken by 27% of the population as their second language) (2008 estimate)
- Religion:** Catholic 23.8%, Muslim 17.8%, Zionist Christian 17.5%, other 17.8%, none 23.1% (1997 census)
- Natural hazards:** Severe droughts and devastating cyclones, earthquakes and floods in the central and southern provinces
- Independence:** From Portugal in 25 June 1975
- Constitution:** 30 November 1990
- Legal system:** Based on the Portuguese civil law system and on customary law
- Executive arm:** Head of State: President Armando Guebuza (since 2 February 2005)  
Head of Government: Prime Minister Luisa Diogo (since 17 February 2004)  
Elections: The President is elected by popular vote for a five-year term and is eligible for a second term. Elections were last held from 1–2 December 2004, with the next to be held on 28 October 2009. The Prime Minister is appointed by the President.  
Election results: Armando Guebuza elected as President (63.7% of the votes); Afonso Dhlakama (31.7%)
- Legislative:** The General Assembly of the Republic or Assembleia da República has 250 seats. Members are directly elected by popular vote on a secret ballot based on proportional representation and they serve five-year terms. FRELIMO has 160 seats and RENAMO 90, whereas the other political parties have no seats in the Assembly.
- Number of registered political parties:** 54
- Judiciary:** The Supreme Court is the court of final appeal. Some of its professional judges are appointed by the President and some are elected by the Assembly. Other courts include an Administrative Court, customs courts, maritime courts, a court marshal and labour courts. Although the Constitution provides for a separate Constitutional Court, one has never been established and the Supreme Court therefore reviews constitutional cases.
- Sources:** Compiled from the Anuário Estatístico (Statistical Yearbook, Mozambique, 2007) and the CIA World Factbook.



<b>ECONOMIC INDICATORS</b>	
<b>Budget</b>	Revenues: US\$2.786 billion Expenditures: US\$3.108 billion (2008 estimate)
<b>Central bank - discount rate:</b>	9.95% (31 December 2007)
<b>Consumer bank - prime lending rate</b>	19.52% (31 December 2007)
<b>Distribution of family income – Gini index</b>	47.3 (2002)
<b>Exchange rates</b>	Meticais (MT) per US dollar – 24.125 (2008 estimate); 26.264 (2007); 25.4 (2006); 23,061 (2005); 22,581 (2004) In 2005, Mozambique revalued its currency, with 1 000 old meticaïs equal to one new metical.
<b>External debt</b>	US\$4.316 billion (31 December 2008 estimate)
<b>GDP – composition by sector</b>	Agriculture: 23.4% Industry: 30.7% Services: 45.9% (2008 estimate)
<b>GDP – official exchange rate</b>	US\$9.788 billion (2008 estimate)
<b>GDP – purchasing power parity</b>	US\$19.68 billion (2008 estimate)
<b>GDP – real growth rate</b>	6.95 (2008) 7.3% (2007)
<b>GDP – per capita</b>	US\$900 (2008 estimate)
<b>Household income or consumption by percentage share</b>	Lowest 10%: 2.1% Highest 10%: 39.4% (2002)
<b>Industries</b>	Food, beverages, chemicals, aluminium, petroleum products, textiles, cement, glass, asbestos, tobacco
<b>Inflation rate – consumer prices</b>	11.2% (2008 estimate)
<b>Investment – gross fixed</b>	24% of the GDP (2008 estimate)
<b>Labour force</b>	10.01 million (2008 estimate)
<b>Labour force by occupation</b>	Agriculture: 81% Industry: 6% Services: 13%
<b>Major export partners</b>	Italy 19.4%, Belgium 18.4%, Spain 12.5%, South Africa 12.3%, UK 7.3%, China 4.1% (2007)
<b>Major exports</b>	Aluminium, prawns, cashews, cotton, sugar, citrus, timber, bulk electricity
<b>Major import partners</b>	South Africa 36.7%, Australia 8.5%, China 4.6% (2007)

<b>Major imports</b>	Machinery and equipment, vehicles, fuel, chemicals, metal products
<b>Public debt</b>	21.4% of the GDP (2008 estimate)
<b>Reserve of foreign exchange and gold</b>	US\$2.067 billion (31 December 2008 estimate)
<b>Stock of domestic credit</b>	US\$877.2 million (31 December 2007)
<b>Stock of money</b>	US\$1.261 billion (31 December 2007)
<b>Stock of quasi-money</b>	US\$1.467 billion (31 December 2007)
<b>Unemployment</b>	25.4% (2007)
<i>Source: Bank of Mozambique and CIA World Fact Sheet.</i>	

### MACROECONOMIC INDICATORS

Indicator	1997	1998	1999	2003	2004	2005	2006	2007	2008
Real GDP growth (%)	11.1	12.6	8.4	6.5	7.9	8.4	8.5	7.3	7.0
Inflation – annual average (%)	7.4	1.5	2.9	13.5	12.6	6.4	13.2	8.2	8.2
GDP per capita (US\$)	217	241	271.3	252	300.5	338.8	356	387	450.8

### MACROECONOMIC AGGREGATES

Item	Unit	2005	2006	2007
<b>Gross domestic product (GDP) and population</b>				
Current prices	10 MT	151 706.9	180 241.7	207 253.9
Constant prices	10 MT	129 763.5	141 030.4	150 993.4
Volume	%	8.4	8.7	7.0
Population	10 h	19.4	19.9	20.4
GDP at market price per capita	MT	7819.9	9 062.5	10 159.5
GDP per capita	US\$	335.3	362.8	422.8
<b>Investment</b>				
Investment	10 MT	28 360.7	31818.6	37 283.2
Investment/GDP	%	18.7	17.7	18.0
Current revenue/GDP	%	17.3	14.6	14.8
Tax revenue/GDP	%	14.5	12.2	12.4
Current expenditure/GDP	%	17.5	14.8	15.2
Budget balance (excluding grant)/GDP	%	-12.6	-10.8	-

Budget balance (including grant)/GDP	%	-4.7	-6.7	-
<b>Foreign trade</b>				
Export of goods and services	10 MT	46 212.6	54 861.3	58 282.7
Import of goods and services	10 MT	67 340.0	70 861.1	75 318.9
Export of goods and services/GDP	%	30.5	30.4	28.1
Import of goods and services/GDP	%	44.4	39.3	36.3
<b>Exchange rate evolution</b>				
Exchange rate at the bank of Mozambique	MT/US\$	23.3	25.0	25.6
Growth rate (+ depreciation)	%	5.0	7.1	-3.8
<b>Prices</b>				
Private consumption deflator (growth rate)	%	7.5	8.6	7.4
<b>Wages</b>				
Monthly minimum wage	MT	1 277.1	1 443.2	1 645.2
Growth rate	%	14.0	13.0	14.0

Source: INE Directorate of National Accounts and Global Indicators, Ministry of Planning and Finance, and preliminary data.

<b>GROSS DOMESTIC PRODUCT (GDP) BY EXPENDITURE, 2006-07</b>					
Item	At current prices		At constant prices		Growth rate (%)
	2006	2007	2006	2007	
Total consumption	165 610	188 952	132 720	141 687	6.8
Private consumption	143 382	164 213	114 782	122 456	6.7
Public consumption	22 228	24 739	17 938	19 231	7.2
Gross capital formation	31 819	37 283	27 301	29 480	8.0
Export of goods and services	54 861	58 283	42 137	42 741	1.4
Import of goods and services	70 861	75 319	60 484	65 814	8.8
GDP (market prices)	180 242	207 254	141 030	150 933	7.0

Source: INE Directorate of National Accounts and Global Indicators, Ministry of Planning and Finance, and preliminary data.

## DOMESTIC EXPENDITURE – GROWTH RATES OF DEFLATORS, 2003–07

Item	2003	2004	2005	2006	2007
Total consumption	6.4	8.0	7.2	7.8	6.9
Private consumption	6.4	7.0	7.5	8.6	7.4
Public consumption	6.3	14.8	5.3	2.6	3.8
Gross fixed capital formation	-10.0	2.8	7.3	5.6	8.5
Export of goods and services	-1.3	8.5	13.4	5.8	4.7
Imports of goods and services	-2.7	7.4	4.9	4.0	-2.3
<b>Valuation adjustment</b>					
GDP (market prices)	4.8	7.5	8.8	9.3	7.4

Source: INE Directorate of National Accounts and Global Indicators, Ministry of Planning and Finance, and preliminary data.

## ENERGY AND OTHER INDICATORS

### Energy

Electricity production:	14.62 billion kWh (2006 estimate)
Electricity consumption:	9.555 billion kWh (2006 estimate)
Electricity exports:	12.83 billion kWh (2006 estimate)
Electricity imports:	9.839 billion kWh (2006 estimate)
Natural gas proved reserves:	127.4 billion cubic metres (1 January 2008 estimate)

### Communications

Telephones – main lines in use:	67 000 (2006)
Telephones – mobile cellular:	3.3 million (2007)
Radio broadcast stations:	13 AM; 17 FM; 11 shortwave (2001)
Television broadcast stations:	1 (2000)
Internet country code:	.mz
Internet hosts:	22 532 (2008)
Internet users:	200 000 (2007)

### Transport

Airports:	147 (2007)
Airports – with paved runways:	Total: 22
	Over 3 047 m: 1
	2 438 to 3 047 m: 3
	1 524 to 2 437 m: 10
	914 to 1 523 m: 36
	Under 914 m: 79 (2007)



Pipelines:	Gas 964 km; refined products 278 km (2007)
Railways:	Total: 3 123 km
	Narrow gauge: 2 983 km 1 067 m gauge;
	140 km 0.762 m gauge (2006)
Roadways:	Total: 30 400 km
	Paved: 5 685 km
	Unpaved: 24 715 km (2000)
Waterways:	460 km (Zambezi River navigable to Tete and along Cahora Bassa Lake (2008))
Ports and terminals:	Beira, Maputo, Nacala

<b>KEY DEVELOPMENT INDICATORS</b>				
<b>Selected indicators</b>	<b>1997</b>	<b>2003</b>	<b>2008</b>	<b>2015 (Goal)</b>
Millennium Development Goal (MDG) target indicators				
Population living below the national poverty line (%)	69.4	54.1	45.0	40.0
Ratio of employed people over the total population (%)	-	-	74.6	100
Children with insufficient weight (M5 years, %)	26.0	23.7	25.5	17.0
Primary education completion rate (%)	22.0	38.7	72.6	100.0
Ratio of girls to boys in primary education (EP1)	0.71	0.83	0.9	1.00
Proportion of seats held by women in national parliament	28.0	35.6	37.2	50.0
Under-five mortality rate (per 1 000 live births)	219	178	140	108
Children vaccinated against measles (1-year-olds, %)	57.5	76.7	-	95.0
Maternal mortality rate (per 100 000 live births)	1 000	408	185	250
Deliveries assisted by qualified health staff (%)	44.2	47.7	53.8	N/A
Prevalence of HIV/Aids among the population aged 15–49 years	8.2	16.2	16.0	N/A
Proportion of land covered by forests	21	N/A	51.0	N/A

Proportion of population with access to an improved water source (%)	37.1	35.7	-	70.0
Proportion of population with access to improved sanitation (%)	41.1	44.8	-	50.0 (rural) 80.0 (urban)
Net Official Development Assistance (ODA), total and to least-developed countries received as GDP %	-	25.2	18.3	-
Debt service (% of goods and services exports)	-	3.9	1.97	-
<b>Other indicators</b>				
Population size (million)	16.1	18.5	20.5	-
Population growth (%)	2.3	2.4	2.4	-
Gini coefficient (income inequality)	0.40	0.42	-	-
Life expectancy at birth (average years)	42.3	46.3	47.9	-
Adult literacy (15+ years, %)	39.5	46.4	-	-
Net enrolment rate in EP1 (%)	44.0	69.4	95.5	100.0
Deliveries assisted by qualified health staff (%)	44.2	47.7	53.8	N/A
<i>Source: INE.</i>				

<b>HUMAN DEVELOPMENT INDEX (HDI), MOZAMBIQUE, 2003-07</b>						
Description	2003	2004	2005	2006	2007	Changes 2007/06
Life expectancy at birth (years)	46.3	46.7	47.1	47.35	47.6	0.6
Adult literacy rate (%)	46.4	47.2	47.2	48	48.1	0.2
Combined gross enrolment rate (%)	42.8	47.1	50.3	52.5	55.4	5.5
Real GDP per capita (US\$PPP)*	1 607.7	1 749.8	1 939.5	2 169.3	2 332.7	7.5
<i>Source: INE. *Estimates based on the World Bank's purchasing power parity (PPP) conversion rate.</i>						

## PROGRESS IN ATTAINING THE MILLENNIUM DEVELOPMENT GOALS IN MOZAMBIQUE

	1990	1995	2000	2007
<b>Goal 1: Eradicate extreme poverty and hunger</b>				
Employment to population ratio, aged 15+, total (%)	..	79	78	77
Employment to population ratio, aged 15–24, total (%)	..	61	58	55
Income share held by lowest 20%	..	..	..	..
Malnutrition prevalence, weight for age (% of children under 5)	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..
Prevalence of undernourishment (% of population)	..	..	..	..
Vulnerable employment, total (% of total employment)	..	..	..	..
<b>Goal 2: Achieve universal primary education</b>				
Literacy rate, female youth (% of females, aged 15–24)	..	..	..	..
Literacy rate, male youth (% of males, aged 15–24)	..	..	..	..
Persistence to last grade of primary, total (% of cohort)	..	..	32	40
Primary completion rate, total (% of relevant age group)	..	..	16	42
Total enrolment, primary (% net)	..	..	56	77
<b>Goal 3: Promote gender equality and empower women</b>				
Proportion of seats held by women in Parliament (%)	16	..	25	35
Ratio of female to male enrolments in tertiary education	..	..	..	49
Ratio of female to male primary enrolment	..	..	75	86
Ratio of female to male secondary enrolment	..	..	63	72
Ratio of young literate females to males (% aged 15–24)	..	..	..	..
Share of women employed in the non-agricultural sector (% of total non-agricultural employment)	11.4	..	..	..
<b>Goal 4: Reduce child mortality</b>				
Immunisation, measles (% of children aged 12–23 months)	59	71	71	77
Mortality rate, infant (per 1 000 live births)	158	145	122	96
Mortality rate, children under 5 (per 1 000)	235	212	178	138
<b>Goal 5: Improve maternal health</b>				
Adolescent fertility rate (births per 1 000 women aged 15–19)	..	..	153	155
Births attended by skilled health staff (% of total)	..	..	..	..

Contraceptive prevalence (% of women aged 15–49)	..	..	..	..
Maternal mortality ratio (modelled estimate, per 100 000 live births)	..	..	..	520
Pregnant women receiving prenatal care (%)	..	..	76	..
Unmet need for contraception (% of married women aged 15–49)	..	..	..	..
<b>Goal 6: Combat HIV/Aids, malaria, and other diseases</b>				
Children with fever receiving antimalarial drugs (% of children under 5 with fever)	..	..	..	..
Condom use, female population aged 15–24 (% of females aged 15–24)	..	..	..	..
Condom use, male population aged 15–24 (% of males aged 15–24)	..	..	..	..
Incidence of tuberculosis (per 100 000 people)	177	265	383	443
Prevalence of HIV, female (% aged 15–24)	..	..	..	8.5
Prevalence of HIV, total (% of population aged 15–49)	..	..	..	13
Tuberculosis cases detected under Directly Observed Treatment Short-Course (DOTS) (%)	..	57	45	47
<b>Goal 7: Ensure environmental sustainability</b>				
Annual freshwater withdrawals, total (% of internal resources)	..	..	..	..
CO2 emissions (kg per PPP US\$ of the GDP)	0.2	0.2	0.2	..
CO2 emissions (metric tons per capita)	0.1	0.1	0.1	..
Forest area (% of land area)	25	..	25	24
Improved sanitation facilities (% of population with access)	..	22	27	31
Improved water source (% of population with access)	..	39	41	42
Marine protected areas, (% of surface area)	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	..
<b>Goal 8: Develop a global partnership for development</b>				
Aid per capita (current US\$)	74	67	48	77
Debt service – public and publically guaranteed (PPG) and International Monetary Fund (IMF) only (% of exports of goods and services, excluding workers' remittances)	17	33	2	1
Internet users (per 100 people)	0	..	0	1
Mobile phone subscribers (per 100 people)	0	0	0	15
Telephone mainlines (per 100 people)	0	0	0	0

<b>Other</b>				
Fertility rate, total (births per woman)	6.2	6.0	5.7	5.2
Gross national income (GNI) per capita, Atlas method (current US\$)	170	130	230	320
GNI, Atlas method (current US\$) (billions)	2.3	2.1	4.2	6.8
Gross capital formation (% of the GDP)	22.1	27.0	31.0	23.9
Life expectancy at birth, total (years)	44	45	45	42
Literacy rate, adult total (% of people aged 15 and above)	..	..	..	..
Population, total (millions)	13.5	15.9	18.2	21.4
Trade (% of the GDP)	44.2	56.6	54.5	84.7

*Source: World Development Indicators (WDI) database.*

<b>LIFE EXPECTANCY AT BIRTH (IN YEARS), 2003-07</b>			
<b>Year</b>	<b>Total of males and females</b>	<b>Males</b>	<b>Females</b>
2003	46.3	44.4	48.2
2004	46.7	44.8	48.6
2005	47.1	45.2	49.0
2006	47.4	45.5	49.3
2007	47.6	45.8	49.6

*Source: Annual projection of total population updated, 1997-2015.*

<b>INFANT MORTALITY RATE (PER THOSE LIVE BIRTHS), 2003-07</b>			
<b>Year</b>	<b>Total of males and females</b>	<b>Males</b>	<b>Females</b>
2003	115.9	121.4	110.2
2004	111.9	117.3	106.3
2005	107.9	113.2	102.4
2006	105.0	110.0	99.8
2007	102.1	106.7	97.2



**VACCINATED PERSONS (BY KIND OF VACCINE), 2003–07**

Year	Measles	BCG vaccine	DPT vaccine 1+ haemoglobin	DPT vaccine 3+ haemoglobin	Polio (1 dose)	Tetanus (1 dose for pregnant women)
2003	700 705	825 960	748 159	660 202	732 027	1 077 091
2004	703 148	890 730	780 264	677 315	769 963	1 155 735
2005	710 207	908 373	807 865	715 930	800 935	155 849
2006	781 857	961 654	870 615	788 305	863 538	1 207 645
2007	788 189	1 160 331	924 894	824 828	917 826	650 560

Source: Ministry of Health, National Directorate of Planning and Cooperation.

**MALARIA LETHALITY RATE, 2002–07**

Description	2002	2003	2004	2005	2006	2007
Adults	7.1	7.1	7.4	6.3	6.5	7.3
Children	3.8	3.8	4.2	3.6	7.3	3.2

Source: Ministry of Health, National Directorate of Health.

**TOTAL ENROLMENT IN EDUCATION**

Year	Primary	Secondary	Tertiary
2003	3 177 586	160 093	23 602
2004	3 480 843	190 148	25 189
2005	3 846 565	235 865	21 752
2006	4 093 423	291 017	29 132
2007	4 482 997	359 291	29 913

**NUMBER OF PUBLIC SCHOOLS**

Year	Primary	Secondary	Tertiary	Teachers	Student-teacher ratio
2003	9 027	154	43	57 239	222
2004	9 489	170	43	62 373	171
2005	10 016	191	48	63 791	221
2006	10 468	239	49	67 543	254
2007	11 145	311	49	77 238	260

### ENROLMENT IN PRIVATE AND PUBLIC UNIVERSITIES, 2006-07

Year	New admissions		Graduated	
	Male	Female	Male	Female
2006 public	8 818	4 681	1 921	871
2006 private	2 824	1 993	982	806
<b>Total</b>	<b>11 642</b>	<b>6 674</b>	<b>2 903</b>	<b>1 677</b>
2007 public	15 629	10 237	1 094	443
2007 private	2 184	1 728	753	612
<b>Total</b>	<b>17 813</b>	<b>11 965</b>	<b>1 847</b>	<b>1 055</b>

### CRIME REPORTED BY THE POLICE, 2002-07

Year	Against property	Against persons	Against public order and peace	Total
2002	24 198	13 656	1 207	39 061
2003	25 403	13 643	1 177	40 223
2004	25 242	13 976	1 278	40 495
2005	23 163	12 896	1 193	37 252
2006	19 393	10 535	858	30 786
2007	19 185	9 723	781	29 689

### PROPORTION OF MEN AND WOMEN IN DECISION-MAKING PROCESSES IN THE PUBLIC SECTOR, 2008

Denomination	Men (%)	Women (%)
Ministers	74.1	25.9
Vice-ministers	68.5	31.5
Governors	81.9	18.1
Ministerial permanent secretaries	69.5	31.5
Provincial permanent secretaries	54.6	45.4
Administrators	80.7	20.3
Heads of administrative posts	89.0	11.0
Provincial directors	79.3	20.7
Members of Parliament	62.8	37.2

*Source: Ministry of Women and Social Affairs.*

## TRANSNATIONAL ISSUES

### Trafficking in persons

Mozambique is currently a source of and, to a much lesser extent, a destination country for men, women and children trafficked for the purposes of forced labour and sexual exploitation. The use of forced and bonded child labourers is common practice in Mozambique's rural areas. Women and girls are trafficked from rural to urban areas of Mozambique, as well as to South Africa, for domestic servitude and commercial sexual exploitation. Young men and boys are trafficked to South Africa for farm work and mining.

### Illicit drugs

Mozambique is a transit point for South Asian hashish and heroin, as well as South American cocaine, probably destined for the European and South African markets. It is a producer of cannabis (for local consumption) and methaqualone (for export to South Africa). Corruption and poor regulatory capacity make the Mozambican banking system vulnerable to money laundering, but the lack of a well developed financial infrastructure limits the country's utility as a single laundering centre.



# ACRONYMS & ABBREVIATIONS

## A

AAA	Accra Agenda for Action
AC	Administrative Court
ACHPR	African Commission on Human and Peoples' Rights
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
Aids	acquired immune deficiency syndrome
Amb.	Ambassador
AMETRAMO	Associação de Médicos Tradicionais de Moçambique [Association of Traditional Healers of Mozambique]
AMSCO	African Management Services Company
ANC	African National Congress
ANE	Administração Nacional de Estradas [National Road Administration]
APR	African Peer Review
APRM	African Peer Review Mechanism
ART	antiretroviral therapy
ASEA	African Securities Exchanges Association
ATM	automatic teller machine
ATM	Autoridade Tributária de Moçambique [Mozambican Tax Authority]
AU	African Union

## B

BCG	Bacillus Calmette-Guérin
BCI	Banco Comercial de Investimento [Commercial and Investment Bank]
BCM	Banco Commercial de Mocambique [Commercial Bank of Mozambique]
BM	Banco de Moçambique [Bank of Mozambique]
BOP	balance of payments
BVM	Bolsa de Valores de Moçambique [Mozambican Stock Exchange]

## C

CABRI	Collaborative African Budget Reform Initiative
CACM	Centro de Arbitragem Conciliação e Mediação [Centre for Arbitration, Conciliation and Mediation]
CBC	Commonwealth Business Council
CBO	community-based organisation
CCC	Community Consultative Council
CCIABM	Câmara de Comércio, Indústria e Agropecuária Brasil-Moçambique



	[Brazil-Mozambique Chamber of Commerce, Industry and Agri-Livestock]
CCM	Christian Council of Mozambique
CCMI	Comité de Coordenação de Mercados Interbancários [Coordination Committee for Interbank Markets]
CCT	Comissão Consultiva do Trabalho [Labour Advisory Committee]
CDM	Cervejas de Moçambique [Mozambican Breweries, “Beers of Mozambique”]
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
CEEI	Centro de Estudos Estratégicos Internacionais [Centre for Strategic and International Studies, CSIS]
CERD	Committee on the Elimination of Racial Discrimination
CFM	Portos e Caminhos de Ferro de Mocambique [Mozambique Ports and Railways]
CFMP	Cenário Fiscal de Médio Prazo [Medium-Term Fiscal Scenario]
CGE	Conta Geral do Estado [General State Account]
CGR	Corporate Governance Regulator
CIRESP	Comissão Interministerial da Reforma do Sector Público [Interministerial Commission on Public Sector Reform]
CISNA	Committee of Insurance, Securities and Non-Banking Financial Authorities
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CMH	Companhia Moçambicana de Hidrocarbonetos [Mozambican Hydrocarbon Company]
CNAM	Conselho Nacional para o Avanço da Mulher [National Council for the Advancement of Women]
CNCS	Conselho Nacional de Combate Ao HIV/SIDA [National Council for Combating HIV/Aids]
CNDH	Comissão Nacional de Direitos Humanos [National Human Rights Commission]
CNE	Comissão Nacional de Eleições [National Electoral Commission]
CNJ	Conselho Nacional da Juventude Moçambique [National Youth Council of Mozambique]
COMESA	Common Market for Eastern and Southern Africa
CORE	Commission for Reintegration
CoSSE	Committee of SADC Stock Exchanges
CPAP	Centro de Pesquisa Agropecuária do Pantanal [Centre for Agricultural Research on the Pantanal]
CPE	Comissão Provincial de Eleições

	[Provincial Electoral Commission]
CPEBS	Core Principles for Effective Banking Supervision
CPI	Centro de Promoção de Investimentos [Investment Promotion Centre]
CPMO	Comité de Política Monetária do Banco de Moçambique [Monetary Policy Committee of the Bank of Mozambique]
CPO	Comissão do Plano e Orçamento [Plan and Budget Commission]
CRC	Committee on the Rights of the Child
CRM	Country Review Mission
CRR	Country Review Report
CSAR	Country Self-Assessment Report
CSC	Consortium for Street Children
CSMJ	Conselho Superior da Magistratura Judicial [Higher Council of the Judiciary]
CSMMP	Conselho Superior de Magistratura do Ministério Público [Superior Council of the Magistrate's Court]
CSO	civil society organisation
CSR	corporate social responsibility
CTA	Confederação das Associações Económicas de Moçambique [Confederation of Economic Associations of Mozambique]
CUT	Conta Única do Tesouro [Treasury Single Account]
<b>D</b>	
DCC	District Consultative Council
DDR	disarmament, demobilisation and rehabilitation
DESA	Department of Economic and Social Affairs (United Nations)
DFID	Department for International Development (United Kingdom)
DNEAP	Direcção Nacional de Estudos e Análise de Políticas [National Directorate of Studies and Policy Analysis]
DOTS	Directly Observed Treatment Short-Course
DPADM (United Nations)	Division for Public Administration and Development Management
DPPF	Direcção Provincial do Plano e Finanças [Provincial Directorate for Planning and Finance]
DPT	diphtheria, pertussis (whooping cough) and tetanus
DTIS	Diagnostic Trade Integration Study
<b>E</b>	
EAP	economically active population
e-CAF	electronic system for registering state agencies and civil servants
ECMEP	Empresa de Construção e Manutenção de Estradas e Pontes [Companies for the Construction and Maintenance of Roads and Bridges]



ECoSIDA	Associação dos Empresários Contra o SIDA [Business Association Against Aids]
ECOSOCC	Economic, Social and Cultural Council
e-CUT	electronic component of the Treasury Single Account
EDM	Electricidade de Moçambique [Electricity of Mozambique]
EGFE	Estatuto Geral dos Funcionários do Estado [General Statute of Public Servants]
EISA	Electoral Institute of Southern Africa
EITI	Extractive Industries Transparency Initiative
EMOSE	Empresa Mocambicana de Seguros [Mozambican Insurance Company]
ENSO	El Niño Southern Oscillation
EP1	lower primary school
EP2	higher primary school
e-SISTAFE	electronic component of the State Financial Management System
ESRP	Economic and Social Rehabilitation Programme
EU	European Union

## **F**

FADM	Forças Armada da Defesa de Moçambique [Armed Forces for the Defence of Mozambique]
FAIJ	Fundo de Apoio às Iniciativas Juvenis [Fund to Support Youth Initiatives]
FARE	Fundo de Apoio à Reabilitação Económica [Economic Rehabilitation Support Fund]
FBO	faith-based organisation
FDI	foreign direct investment
FE	Fundo de Estradas [Road Fund]
FIPAG	Fundo de Investimento e Património do Abastecimento de Água [Water Supply and Heritage Fund]
FNAC	Fórum Nacional Anti-Corrupção [National Anticorruption Forum]
FOB	free on board
FRELIMO	Frente de Libertação de Moçambique [Front for the Liberation of Mozambique]
FSTAP	Financial Sector Technical Assistance Project
FTA	Free Trade Area

## **G**

GAP	General Accounting Procedures
GAPVU	Gabinete de Apoio à População Vulnerável [Support Office for Vulnerable People]
GCCC	Gabinete Central de Combate à Corrupção

GDDS	[Central Office for Combating Corruption] General Data Dissemination System
GDP	gross domestic product
GIFiM	Gabinete de Informacao Financeira de Mozambique [Financial Information Office of Mozambique]
GNI	gross national income
GNP	gross national product
GPA	General Peace Agreement
GPM	Gabinete do Primeiro Ministro [Prime Minister's Office]
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit [German Agency for Technical Cooperation]
<b>H</b>	
ha	hectare
HDI	Human Development Index
H.E.	His Excellency
HIPC	Heavily Indebted Poor Countries
HIV	human immunodeficiency virus
HSGIC	Heads of State and Government Implementation Committee
<b>I</b>	
IAF	Inquérito Aos Agregados Familiares [Household Survey]
IAIS	International Association of Insurance Supervisors
IAS	International Accounting Standards
ICCPR	International Covenant on Civil and Political Rights
ICEFRD	International Convention on the Elimination of All Forms of Racial Discrimination
ICESCR	International Covenant on Economic, Social and Cultural Rights
ICT	information and communication technology
IDASA	Institute for Democracy in South Africa
IDPs	internally displaced persons
IESE	Instituto de Estudos Sociais e Económicos [Institute for Social and Economic Studies]
IFAPA	Instituto de Formação em Administração Pública Autárquica [Training Institute for Municipal and Public Administration]
IFC	International Finance Corporation
IFPFT	Instituto de Finanças Públicas e Formação Tributária [Institute of Public Finance and Tax Training]
IFRS	International Financial Reporting Standards
IGEPE	Institute for the Management of State Holdings
IGF	Inspeção-Geral de Finanças [General Inspectorate of Finance]
IGS	Inspeção-Geral de Seguros

	[General Inspectorate of Insurance]
IHO	International Hydrographic Organisation
ILO	International Labour Organisation
IMF	International Monetary Fund
INAR	Instituto Nacional de Apoio aos Refugiados [National Institute for Refugee Support]
INAS	Instituto Nacional de Acção Social [National Institute of Social Action]
INE	Instituto Nacional de Estatística [National Institute of Statistics]
INGC	Instituto Nacional de Gestão de Calamidades [National Institute of Disaster Management]
INSS	Instituto Nacional de Seguridade Social [National Institute of Social Security]
IOD	Institute of Directors
IOM	International Organisation for Migration
IOMAC	Indian Ocean Marine Affairs Cooperation
IOPS	International Organisation of Pension Supervisors
IOSCO	International Organisation of Securities Commissions
IPCC	Instituições de Participação e Consulta Comunitárias [Institutions for Participation and Community Consultation]
ISA	International Standards on Auditing
ISAP	Instituto Superior de Administração Pública [Institute of Public Administration]
ISRI	Instituto Superior de Relações Internacionais [Higher Institute of International Relations]
IUCN	International Union for Conservation of Nature

**J**  
JPCDS Joint Permanent Commission on Defence and Security


**K**  
km kilometre  
kWh kilowatt per hour

**L**  
LIIF Local Initiative Investment Fund

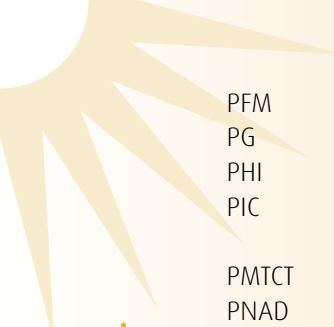
**M**  
MAAC Ministro para os Assuntos dos Antigos Combatentes  
[Ministry for Veterans' Affairs]  
MAE Ministério da Administração Estatal  
[Ministry of State Administration]  
MAI Ministério da Administração Interna  
[Ministry of Home Affairs]



MAP	Millennium Partnership for the African Recovery Programme
MCA	Millennium Challenge Account
MCEL	Mozambique Cellular
MDGs	Millennium Development Goals
MDN	Ministerio de Defesa Nacional [Ministry of National Defence]
MDRI	Multilateral Debt Relief Initiative
MEC	Ministério da Educação e Cultura [Ministry of Education and Culture]
MEFP	Memorandum of Economic and Financial Policies
MF	Ministério das Finanças [Ministry of Finance]
MFI	microfinance institution
MFP	Ministério da Função Pública [Ministry of Public Service]
MIC	Ministério da Indústria e Comércio [Ministry of Industry and Trade]
MICOA	Ministério para a Coordenação da Acção Ambiental [Ministry for the Coordination of Environmental Action]
MINAG	Ministério de Agricultura [Ministry of Agriculture]
MINEC	Ministério dos Negócios Estrangeiros e Cooperação [Ministry of Foreign Affairs and Cooperation]
MIREM	Ministério dos Recursos Minerais [Ministry of Mineral Resources]
MISAU	Ministério da Saúde [Ministry of Health]
MITRAB	Ministério do Trabalho [Ministry of Labour]
MJD	Ministério da Juventude e Desportos [Ministry of Youth and Sports]
MMAS	Ministério para os Assuntos da Mulher e Acção Social [Ministry of Women and Social Affairs]
MMR	maternal mortality rate
MNRM	Mozambique National Resistance Movement
MOJ	Ministério da Justiça [Ministry of Justice]
MOPH	Ministério das Obras Públicas e Habitação [Ministry of Public Works and Housing]
MoU	Memorandum of Understanding
MP	Member of Parliament
MPD	Ministério da Planificação e Desenvolvimento [Ministry of Planning and Development]
MT	metical
MTC	Ministério dos Transportes e Comunicações



	[Ministry of Transport and Communications]
MTFF	Medium-Term Fiscal Framework
MVA	manufacturing value added
MWH	megawatt-hour
MZN	New Mozambican metical
<b>N</b>	
NAM	Non-Aligned Movement
NAPA	National Adaptation Programme of Action
NCG	Nordic Consulting Group
NEPAD	New Partnership for Africa's Development
NGC	National Governing Council
NGO	non-governmental organisation
NORAD	Norwegian Agency for Development Cooperation
NPOA	National Programme of Action
NRIS	Natural Resource Information System
<b>O</b>	
OAU	Organisation of African Unity
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
OIIL	Orçamento de Investimento de Iniciativa Local [Local Initiative Investment Budget]
ONJ	Organização Nacional de Jornalistas [National Journalists' Organisation]
ONP	Organização Nacional dos Professores [National Teachers' Organisation]
ONUMOZ	United Nations Operations in Mozambique
OP	Observatório da Pobreza [Poverty Observatory]
OSISA	Open Society Initiative for Southern Africa
OTM-CS	Organização dos Trabalhadores Moçambicanos – Central Sindical [Organisation of Mozambican Workers – Union Centre]
<b>P</b>	
PAF	Performance Assessment Framework
PARPA	Plano de Acção para a Redução da Pobreza Absoluta [Plan of Action for the Reduction of Absolute Poverty]
PDAE	Paris Declaration on Aid Effectiveness
PEFA	Public Expenditure and Financial Accountability
PEN	Plano Estratégico Nacional de Combate às DTS/HIV/SIDA [National Strategic Plan for Combating STDs/HIV/Aids]
PES	Plano Económico e Social [Economic and Social Plan]



PFM	public finance management
PG	Prosecutor-General
PHI	Poverty Headcount Index
PIC	Polícia de Investigação Criminal [Criminal Investigation Police]
PMTCT	prevention of mother-to-child transmission
PNAD	Plano Nacional de Acção para a área da Deficiência [National Plan of Action for Disability]
PNAM	Plano Nacional para o Avanço da Mulher [National Plan for the Advancement of Women]
PNCM	Programa Nacional de Controle da Malária [National Malaria Control Programme]
PNE	Política Nacional de Educação [National Education Policy]
PPFD	Programa de Planificação e Financiamento Distrital [Programme of District Financial Planning]
PPG	public and publically guaranteed
PPP	public-private partnership
PPP	purchasing power parity
PQG	Programa Quinquenal do Governo [Five-Year Government Programme]
PR	proportional representation
PRSP	Poverty Reduction Strategy Paper
PSI	Policy Support Instrument
PSR	Public Sector Reform
PWDs	persons with disabilities

## Q

QAD	Quadro de Avaliação do Desempenho [Performance Assessment Framework]
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## R

R&D	research and development
RENAMO	Resistência Nacional Moçambicana [National Resistance of Mozambique]
RENAMO-UE	RENAMO-União Electoral [RENAMO-Electoral Union]
REO	Relatório de Execução Orçamentária [Report on Budget Execution]
REPA	Regional Economic Partnership Arrangement
ROSC	Report on the Observance of Standards and Codes

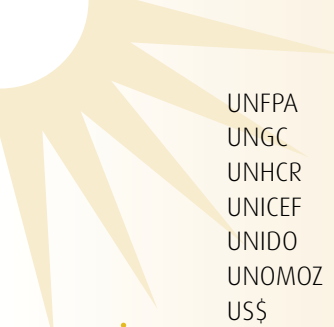
## S

SADC	Southern African Development Community
SAP	Structural Adjustment Programme



SIFAP	Sistema de Formação para a Administração Pública [System of Training in Public Administration]
SINTICIM	Sindicato Nacional dos Trabalhadores da Indústria de Construção Civil, Madeiras e Minas [National Union of Civil Construction Workers, Wood Workers and Miners in Mozambique]
SINTIHOTS	Sindicato Nacional dos Trabalhadores da Indústria Hoteleira, Turismo e Similares [National Union of Workers in the Hotel, Tourism and Related Industries]
SINTRAT	Sindicato Nacional do Trabalhadores dos Transportes Rodoviário e Assistência Técnica [National Union of Road Transport and Technical Workers]
SISE	Serviços de Informação e Segurança do Estado [State Information and Security Service]
SISTAFE	Sistema da Administração Financeira do Estado [State Financial Management System]
SME	small and medium-sized enterprise
SMME	small, medium and micro-enterprise
SOAS	School of Oriental and African Studies
SOE	state-owned enterprise
SPA	Strategic Partnership with Africa
SSA	sub-Saharan Africa
STAE	Secretariado Técnico de Administração Eleitoral [Technical Secretariat for the Electoral Administration]
STD	sexually transmitted disease
<b>T</b>	
TB	tuberculosis
TDM	Telecomunicações de Moçambique [Mozambique Telecommunications]
<b>U</b>	
UAC	Unidade Anti-Corrupção [Anticorruption Unit]
UCB	União Comercial de Bancos [Union Commercial Bank]
UD	União Democrática [Democratic Union]
UDHR	Universal Declaration of Human Rights
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/Aids
UNCRC	United Nations Convention on the Rights of the Child
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa





UNFPA	United Nations Population Fund
UNGC	United Nations Global Compact
UNHCR	United Nations High Commission for Refugees
UNICEF	United Nations Children’s Fund
UNIDO	United Nations Industrial Development Organisation
UNOMOZ	United Nations Operation in Mozambique
US\$	American dollar
USA	United States of America
USAID	United States Agency for International Development
UTRAFE	Unidade Técnica de Administração Financeira do Estado [Technical Unit for State Financial Administration]
UTRESP	Unidade Técnica da Reforma do Sector Público [Technical Unit for Public Sector Reform]
UXO	unexploded ordnance
<b>V</b>	
VAT	value-added tax
<b>W</b>	
WCC	World Council of Churches
WDI	World Development Indicators
WFP	World Food Programme
WHO	World Health Organisation
<b>Z</b>	
ZANU	Zimbabwe African National Union
ZAPU	Zimbabwe African People’s Union



Gabinete do Primeiro Ministro - RD



Casa de Ferro - RD



Mesquita da Baixa - RD



Mercado Central - RD



Estátua Samora Machel - RD



Catedral de Maputo - RD


# EXECUTIVE SUMMARY



## EXECUTIVE SUMMARY

### 1. BACKGROUND

- i. Mozambique has had a traumatic past. Its complex history includes a prolonged period of colonisation by Portugal lasting 490 years – one of the longest in Africa; an unsuccessful experience with socialism; and, above all, a ubiquitous and fratricidal civil war that plunged the entire country into political instability, massive social dislocation, economic ruin and mass poverty.
- ii. Independence was achieved in 1975, largely through a violent armed struggle. Initially, there were great hopes for building a united, peaceful and egalitarian society. Unfortunately, this was not to be. Shortly afterwards the country was engulfed in a vicious and brutal civil war, which left a trail of destruction and caused considerable suffering and human misery. Mozambicans had to contend with very high poverty levels and a negative economic growth rate. Their quality of life probably ranked amongst the worst in the world.
- iii. Mozambique, however, resembles the legendary phoenix, a mystical bird that is born again from its own ashes. Undoubtedly, still one of the poorest countries in the world, Mozambique has had a remarkable renaissance in the face of persistent natural and manmade adversity. Since the mid-1990s, it has reinvented itself as a highly successful country in post-conflict transition, with an impressive economic growth and sustained macroeconomic and political stability.
- iv. Since the end of the devastating civil war in 1992, the country has enjoyed a remarkable recovery. Between 1996 and 2007 it achieved an average annual economic growth rate of 8 per cent, which is one of the highest in the world. As a result, the poverty headcount index fell by 15 percentage points between 1997 and 2003, bringing almost 3 million people (out of a total population of 20 million) out of extreme poverty. From the human development perspective, this has meant a decrease of 35 per cent in infant and under-five mortality, and an increase of 65 per cent in net primary school enrolment. There was relatively little inequality by regional standards, and progress has been made in achieving the key Millennium Development Goals (MDGs) with respect to infant mortality and primary school enrolment.
- v. On the democratic front, the country has also made notable progress. Democratic principles are being respected and the country has consistently held



elections, albeit under severe constraints. To date, Mozambique has held three presidential and parliamentary elections, in 1994, 1999 and 2004 respectively, while two municipal elections were held in 1998 and 2003. Legislative and presidential elections were set for 2009. Civil and political rights have become deeply entrenched in the country due to the observance of constitutional guarantees. Participation by civil society in the development process and in building institutional capacity has stimulated the formulation and implementation of important national action plans, policies and programmes. Important safeguards exist that enable the media to operate and disseminate information freely, although access to information remains problematic.

- vi. Despite still facing enormous challenges, Mozambique today stands as a beacon of hope for other post-conflict countries, not only in Africa, but also across the world. These countries can glean useful lessons from Mozambique's experience in political and economic management.
- vii. These successes notwithstanding, Mozambique remains to all intents and purposes a post-conflict society with all the associated challenges. It is still one of the poorest countries in the world with 54 per cent of the population finding themselves below the national poverty line. Moreover, the country ranked 173 out of 177 countries in the most recent Human Development Report (2007/08) of the United Nations Development Programme (UNDP). Although FRELIMO has been in power since independence, the country bears only the slightest resemblance to the vision they then proclaimed.

## **2. A SUMMARY OF FINDINGS IN THE THEMATIC AREAS**

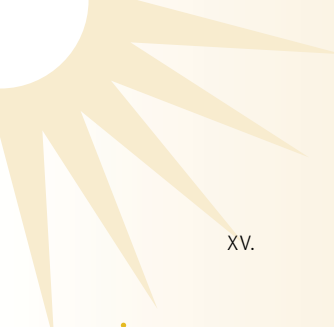
### **3.1 Democracy and Political Governance**

- viii. Mozambique gained independence in 1975 after a protracted armed struggle against Portuguese colonial rule. For the next 16 years, the country fought a bitter civil war that ended with the signing of a General Peace Agreement (GPA) on 4 October 1992. Only once peace had been secured could the leaders concentrate fully on the socioeconomic development of the country and on promoting the political, civil, economic, social and cultural rights of the people. Mozambique's political evolution since independence has therefore been shaped by the desire to consolidate peace; to see the economy grow rapidly; and to ensure that the basic necessities of the people are met within an expanding framework of rights, duties and responsibilities.
- ix. The national leadership has performed the balancing act reasonably well over the past 16 years. This has enabled the country to transit relatively smoothly from a one-party state of Marxist orientation into a multiparty, free market democracy. The government deserves much praise for the success achieved so far in trying to institutionalise democracy and political good governance, despite




the challenges faced in reconciling competing political and social interests, combined with the relative inadequacy of human and material resources.

- x. Mozambique's late start in embracing multiparty democracy and the global regime of human rights is reflected in the country's record with regard to the signing and ratification of international codes and standards. While it has signed many relevant APRM codes and standards, many more remain to be signed. It is commendable that no reservations were made to any of the agreements. A few important agreements that still remain to be signed, or have been signed and await ratification, include the International Covenant on Economic, Social and Cultural Rights (ICESCR); the Optional Protocol to the International Covenant on Civil and Political Rights (ICCPR); and the Convention on the Political Rights of Women.
- xi. Mozambique has experienced difficulties in complying with its reporting obligations to the bodies monitoring the United Nations (UN) treaty and the African Commission on Human and Peoples' Rights (ACHPR). The level of enforcement and implementation of international codes and standards unfortunately remains unsatisfactory. This is partly due to limited awareness among those responsible for their enforcement, such as lawyers, judges, public prosecutors, Members of Parliament (MPs) and the general public.
- xii. The Mozambican Constitution, which can be considered "international law friendly", states specifically that once a treaty has been entered into in terms of the country's constitutional requirements and international law, and has been officially published, it will form part of the Mozambican law. Thus no additional legislative act of domestication or incorporation is required.
- xiii. Mozambique has enjoyed peace and stability since the signing of the GPA on 4 October 1992. Despite occasional outbreaks of violence since then, it has been possible to sustain the spirit of the agreement and to maintain the peaceful conditions necessary for political stability and socioeconomic development. In the ensuing 17 years, strenuous efforts have been made to reduce distrust and entrench peace through consultations, dialogue, consensus and inclusive policies. These policies are aimed at reintegrating formerly warring opponents and inculcating a new patriotism based on mutually defined national objectives and aspirations. The example of both FRELIMO and RENAMO, former war protagonists becoming peace advocates, has had a salutary influence on their multitudes of members. As a result, dialogue and consultation have been adopted as a national ethic for conflict resolution. Thus the GPA provides a frame of reference for the resolution of intrastate conflicts, as well as the conditions for establishing and consolidating multiparty democracy.
- xiv. However, there are challenges to sustained peace. There is evidence that perceived inequities in election procedures, such as voter registration, campaign-




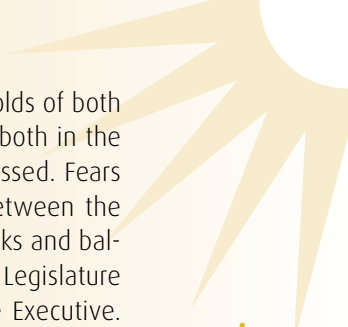
ing and balloting, and the announcing of results, are giving rise to violence. The frustrations of opposition party members have led them to engage in public protests that the police have had to repress using maximum force.

- xv. Trust, which is the foundation of the peace constructed after painstaking negotiations lasting about two years, seems to be gradually eroding. Problems are evident with the practice of inclusivity and political pluralism that lies at the heart of the GPA. The GPA framework remains in place, having been given expression in the Constitution and state laws. However, inconclusive implementation of key aspects and practices that deviate from the spirit and letter of the agreement warn of a gradual retreat from the compromises and concessions agreed to in 1992. Incomplete disarmament, economic exclusion and social exclusion are among the major issues indicative of the challenges to integration and social inclusion.
- xvi. The ambiance of peace is also disturbed by inconclusive demobilisation and rehabilitation programmes, especially for those demobilised after the civil war. Eligible demobilised soldiers (mostly FRELIMO) were paid stipends over a period of 18 months. During this time they were expected to be completely reintegrated into society under the Reintegration Support Scheme, which was funded from a trust fund managed by the UNDP. Most RENAMO soldiers not absorbed into the Armed Forces for the Defence of Mozambique (FADM) were excluded from the payment of the stipends, ostensibly because the government did not have their service records to assess their entitlements.
- xvii. The crime level in Mozambique is high and rising. A report to Parliament on 29 April 2007 by the Attorney-General indicated that crime had risen by 16 per cent from 36 257 in 2006 to 41 902 in 2007. Because of growing mistrust in the ability of the police to protect the public against crime and the weakness, as well as slowness, of the law in dealing with alleged criminals, citizens are taking matters into their own hands. As a result, suspects have been lynched and alleged criminals have been apprehended during the perpetration of crimes. The free circulation of weapons or small arms in Mozambique aids crime and violent conflicts.
- xviii. Mozambique's coastline is porous and vulnerable to penetration by drug cartels, gun-running gangs and fishing vessels engaged in unauthorised fishing in the country's territorial waters. Foreign fishing fleets have been able to act unchecked in the country's territorial waters because of the small size and limited capability of the Navy. However, in 2007, Mozambique's naval fleet capability was enhanced by the procurement of three patrol boats from the United States of America. This is reinforced by the cooperative arrangements between Mozambique and South Africa under the South Africa-Mozambique Joint Permanent Commission on Defence and Security.

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- xix. As far as periodic political competition is concerned, General elections for a President and the National Assembly were held in 1994, 1999 and 2004, while another was due in 2009. Municipal elections were held in 1998, 2003 and 2008. The cycle of elections has been sustained since multiparty elections commenced, except for the municipal and district elections of 2007, which were postponed until 2009. Significantly, the term has been maintained. Former President Joachim Chissano refrained from seeking constitutional changes to extend his stay in office beyond the two five-year terms stipulated by the Constitution. In other countries on the continent this is the bane of democracy. Thus, elections conducted so far under the existing arrangements have laid the foundation for the consolidation of democracy and multiparty elections as the means of choosing political leaders.
  - xx. After each election, with the exception of the municipal election of 2003, the results were rejected by the opposition. This fact remains a challenge to holding periodic elections.
  - xxi. The playing field is not level for all political parties in Mozambique. The CRM was inundated with allegations of discriminatory administrative practices. This makes it costly for individuals to identify openly with any party other than the ruling party, FRELIMO. While it is not formal state policy to discriminate against non-FRELIMO supporters when recruiting for the public service, in practice most vacancies are allegedly filled on the basis of affiliation with the party. FRELIMO supporters are allowed to organise cells in their workplaces, hold meetings during office hours, and make financial contributions to the party using official channels to effect deductions from members' salaries.
  - xxii. The impact of alleged discriminatory administrative practices on the support base of opposition political parties and their electoral fortunes is not quantifiable. However, judging by the outcomes of successive elections since 1994, it would appear that electoral support for the opposition is gradually eroding. This raises questions about how effectively opposition parties can function in the long term, to afford voters a credible alternative leadership choice during elections. Another worrying factor is that voter turnout is on the decline. This is potentially an even greater hazard to the preservation of democracy in Mozambique than the system of leadership recruitment via competitive elections.
  - xxiii. In an attempt to ensure that rights are promoted and protected, the Constitution guarantees a wide range of civil, political, economic, social and cultural rights, as well as duties. Mozambique is a party to the ICCPR, but not to the First Optional Protocol to this covenant. This would give individuals the right to access the complaint mechanisms under this covenant, but not those of the International Covenant on Economic, Social and Cultural Rights.




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- xxiv. The CRM received mixed reactions regarding the enjoyment of the freedom of expression. Many felt that freedom of expression is observed, emphasising that there is open governance and the people are given opportunity to express themselves freely. In other words, each Mozambican has the right to have and air his or her own ideas and opinions. Others disagreed, arguing that the government is not pro-people.
- xxv. Freedom of information in Mozambique is yet to be fully implemented, pending the enactment of the Law on Access to Official Sources of Information. The absence of this law hampers sectors of society seeking information for investigative or other purposes, because the Official Secrets Act is cited as grounds for the non-release of information. The accessibility of the written media will, however, remain limited as long as the problem of illiteracy prevails.
- xxvi. Civil society in Mozambique has been very dynamic in engaging several development processes and in shaping government policies. The registration and operation of non-governmental organisations (NGOs) is governed by legislation. More ministries are resorting to partnering with NGOs in the execution of their mandates in service delivery because of the value they add to the development process. With civil society organisations (CSOs) monitoring and participating in the electoral processes, public oversight in elections has increased. In fact, the president of the CNE is from civil society.
- xxvii. It is clear that Mozambique is experiencing difficulties as far as the separation of powers and the autonomy of the Executive, Legislature and Judiciary are concerned. This flows from the constitutional structure, which provides for a strong and powerful President backed up by the Executive, as opposed to an ineffective, weak and under-resourced Legislature and Judiciary. The wide-ranging power of the President is problematic, particularly in view of the fact that he appoints the President of the Supreme Court and the Attorney-General without the involvement of the Legislature. The constitutional mechanisms ensuring accountability, transparency and horizontal control are limited. The President and the government are not politically accountable to the Assembly. The government must, however, discharge its functions in accordance with the decisions of the President and the Assembly, according to Article 202(1) of the Constitution. The Constitution also provides a jurisdictional mechanism for the resolution of conflicts between the different branches of government by means of the Constitutional Council. In the political history of Mozambique, however, there is no record of any relevant institutional conflict between two arms of government. This makes it particularly difficult to assess allegations and perceptions of attempts by the Executive and Legislature to exert influence over the Judiciary.
- xxviii. A further impediment to good and unbiased governance and the rule of law is the uneasy balance of power between FRELIMO and RENAMO. The country



and its governance structures are clearly divided between strongholds of both parties, and political intolerance is rife. The CRM established that, both in the capital and in the provinces, political opinions are not freely expressed. Fears have been expressed that Parliament is hamstrung by the rift between the two major parties, contributing to its inability to offer credible checks and balances to a strong Executive. FRELIMO's comfortable majority in the Legislature has contributed to its manipulating Parliament's role vis-à-vis the Executive. Significant key legislation has been passed without the participation of RENAMO MPs, who have declined to vote on the laws, presumably because of FRELIMO's clear intention to ignore the arguments brought by the opposition during the discussion of the law.

- xxix. The public service of Mozambique has a deplorable reputation for incompetence and ineffectiveness, corruption, red tape and poor service delivery. Part of the reason for this incompetence and ineffectiveness is the shortage of well-trained, qualified people available for recruitment, as well as inadequate opportunities for the initial and ongoing training of public servants. As a result, there are too many inexperienced people in positions of responsibility well beyond their capability.
- xxx. Despite the need for quality and for all available local expertise to be harnessed to the task of nation building, recruitment into the public service is not based on merit. Party affiliation, nepotism and cronyism are the dominant criteria. It is estimated that the proportion of public servants recruited on the basis of merit is as low as 13 per cent.
- xxxi. Inadequate financial and material resources also negatively affect the performance of the public service in Mozambique. Besides the lack of funds impeding optimal operation throughout the financial year, offices are also not adequately equipped. Lacking in particular are information and communication technology (ICT) facilities, which would speed up operations and enhance levels of accuracy in record keeping and retrieval. In the rural areas infrastructure is rudimentary and this prevents the public service from responding adequately to public demands for services. In addition, a rigid bureaucratic attitude prevails regarding the application of rules, instead of a results-oriented focus.
- xxxii. Corruption has been a major issue in Mozambique's system of public administration. This is mainly attributable to negative value orientation; insufficient mechanisms for ensuring transparency and accountability; low staff wages; and the wide gap between high and low income workers. Workers residing in urban areas are faced with the challenge of making their wages cover the high costs of housing and transport, let alone other necessities, such as adequate food, water, energy and clothing. Corruption is particularly rampant in the critical social services sectors of healthcare and education, as well as in the security and justice sectors. Health workers demand bribes to hasten the provision of

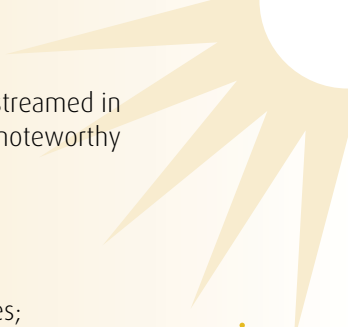


services or to provide any at all. In the education sector, it is possible to obtain credits or certificates without sitting for the examinations. Access to justice is cumbersome and expensive, and its processes are very slow and complex. The police are hampered in their task by staff shortages and a lack of the necessary expertise and equipment to handle investigations competently.

- xxxiii. Many reforms are in place as far as good governance and the fight against corruption are concerned. Although wide ranging, the nature of many of the reforms reflects the degradation of the public administration system. The government's commitment, together with the sympathy and assistance of donors, is making an impact as service delivery and the competence of public servants are already showing signs of improvement.
- xxxiv. Mozambique has a good record in promoting gender equality and protecting the rights of women, second on the continent only to Rwanda and South Africa. The gender policy of the ruling party, FRELIMO, sets aside a quota of 35 per cent of public positions for women. This has yielded positive results, as women have been appointed to important political and public service positions at the central, provincial and local levels. Women's rights, however, lag behind the gains attained so far in the political sphere. Women are still subjected to considerable social discrimination and marginalisation. Gender-based domestic violence is very common and trafficking in women a significant hazard.

### **3.2 Economic Governance and Management**

- xxxv. By all accounts, Mozambique represents one of the best cases in Africa of post-conflict transition to political stability, democracy, and good political and economic governance. Over the last 15 years the country has consistently attained high economic growth rates, the highest in Africa for a non-oil producer. Growth averaged 8 per cent between 2000 and 2006, but fell slightly to 7.3 per cent in 2007. The gross domestic product (GDP) per capita grew at an average rate of 5.9 per cent between 1996 and 2006.
- xxxvi. Strong macroeconomic management has contributed to Mozambique's current good economic performance. Since the end of the civil war in 1992, the government has consistently pursued prudent monetary, fiscal, exchange rate, trade and debt management policies. Inflation has largely been brought under control, falling from double-digit figures between 2000 and 2004 to an average of 7 per cent between 2005 and 2007, and 8.16 per cent in 2008. Exchange rates have been largely stable and the fiscal deficit has been reduced to close to the SADC target of 5 per cent of the GDP.
- xxxvii. The government has also taken serious steps to ratify and domesticate international codes and standards. In particular, significant progress has been made in implementing codes and standards aimed at strengthening the country's



financial sector. Most of the practices provided for have been mainstreamed in various pieces of legislation, policies and programmes. Particularly noteworthy is the progress in the implementation of the following:


- Code of Good Practices on Fiscal Transparency;
- Payment systems guidelines;
- Core Principles for Effective Banking Supervision;
- National and international corporate governance guidelines;
- Policies on debt management; and
- International accounting and auditing standards.

xxxviii. However, a major deficiency in economic management in Mozambique is that the growth process has mainly resulted from large foreign investments in megaprojects and substantial aid flow. With foreign spending making up over half of all public expenditure, Mozambique is one of the most aid-dependent countries in Africa. Megaprojects are a small number of projects that dominate what some stakeholders see as an otherwise small and slow-moving economy. Two very large projects in particular dominate the economic data from the 1990s through to the early 2000s: the Mozal aluminium smelter and the Sasol gas pipeline. There are also large project investments in agriculture (e.g. large-scale farms make up 60 per cent of land under sugarcane), which amounts to around 20 per cent of the GDP. While some sectors such as cotton and sugarcane are expanding, others (notably cashews) are not, as prices collapsed in 2000.

xxxix. The dominance of capital-intensive megaprojects in the country's economy is raising concern in some sections of Mozambican society. While these projects seem impressive, their net benefits to the rest of the economy have been questioned. The linkage of megaprojects to the rest of the economy is minimal, and there is almost no spillover effect or significant job creation in related industries. Not even tax revenues have increased, because the megaprojects are the beneficiaries of generous tax holidays. Their contribution to employment creation is minimal.

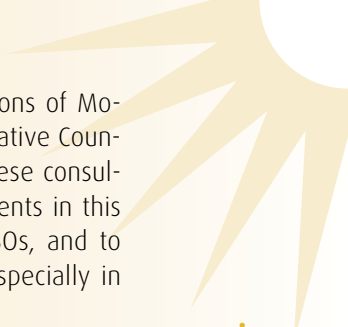
xl. The government has taken a number of steps to address the problem of the dominant role of mega-industries in the Mozambican economy and the substantial tax benefits they enjoy. These include the laws adopted in June 2007, which provide for specific taxation in the mining and petroleum sectors and specify the incentives and benefits applicable to the mining and petroleum sector. The plans of the government to accede to the Extractive Industries Transparency Initiative (EITI) will also increase the benefits to the economy from this sector.

xli. More far-reaching measures are, however, required. In particular, the government should embark on a broad-based, pro-growth development strategy in order to create the structural conditions for sustainable growth and poverty



reduction. Such a strategy should allow the private sector, especially small and medium-sized enterprises (SMEs), to play a significant role. Present measures to increase investments in social and physical infrastructure should also be reinforced.

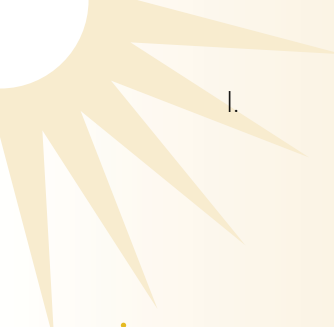
- xlii. An important outcome of such a strategy will be increased mobilisation of domestic resources, thereby reducing dependence on external aid. The government is conscious of the importance of this outcome. In this regard, a number of reforms have been introduced to reduce the burden of paying taxes, and to broaden the tax base. Special note should be taken of the establishment of the Mozambican Tax Authority (ATM) and the measures to make it more efficient, effective and transparent. However, while progress has been made in meeting the target of increasing revenue collection by 0.5 per cent annually, this target was not met in 2008. In addition, problems of transparency and perceptions of inequities continue to plague the tax system.
- xliii. On the whole, progress has been made in enhancing public finance management. With this in mind, the government has embarked on a programme to make greater use of information technology, as demonstrated by the introduction of the e-SISTAFE system. Public finance management has also been strengthened through the introduction of the Medium-Term Fiscal Scenario (CFMP), the shift from incremental to programme budgeting, and greater coordination of the economic planning process at the level of central government and among the various levels of government. Efforts are also being made to ensure synergy and coherence between the various economic plans and basic economic strategies, notably the Poverty Reduction Strategy and the Medium-Term Economic Plan.
- xliv. A major challenge facing the government and society of Mozambique is how to ensure greater transparency and more effective oversight in public finance management. The establishment of the Administrative Court represents a step in the right direction, but the effectiveness of this body needs to be strengthened. In particular, the ability of Parliament to hold the Executive accountable in public financing management needs to be reinforced considerably.
- xlv. Not much progress has been made in realising the government's objective of decentralising the management of public finances to the provincial and district authorities. Questions have been raised as to how strongly the government is committed to this goal. Whatever the case, as with so many other good policy declarations and intentions in Mozambique, a major challenge in this regard is the inability of local authorities to take full ownership of their economic development.
- xlvi. Mozambique has made determined efforts to broaden public participation in the formulation of economic policies. This participation takes place largely



within the framework of the Confederation of Economic Associations of Mozambique (CTA), the Joint Assessment Programme and the Consultative Councils. However, a major challenge facing the country is to make these consultation processes more meaningful and effective. Urgent requirements in this regard are to increase the capacity of the private sector and CSOs, and to ensure that relevant information is more widely disseminated, especially in rural areas.

- xlvi. As in many other African countries, Mozambique is plagued with the problem of corruption. There is widespread awareness of the importance of this problem for good governance, and the government has been taking steps to address it. In addition to the measures designed to strengthen the public sector and increase transparency and oversight in public finance management, specific measures have been adopted to reduce corruption, including the Anticorruption Strategy for 2006–10 and the establishment of the Central Office for Combating Corruption. Two major shortcomings in the Anticorruption Strategy are the lack of effective autonomy of this office from the Executive and the widespread perception that the government is not strongly committed to combating corruption, notably in the case of senior government officials and well-placed and connected individuals. It is therefore essential for the government to take tangible and energetic steps to demonstrate its firm commitment to this goal.
- xlvi. The country is committed to regional integration, especially within the framework of the SADC, of which it has been a member since 1980. Mozambique has also entered into the Growth Triangle Initiative with Malawi and Zimbabwe, and has signed bilateral agreements with South Africa and Swaziland. However, the country does not seem to have been gaining much from its membership in the SADC. This is mainly because entrepreneurs are neither strong enough to face the competition from other SADC members, especially South Africa, nor are they and the public in general sufficiently well informed about the activities of the SADC and how they could benefit from them. Both the government and the CTA, which share responsibility in this area, are to blame for this situation. The launching of the SADC Free Trade Area in August 2008 provided a good opportunity to address these shortcomings.
- xlix. In summary, while Mozambique has made impressive progress in economic governance and management during the last decade, a significant number of challenges still remain. These entail continuing, expanding and deepening the structural adjustment reforms upon which the country has already embarked. The APR Panel strongly recommends that these reforms be accompanied by a broad-based strategy of economic development in which the private sector, especially SMEs, plays a more important role. Only in this way will Mozambique's dependence on external aid and its vulnerability to external shocks be reduced. A broad-based strategy of economic development will also generate employment and contribute to the alleviation of poverty.





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- i. A second important recommendation of the APR Panel is that, in the process of deepening the reforms for public finance management, special attention should be given to reinforcing the institutions responsible for exercising oversight and ensuring transparency and accountability. In particular, the authority and capacity of Parliament and the Administrative Court should be reinforced. The media and CSOs also have important roles to play in promoting transparency and accountability, and their capacities should be strengthened.
  - ii. The fight against corruption is another important challenge that requires more effort from the government. New laws and institutions are required, along with the energetic implementation of existing rules and policies, and building the capacity of existing institutions. The political leadership of the country should demonstrate in a tangible and forceful manner its commitment to fighting corruption, irrespective of the identity of the perpetrators and the form that corruption takes.
  - iii. Finally, the APR Panel recommends that greater efforts should be made to place the economic development of Mozambique within the framework of regional economic cooperation and integration. The private sector, CSOs and the public at large should be sensitised to the importance of, and potential gains from, regional economic integration and be empowered to take advantage of it. This applies in particular to Mozambique's membership of the SADC. The steps being taken by the SADC to accelerate the process of economic integration should also be domesticated and internalised.
  - iiii. While Mozambique's economic achievements during the last decade have been quite impressive, they are not self-sustaining. The country should further strengthen its frameworks for monetary and fiscal policy, based on the principles of transparency, stability, responsibility, fairness and efficiency. In this way, economic stability can be achieved over the long term and stubbornly high poverty levels eradicated.

### **3.3 Corporate Governance**

- iv. Corporate governance within the context of the APRM seeks to highlight the ethical principles, values and practices needed to ensure the balance between economic and social goals, as well as between individual and communal goals. However, corporate governance in Mozambique is still in its embryonic stages.
- lv. Not surprisingly, public awareness of corporate governance in Mozambique is still low and best practice is a new concept in most businesses, with the exception of foreign-based organisations. Corporate governance principles are not entrenched in the core businesses of most companies, and there are no proper regulator institutions in place dedicated to upholding such principles. However, following recent reforms in the financial sector, the concept is catching on rapidly and steps are being taken to prepare a National Code of Corporate Governance.




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- lvi. In order to strengthen corporate governance, the country has ratified 19 out of the 23 conventions relating to the environment. A further four have been signed but not ratified, while the status of the Vienna Convention for the Protection of the Ozone Layer (the Montreal Protocol on Substances that Deplete the Ozone Layer) is not yet clear. Mozambique is at different levels of compliance with the core principles governing the supervision of banks, the regulation of the securities market and oversight of the insurance industry, although these are all voluntary.
- lvii. Mozambique is also a signatory to various conventions on the environment, labour, trade and others that are relevant to corporate governance themes. Article 18 of the Constitution recognises that international conventions ratified by the Mozambican Parliament as part of the internal juridical order shall have the same value as the internal laws and regulations.
- lviii. Financial accountability is generally low. This is mainly because Mozambique has been operating government accounting systems that did not adhere to International Financial Reporting Standards (IFRS) or International Standards on Auditing (ISA). The systems differ from IFRS standards in the following areas:
- Inventory calculation;
  - Intangible assets;
  - Historical cost and continuity principles;
  - Long-term construction contracts;
  - Balance sheet presentation;
  - The lack of coverage; and
  - The mandatory use of the Portuguese language.
- lix. In response to these weaknesses, Mozambique has now adopted IFRS to apply to all banks from 2008, by directive of the Bank of Mozambique (BM), and has agreed to apply IFRS to other enterprises by 2010.
- lx. The above measures, together with the implementation of the 2005 Commercial Code for financial institutions and listed companies (although still very few), will greatly improve the situation in the medium and long term.
- lxi. Mozambique has continued to implement far-reaching financial policy reforms, including privatising major state-owned banks, transforming the central bank into a banking supervisory authority, and monitoring the exchange rate and monetary policies. The BM has passed a series of regulations that set the rules of the banking system. Here Mozambique has adopted the Core Principles for Effective Banking Supervision (CPEBS), and the country is working with the international banking system to implement best practices.
- lxii. Mozambique has also complied with 17 of the 27 Basel Core Principles for Effective Banking Supervision, partially complied with a further four, and four are




still outstanding, while partially complying with 14 on liquidity risk management, 15 on operational risk, 17 on internal control and 23 on collective remedial powers of supervision, respectively. The BM affirmed that it is preparing comprehensive risk-based regulations in order to comply with the outstanding principles and felt that, given the low money and security market deals by banks, compliance with some principles may not be so urgent.

- lxiii. The BM is also acting as the independent regulator of the government-owned Mozambican Stock Exchange (BVM). As an autonomous institution, the BM can render independent action, but a separate regulator would be perceived as being more independent. It would also devote more time to the promotion and development of the capital market.
- lxiv. The Office of the General Inspectorate of Insurance (IGS) regulates the insurance business in Mozambique. However, it has not yet sought membership of the International Association of Insurance Supervisors (IAIS) or the International Organisation of Pension Supervisors (IOPS), pending full compliance with the core standards.
- lxv. Accessing finance remains a serious challenge in Mozambique. Large businesses have access to a wide range of facilities, including foreign loans, the BVM and traditional trade finance from financial institutions. However, SMEs face the constraint of lack of security, high interest rates and generally low levels of transparency. The situation is further complicated by the absence of acceptable records. The limited number of bank branches in the districts (only 43 out of 128 districts) poses yet another bottleneck.
- lxvi. Private sector business is predominantly informal, unskilled and lacking in entrepreneurial skills. While the CTA, the private sector apex body, plays an important linking role between the government and the private sector, it does not have the capacity to service the entire country.
- lxvii. The World Bank's Doing Business 2008 report indicates that entrepreneurs can expect to go through at least ten identifiable steps to launch a business, which takes an average of 29 days. Overall, the ease of doing business in Mozambique is ranked 134th out of 178 countries. The government and private sector continue to work with donors to improve the business environment.
- lxviii. In recent years, infrastructure in Maputo has improved significantly. The power supply is reliable, major roads are reasonable and telephone services are adequate. However, major challenges remain in the case of feeder roads, rural electrification and telephone services to the districts. Furthermore, there are no oil-refining facilities and oil security reserves are non-existent.

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- lxix. The BVM, founded in October 1999, was started with less than US\$5 million in capitalisation. Although a fundamental instrument for the raising of finance by companies, to date it has only one listing, the Mozambican Breweries (CDM). Currently, given the single equity and only 15 debt instruments, liquidity is very low. The BM exercises oversight functions, but has no plausible plans to promote and develop the capital market.
  - lxx. As indicated earlier, land is owned by the state and rights cannot be mortgaged, sold or transferred without obtaining permission via bureaucratic processes. However, improvements on the land can be used as collateral. Unless the underlying rights can be transferred, such collateral is unattractive. The legal system recognises and protects property rights in respect of buildings and movable property. As private ownership of land is not allowed, the government grants land use concessions for periods of up to 50 years, with options to renew. On occasion it has granted overlapping land use concessions.
  - lxxi. Essentially, these concessions serve as proxies for land titles. However, they cannot be used as collateral. Land surveys are being conducted throughout the country to enable individuals to register their land concessions. This process is moving slowly, however, and will not provide any real legal protection to investors for some time to come. The Mozambican banking community uses property other than land, such as vehicles and private houses, as collateral.
  - lxxii. Corporate social responsibility (CSR) depends on the situation of each and every enterprise. In general, the megaprojects and foreign companies are positively disposed towards CSR, but largely as a marketing tool rather than a corporate citizenship responsibility. Some businesses seem to suffer from contribution fatigue, aggravated by a lack of accountability on the part of recipients.
  - lxxiii. The performance of the judicial system has been boosted with the introduction of the Commercial Court to administer the new “commercial code”. However, public awareness of the new code remains at a low level.
  - lxxiv. Accountability has generally improved in the traditional sectors controlled by foreign interests. The governance best practices of audit committees and management of conflict of interest are receiving attention in various forums. The establishment of a national code of corporate governance to enhance accountability is overdue and remains a big challenge.

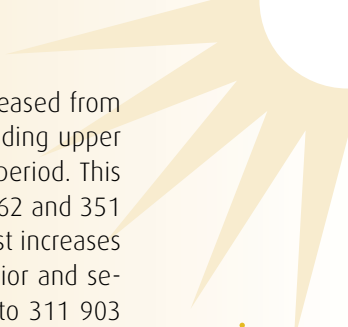
### **3.4 Socioeconomic Development**

- lxxv. Following a prolonged period of internal conflict during which a great deal of the country’s economic and social infrastructure was destroyed, Mozambique has made sustainable efforts to reconstruct and revitalise the socioeconomic sector. Struck by cyclical droughts and an apparently never-ending war, Mo-




zambique was once called the “poorest” country in the world. Since the mid-1990s, it has reinvented itself as a highly successful post-conflict country in transition, with impressive economic growth rates and sustained macroeconomic and political stability.

- lxxvi. In order to boost the process of improving the wellbeing of its people, Mozambique has signed and ratified several international codes and standards. This will enable it to benchmark progress in socioeconomic development against accepted international norms and practices. Many instruments for socioeconomic development still need to be ratified before they can become the backbone of the standards and norms for promoting such development in Mozambique. Such unratified instruments include the protocols relating to the right to development (1986), sustainable development (2002) and MDGs (2000).
- lxxvii. By means of international codes and standards, the government has come up with the necessary policy and institutional framework to address the numerous socioeconomic challenges facing the country. To this end, policies and strategies have been designed and initiated for the development of the social sector, with particular emphasis on education, health and the fight against HIV/Aids.
- lxxviii. Mozambique’s Five-Year Government Programme (PQG) and its second national Plan of Action for the Reduction of Absolute Poverty (PARPA II) provide the overall policy and strategic framework for the country. In terms of this framework, the government is able to pursue its objectives of ensuring that the socioeconomic conditions of all citizens improve and contribute effectively to the development of the nation by allowing easy access to basic services, including education, health, food, clean drinking water and sanitation.
- lxxix. The Poverty Reduction Strategy has had some success, as the incidence of absolute poverty dropped from 69.4 per cent in 1997 to 54.1 per cent in 2003. On the basis of the available data up to 2003, poverty in urban areas declined by 10.5 percentage points, whereas in rural areas it dropped by as much as 16 percentage points. This is a significant achievement, suggesting that the central objective of PARPA, which is to reduce the incidence of absolute poverty to less than 60 per cent by 2005, was attained.
- lxxx. It is difficult to ascertain the extent of poverty reduction in Mozambique beyond 2003, as no recent data on poverty exists. This presents a major change to policy makers wishing to design and implement appropriate antipoverty programmes. Significantly, it makes it difficult to monitor progress on the attainment of the MDGs.
- lxxxi. There is no doubt, however, that Mozambique has made progress in attaining some MDGs. Notable success has been made in school enrolment. The num-



ber of public schools providing lower primary education (EP1) increased from 8 007 in 2003 to 9 303 in 2007, while the number of those providing upper primary education (EP2) rose from 950 to 1 116 during the same period. This saw the enrolment of pupils in EP1 and EP2 increase from 2 826 362 and 351 224 in 2003, to 3 866 906 and 616 091 in 2007 respectively. Modest increases were also recorded in secondary education, with enrolment in junior and senior secondary schools rising from 141 802 and 18 291 in 2003, to 311 903 and 47 388 in 2007, respectively. At the same time, efforts are under way to expand other levels of education, including tertiary education, vocational training and adult literacy.

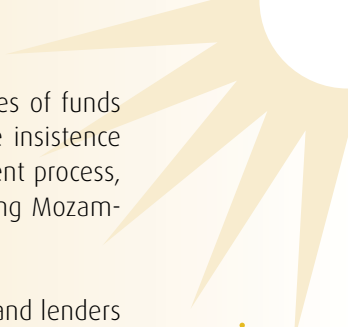
- lxxxii. A key area of concern, though, is the imbalance between enrolment in primary and secondary schools. This is a consequence of Mozambique's pyramidal education structure, which is very sharp at the top. The latter has not kept pace with expansion in the former, particularly at the E1 level, which has registered considerable increases in enrolment. As a result, large numbers of ill-trained primary school leavers unable to access secondary level education are regularly thrown into the job market without any skills. Moreover, high enrolments at primary school level are not matched proportionally with the recruitment of additional teachers in order to maintain acceptable student-teacher ratios. Another challenge repeatedly brought to the attention of the CRM was the acute shortage of qualified teachers, especially in remote rural areas.
- lxxxiii. These challenges have placed constraints on government efforts to provide universal education, especially efforts to fight illiteracy. Despite some marginal progress made in increasing the literacy rate from 43.3 per cent in 2000 to 46.4 per cent in 2003, illiteracy is still very high in Mozambique and is a very serious impediment to the country's development. Victims of illiteracy are unable to take full advantage of information and knowhow conveyed through various media; to better their lot in life; and to participate actively in the development of the country. Consequently, there is a need to review current policies and strategies in order to ascertain their effectiveness.
- lxxxiv. In the health sector, health service delivery has shown some improvement, particularly with regard to the development and distribution of health centres across the country and the required human resources training. During the last few years, more public health centres have been built and equipped. As a result, there has been a marked improvement in geographical coverage and access to healthcare services. The number of rural hospitals increased from 31 in 2003 to 41 in 2007, while that of health centres rose from 683 to 859 during the same period.
- lxxxv. Despite this progress, the national health system remains structurally very weak. The key challenge faced by the sector arises from the uneven provision of health services across the country. Large disparities exist between



regions, as well as between rural and urban areas. It is estimated that 80 per cent of Mozambicans still walk 5 km or further from their homes to the nearest health facility. The quality of services remains inadequate due to limited qualified medical staff and the lack of necessary medical infrastructure and equipment. The number of national health staff, including doctors and nurses, declined from 17 786 in 2003 to 17 549 in 2007. The Aids pandemic is a serious concern, as Mozambique ranks among the ten most-affected countries in the world. The incidence of other diseases, such as malaria and tuberculosis, remains high and poses a serious health challenge to the country.

- lxxxvi. Overall, basic social services in Mozambique, such as finance, markets and ICT, are unequally distributed not only across provinces, but also between urban and rural dwellers and the socioeconomic strata of the population. This has serious implications for improving the wellbeing of individual citizens.
- lxxxvii. Mozambique has, however, made considerable progress in promoting gender equality. The country has supportive policies, laws and an institutional framework in place for guiding efforts towards achieving gender equality and equal opportunities for all individuals. In this regard, the government has subscribed to several regional and international initiatives that promote equal rights for women and men. In terms of these instruments, parties commit to revising discriminatory laws, and to formulating new policies and programmes for the benefit of women.
- lxxxviii. Despite notable socioeconomic progress over the years, effective policy implementation remains a critical concern in Mozambique. Corruption, inadequate resources, lack of capacity (particularly at lower levels) and the politicisation of development programmes are major obstacles reinforced by the deficient management of public expenditure, growth in revenue and coordination of development assistance. This suggests that there is a need to strengthen programme monitoring and evaluation capacity.
- lxxxix. Although the district has been identified as the node of development, the decentralised system for service delivery suffers from a number of structural, operational and financial weaknesses. This has affected the quality of service delivery at the local level. There is also concern that significant job creation and poverty reduction have not accompanied economic growth. Moreover, the country faces high and rising unemployment, particularly among the youth.
- xc. Another source of concern is rising income inequality. Mozambique has not been able to address this problem fully (within and across regions, and between urban and rural areas). This inequality is not only evident with regard to income, but also in other basic social services, such as healthcare and education.



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- xci. Underlying all this is the country's dependence on external sources of funds which, while on the decline, still remains relatively high. Despite insistence by state stakeholders about the local ownership of the development process, there is no doubt that donors have been very influential in shaping Mozambique's socioeconomic policies over the years.
- xcii. Given this high dependency on aid, there is no doubt that donors and lenders have penetrated each area and level of policy debate and decision making in Mozambique. This appears to create policy rigidities and reduces policy space. The CRM believes that Mozambique can lay a firm foundation for development if it follows the example of the "aid graduates". These countries have succeeded in ceasing to be dependent on Official Development Assistance (ODA). The former ODA-dependent countries have vigorously pursued broad-based and diverse macroeconomic policies, which were critical to their development of dynamic processes of productive capacity and accumulation.
- xciii. Ultimately, sustainable socioeconomic development, redistribution and growth are crucial for Mozambique's social and political stability. Determined efforts are required by the government and all sectors of society to accelerate and sustain the good start that has been made in promoting socioeconomic development and reducing poverty.

#### **4. CROSS-CUTTING ISSUES**

- xciv. The major cross-cutting issues that featured prominently in all the thematic areas are highlighted below. A comprehensive approach is needed to address these issues, as they have wider implications for the various dimensions of governance in Mozambique.
- xcv. The 13 major cross-cutting issues emerging from this report are as follows:
- Poverty and inequality;
  - Interwovenness of party, government and business;
  - HIV/Aids;
  - Land ownership;
  - High levels of illiteracy;
  - High aid dependency;
  - Information flow and paucity of data;
  - Inclusivity;
  - Crime, safety and security;
  - Domestic violence;
  - Capacity constraints and implementation challenges;
  - Elections; and
  - Corruption.



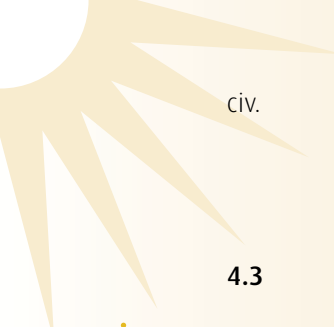
## 4.1 Poverty and Inequality

- xcvi. Poverty is a fundamental issue for human development in Mozambique. There is no doubt that the country has experienced one of the most dramatic reductions in poverty in the world in recent decades. Based on a national poverty line, income poverty fell from 69.4 per cent of the population in 1997 to 54.1 per cent in 2003. There has been an even more significant decline in the depth and severity of poverty. Nevertheless, Mozambique remains among the poorest countries in the world. Moreover, the country's efforts at poverty reduction have had uneven results across the regions. In particular, poverty rates increased in Maputo city and province. In addition, a 2007 report by the World Bank provides evidence of a "nutritional paradox". While real consumption levels have risen across the country, chronic malnutrition has not declined apace, and has even worsened in some areas (Gaza, Inhambane, Maputo province, Sofala and Zambézia).
- xcvii. Mozambique has also not escaped the impact of soaring food prices that have engulfed several countries in recent years. In a country where 54 per cent of the population lives below the national poverty line, 34 per cent of households are food insecure and face perpetual hunger. This has a dramatic impact in urban areas, where city dwellers pay more for their food and the poor are no longer able to purchase adequate and nutritious food. It is a perennial struggle for Mozambique to produce enough food to meet the needs of its citizens. Reasons for this include persistent natural disasters in food-producing areas; poor farming and transport infrastructure; input scarcities (of e.g. fertiliser); and a general lack of investment in the agricultural sector. Consequently, Mozambique imports about 890 000 tons of cereals annually, making it susceptible to increases in global food prices.
- xcviii. A related issue to the challenge of poverty is inequality – the gap between the rich and the poor. While inequality is multifaceted, it is especially linked to the ethno-regional dominance of the south. This dominance is reflected in the tremendous economic gap in terms of investment concentration and developmental indicators, as well as political representation. It is also embodied in the domination of the technocratic elite within the state apparatus. Leading positions within the bureaucracy and FRELIMO are mainly filled by people from the South (Gaza province and Inhambane).
- xcix. The danger is that current economic divisions may harden into permanent social divisions, setting in motion a self-perpetuating cycle of social disadvantages. The other concern is that increasing inequality in the distribution of resources can lead to social conflicts. Moreover, inequalities in health, education and income are key components of human development that matter deeply to social wellbeing.

- c. For Mozambique, dealing with the challenges posed by inequality is critical to future growth and prosperity. Policy in the country should focus on the specific dimensions of inequality that create or perpetuate unequal opportunities for participating in the gains from future economic growth.

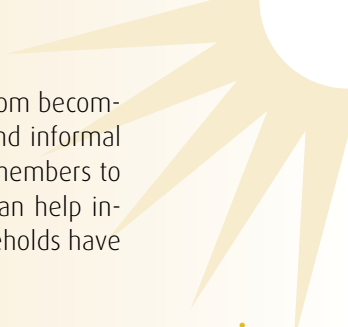
#### **4.2 Interwovenness of Party, Government and Business: The Moral Conundrum**

- ci. The commitment of African states to fight corruption collectively and severally is demonstrated by their endorsement of international conventions against corruption. Mozambique, like most African countries, is a signatory to the African Union Convention on Preventing and Combating Corruption. It signed the convention on 15 December 2003 and ratified it on 2 August 2006. It is also party to the SADC Protocol Against Corruption. These two documents define corruption very broadly and make similar wide-ranging recommendations for checking corruption in the public and private sectors.
- cii. A crucial anticorruption measure that is missing is an explicit and unambiguous definition of the ethical boundary not to be crossed by government or senior ruling party officials and their families in carrying out business while still in office. This problem is not peculiar to Mozambique; rather it is a major shortcoming in national integrity systems in Africa. In Mozambique, the problem is more acute owing to the severely predatory nature of the former Portuguese colonial policy. At the time of independence, the size of the national elite was quite small and exclusively political in character. Post-independence civil war further stunted the development of the economic elite, especially as virtually the entire economic infrastructure was ruined during the war.
- ciii. In the 1990s, the government embarked on a structural adjustment of the economy and privatised many public companies. Inevitably, government officials considered it a reward for their tenacious struggles against colonialism and internal rebellion to buy off privatised public companies and take over the reins of the economy. Over the years, through strong equity participation, management consultancies, partnerships and fronts, senior government and party officials and their families have held the economy in their stranglehold to such an extent that it is difficult to imagine the state autonomously regulating the economy as it ought to. In Mozambique, senior FRELIMO politicians are the party; the party is the government; and the government is the state. Thus, Mozambican state bureaucracy is not only still deeply entangled with the FRELIMO party apparatus, but it also bears over-formalised and over-bureaucratized features inherited from the Portuguese colonial administration. Consequently, what senior politicians decide is their interest is the state's interest. Little wonder, then, that the battle against corruption is not succeeding as well as it might.

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- civ. The government needs to consider defining an ethical code that will regulate the participation of senior party and government officials and their families in business. This will serve to avert the corrosive impact of unbridled economic activities on public morality.

#### **4.3 HIV/Aids**

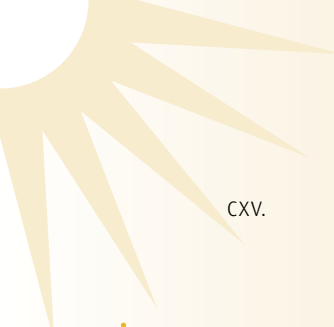
- cv. Since its detection in the early 1980s, HIV/Aids has become a global pandemic, with the SADC region of sub-Saharan Africa (SSA) bearing the brunt. Although this subregion accounts for less than 2 per cent of the global population, it has the highest HIV infection rate in the world. At the end of 2006, approximately 14.9 million, or 39 per cent, of the population were living with HIV/Aids.
- cvi. Mozambique has not been spared the adverse impact of the HIV/Aids pandemic. With an estimated HIV prevalence of 16.3 per cent among adults (15–49 years) in 2005, Mozambique ranks among the ten most affected countries in the world. An estimated 500 people are infected every day. In the case of adults living with HIV/Aids, the impact is not uniformly distributed, as an estimated 57 per cent are women. They are generally infected at much earlier ages than men, with consequences in terms of impact, since women thus lose more years of life than men. This pattern of HIV infection according to gender is typical of the subregion as a whole. It is clearly related to the low educational levels and exceedingly high illiteracy rates of women, as well as their subordinate economic, social and political position.
- cvii. The national rate of HIV prevalence masks considerable regional differences in Mozambique, with adult prevalence rates estimated at 13.2 per cent for the south, 16.5 per cent for the centre and 5.7 per cent for the north of the country. At the same time, Mozambique is experiencing epidemics of tuberculosis and malaria, in addition to seasonal cholera outbreaks, all of which exacerbate the impact of HIV/Aids.
- cviii. While the pandemic is currently receiving considerable attention from all major stakeholders, much wider access to HIV prevention, treatment and care services is urgently needed. As the country scales up HIV/Aids programmes and more people are reached with prevention, treatment and care services, the capacity of individuals and institutions to manage and deliver these services must be strengthened.
- cix. Also noteworthy is the realisation that Aids is linked to many other problems, such as poverty and poor public infrastructure. Efforts to fight the pandemic should take these realities into account and look at ways in which the general development of Mozambique can progress. In particular, interventions aimed at strengthening the economy can help individuals and households affected by HIV/Aids to survive the shocks caused by the disease. This, in turn, will



stabilise the economic situation of households, preventing them from becoming absolutely destitute. They can also reinforce existing formal and informal support systems by making it possible for family and community members to maintain or expand their economic and business activities. This can help increase the resources that infected or affected individuals and households have to support themselves.

#### 4.4 Land Ownership

- cx. As is the case in many African states, land is an emotive and controversial issue. Land ownership matters have been central to the battle for independence in Mozambique and its post-independence policy. Increasing recognition is being awarded to the fact that access to land is critical, if vulnerable households are to enjoy sustainable rural livelihoods. Secure access to land, whether through formal, informal, customary or other means, is necessary for rural households to enjoy sustainable livelihoods and is also an important part of sustainable development.
- cxii. Land rights in Mozambique have undergone radical changes in the last few years. There have been successive and rapid amendments to legislative instruments dealing with land issues, culminating in a new Land Policy that was passed in 1995. The landmark Land Law of 1997, which provides the legal foundation for current policy, emerged from a process widely described as one of the most participatory and democratic in recent Mozambican history.
- cxiii. While the policy-making process revealed a wide range of divergent interests around the question of property rights, substantial consensus was achieved on the following three core issues:
- Continued state ownership of land;
  - The protection of existing rights, particularly on communal land; and
  - The opening up of land and other natural resources to the private sector.
- cxiv. Mozambique has gone further than other countries in the region, in extending legal protection to the rights of communal land users.
- cxv. Pursuant to the mode of Portuguese law, the new Land Law is a concise set of Articles, setting out principles with minimal detail or procedural guidance. Nonetheless, its promulgation was marked by prompt concerns as to ambiguities and gaps, which were not entirely remedied by the regulations issued the following year. The law neither met the ambitions of most citizens, nor the keenest expectations of the donor community, to create a clear legal environment for the development of private property and a free market in land. At the same time, the law devolves more authority and autonomy to private investors and assumes a more conciliatory approach towards capital, both foreign and national. The considerable consultation process had the effect of diluting

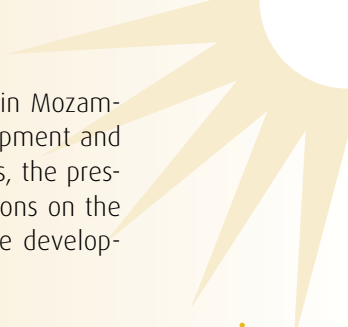


consistent policy and rendering the law more a platform for understanding between different role-players and interests, than a strategy of reform.

- cxv. There is a clear need to improve the way in which land rights can be used to foster development in Mozambique. The CRM noted that the present land tenure system, where land is currently the property of the state and only leased to members of the society, is a major hindrance to social and economic progress. Economically, people cannot use land as collateral to secure a loan. This tends to place constraints on economic activities, especially in agriculture. Socially, the system has constrained housing development. This calls for a careful review of the current land tenure system in the country in the light of the existing economic situation.

#### **4.5 High Levels of Illiteracy**


- cxvi. At just slightly above 40 per cent, Mozambique has one of the highest illiteracy rates in the world. Despite some improvements in recent years, the gender disparities in adult literacy are still very pronounced. Just over 30 per cent of women aged 15 years and older are literate, compared with over 60 per cent of all men aged 15 years and older.
- cxvii. The government has made notable progress in providing access to schooling. Access to primary education increased from 2 million in 2001 to almost 4 million in 2006, the period covered by PARPA I. Nonetheless, significant challenges remain. For example, the primary school completion rate is still below 50 per cent. The enrolment of girls, especially at post-primary education levels, lags significantly behind that of boys. Mozambique thus runs the risk of not being able to achieve the MDG for universal primary education and gender equity in education. Progress in improving access to post-primary education has also been slow. Only 500 000 students are enrolled in secondary education programmes, and 30 000 in tertiary programmes. Significant disparities remain between rural and urban locations, and are exacerbated by the demand for secondary, technical and tertiary education, which is higher in wealthier urban areas. This makes it increasingly difficult for government education policies to be effectively pro-poor.
- cxviii. The quality and relevance of education continue to be a cause for concern. Of the 7 million people active in the labour market, more than 90 per cent have completed only five years or less of primary education. There is a significant shortage of skills at the technical and higher levels, especially in mathematics and science. Of the 30 000 students enrolled in the 16 higher education institutions, less than one-third major in the natural sciences, agriculture, engineering and health sciences, and even fewer eventually graduate. Nationwide, less than 300 graduates have doctorates.

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- cxix. Notable progress has been achieved in promoting adult literacy in Mozambique. Projections of continued positive trends due to the development and expansion of the literacy campaign are encouraging. Nevertheless, the present high rate of illiteracy is likely to have very negative implications on the extent to which the majority of the population contributes to the development of the country.
- cxx. The fight against poverty cannot be won unless ignorance due to the lack of education, especially illiteracy, is eradicated. The important role of education in advancing economic and social development and in reducing poverty therefore cannot be overemphasised. Mozambicans who are functionally illiterate may be subject to social intimidation, health risks, stress, low income and other pitfalls associated with their inability to read and write adequately. Their functional illiteracy may increase the friction they experience with the mainstream of society, thereby increasing the likelihood that they will become involved in antisocial activities, such as crime or self-destructive activities. For this reason, it is important for Mozambique to improve literacy rates in communities by strengthening the education system and adult literacy programmes.

#### **4.6 High Dependency on Aid**

- cxxi. Over the past 50 years, aid has undergone significant changes in terms of its objectives and composition. A strong view exists today that, in the long run, dependency on aid does not lead to the development of dynamic processes of productive capacity and accumulation. Despite encouraging international resolutions, including the 2005 Paris Declaration on Aid Effectiveness (PDAE) and the Accra Agenda for Action (AAA), empirical evidence continues to point to a number of obstacles associated with aid modality, management, donor accountability and harmonisation.
- cxxii. Since the end of the civil war, Mozambique has consolidated its position as one of the largest recipients of aid in the world, both per capita and in absolute terms. The country's reputation in various quarters has made it a major destination of ODA. A group of 18 donors,<sup>1</sup> known as "G-18", currently provides budget support to Mozambique. The volume of ODA to the country has grown steadily, from an annual average of just over US\$900 million during the 1990s, to more than US\$1.3 billion between 2000 and 2005.
- cxxiii. Interactions with stakeholders, especially government officials, and a review of evidence made available to the CRM by various government ministries and departments, suggest that Mozambique has become heavily dependent on international aid in a multidimensional, structural and dynamic manner. In other words, it depends on aid for finance, policy choices, institution building, the culture of the civil service and CSOs, and even the development and dynamics of political institutions and the economy. Admittedly, Mozambique has been





a pioneer in the establishment of coordination mechanisms between governments and donors and a testing ground for the so-called “new aid modalities”. However, claims were repeatedly made that aid is often not aligned to national priorities and programmes, leaving governments with little choice but to accept them. Ministers and officials spend so much time dealing with donors that they have insufficient time left for their other responsibilities. Combined with the fragmentation of the planning and budgeting system, this makes it very difficult for the government to develop alternative strategies due to a lack of capacity and the brain drain. Thus, the fundamental question in the case of Mozambique is not how to manage aid dependency, but how to reduce it considerably. Critical to this is determining how aid can be used to help achieve this goal.

- cxxiv. At present, the extent to which Mozambique is trying to use aid to create endogenous development is unclear. This is reflected in the absence of an aid exit strategy. Under aid dependency, relationships and bargaining power between agents are highly unequal, and social, political and economic development interests and priorities may differ substantially between them.
- cxxv. Donors usually take the upper hand in negotiations between agents with unequal capacities and bargaining power, seeking different goals in a contested, dynamic and asymmetric environment. Inevitably, the space for policy initiative and innovation in an aid-dependent country is considerably diminished.
- cxxvi. Mozambique should seriously begin to address the issue of using aid to build strong and dynamic productive capacities. The country should also begin work in earnest on changing the structure and dynamics of its public expenditure in order to support and expand private investment and develop viable, sustainable and competitive trade and production.

#### **4.7 Information Flow and Paucity of Data**

- cxxvii. The role of accurate and reliable data in policy formulation is of the utmost importance. Information, especially when readily available to citizens, forms a crucial part of any governance system. The quality and reliability of the information are equally important.
- cxxviii. The problem of the quality of information in Mozambique is intrinsically linked to the nature of the governance system. This is a highly centralised system that operates on the basis of highly aggregated data and does not allow for detailed views of the situation. While significant progress has been made in this area,

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<sup>1</sup> The 18 key donors include three multilaterals (the African Development Bank, the European Union and the World Bank) and 15 bilaterals (Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Norway, Portugal, Spain, Sweden, Switzerland, the Netherlands and the United Kingdom).




particularly regarding the Internet, many gaps in information still need to be addressed, as the country develops its own governance structures.

- cxxix. In this respect, the capabilities of the National Statistics Institute (INE) should be enhanced. Despite its up-to-date and comprehensive legal mandate, the INE still needs to strengthen its administrative and technical capacity for managing the country's basic statistics. Public information is still sporadic and is restricted to what is derived from the census conducted in principle every ten years. The compiled information is based on the National Statistics Yearbook (produced in July, with a summary appearing in February/March) and the price index.
- cxxx. Economically speaking, the lack of quality, reliable and up-to-date data makes proper forecasting and projections difficult. This tends to create difficulties for policy making and programming, not only for government officials, but also for commercial enterprises. The country has yet to apply all of the standards stipulated by the General Data Dissemination System (GDDS) of the International Monetary Fund (IMF).
- cxxxi. In social development, the CRM noted the paucity of data on poverty and various social indicators, most of which are only available up to 2003. As is the case in the economic and commercial realm, the lack of recent data tends to complicate policy making and programming.

#### **4.8 Political Inclusivity**

- cxxxii. The need for political inclusivity in a post-conflict society is critical for reconciliation and reconstruction. In Mozambique, a disturbing trend is emerging in the pattern of plural politics. While there are many indications that the country is moving towards a fully fledged democracy, there is some concern about its political evolution. Particularly worrying is that Mozambique is sliding into a one-party state. Many stakeholders fear that the ruling FRELIMO party appears to dominate the public sphere, blurring the distinction between state and party.
- cxxxiii. The 1998 elections saw a boycott by RENAMO and widespread abstentions. RENAMO, a significant political force with strong regional bases, heads a coalition with a large number of seats in Parliament. Despite this fact, the Mozambican state bureaucracy is still deeply entangled with the FRELIMO party organisation. Many Mozambicans feel strongly that the ruling FRELIMO party has been pursuing a more aggressive self-assertion policy requiring loyalty to the party in exchange for positions in the state apparatus, and increasingly committing itself to the political aim of reducing opposition parties to insignificance. These fears should not be taken lightly, particularly since recent highly influential older politicians, veterans of the war for colonial liberation, publicly expressed their contempt of democracy and opposition parties.



cxxxiv. Commendably, though, this apparent setback to political development in the country is offset by interesting developments within society. In fact, both the Constitutional Council and the Administrative Tribunal (National Audit Office) have recently ruled against decisions that seemed to be party-politically motivated.<sup>2</sup> Given the widespread belief that the country is in the tight grip of FRELIMO, this obvious show of resistance from two institutions that have the task of safeguarding and protecting the rule of law is not only encouraging, but also an indication that Mozambican society may be moving in a direction that renders democracy less dependent on individual goodwill.

#### **4.9 Crime, Safety and Security**

cxxxv. Crime is a considerable impediment to development. In most African countries, high rates of crime and violence are undermining growth, threatening human welfare and impeding social development. In the corporate sector, crime is a major hindrance to investment. In many countries, as crime increases, access to financing declines; spending on formal and informal security measures increases; and worker productivity declines.

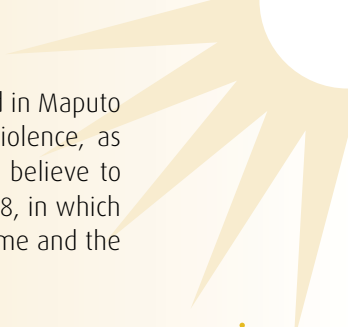
cxxxvi. In a country with a still-fledgling independent media and a lack of reliable crime statistics, it is difficult to pinpoint just how bad the crime situation has become. Anecdotal evidence indicates, however, that street crimes, including mugging, purse snatching and pick-pocketing are common, both in Maputo and in secondary cities. Carjacking is on the increase.

cxxxvii. Official statistics indicate that the levels of crime in Mozambique remain relatively low in comparison with other southern African countries. Only one out of every 100 crimes recorded in the SADC region occurred in Mozambique. There was a slight drop in the number of recorded crimes in Mozambique in 2008, compared with the previous year, but there was an increase in crimes committed with firearms. The Attorney-General, in his recent annual report presented to the country's Parliament, the Assembly of the Republic, indicated that the total number of crimes recorded fell from 41 902 in 2007 to 40 312 in 2008, a decline of 3.8 per cent. By comparison, the number of crimes in which firearms were used rose from 703 to 740.

cxxxviii. Maputo, the capital of the country, is also the crime headquarters. In 2008, 36 per cent of all crimes were committed in Maputo city and Maputo province, which represents a drop of 6 per cent since 2007. However, 635 of the of-

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<sup>2</sup> The newly created Civil Service Higher Authority had imposed on all state institutions the use of a FRELIMO party slogan, which the Constitutional Council found unconstitutional and asked to be withdrawn. Similarly, the Administrative Tribunal made a devastating review of public accounts, pointing to criminal irregularities and, most importantly, found a decision by the Eduardo Mondlane University, which is public, to ask academics who joined the opposition RENAMO party to step down from their senior positions within the university's administrative structure, illegal and ruled that they should be reinstated.



fences involving firearms (86 per cent of the total) were committed in Maputo city and province. Of particular concern is the spread of mob violence, as crowds take the law into their own hands and lynch people they believe to be criminals. There were 68 lynchings and attempted lynchings in 2008, in which 54 people were murdered and 26 injured. An apparent spike in crime and the police's inability to deal with it, were said to be behind these acts.

- cxxxix. There is also an international dimension to crime in Mozambique. Due to its porous borders, the country is increasingly afflicted by transnational organised crime. Mozambique is fast becoming a major transit route for illegal narcotics coming from South and Central Asia bound for Europe and the United States. There are also signs that predominantly Pakistani gangs have begun to establish drug laboratories in Mozambique. The country is also turning into an important regional centre for money laundering, primarily by way of investments in casinos, hotels, shopping malls and mining activities, where triads from the former Portuguese enclave of Macau are very active.
- cxl. Confronted with an increasingly violent criminal element and the loss of many of its members, the Mozambican security service has responded with equal violence. The Mambas and the Criminal Investigation Police (PIC) have been regularly accused of summary executions and the torture of alleged criminals. Heavier investment in intelligence and community policing will likely prove more effective than the use of brute force.
- cxli. Although there is no "ideal" approach to preventing crime and violence, they can be reduced by means of interventions such as slum-upgrading projects, youth development initiatives, and reforming the criminal justice system. Creating mechanisms to increase parliamentary oversight over the security service and establishing an effective unit to deal with police corruption might improve the effectiveness of the police. The international community and Interpol should continue to play a vital role in supporting the government in such efforts.

#### **4.10 Gender-based Violence**

- cxlii. The term "gender-based violence" is still emerging and developing. Originally, it was used mostly to replace the term "male violence against women", because the word "woman" refers to both individuals of the female sex and to feminine gender roles in society.
- cxliii. In Mozambique, CRM consultations revealed that the most prevalent forms of gender-based violence include the following:
- Domestic violence (e.g. childhood sexual abuse primarily in the form of sexual abuse occurring within the family, most often perpetrated by a father, stepfather, grandfather, uncle, brother or other male in a posi-

- tion of family trust, or a female relative);
- Sexual abuse, especially of girls in educational institutions;
- Harmful traditional practices, such as marrying off daughters at a young age and giving preference to sons;
- Trafficking in women; and
- Forced prostitution.

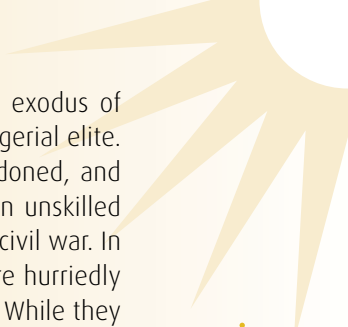
In the consultations held in the provinces, the CRM learnt that violence against men is widespread as women are fighting back.


- cxliv. The APR Panel takes the view that gender-based violence needs to be urgently addressed because it has a wide range of health, social, psychological and economic implications. Violence against women has several health, human rights and socioeconomic consequences for affected women and their families. Abused women are more prone to mental health problems, such as depression, anxiety, psychosomatic symptoms, eating disorders and sexual dysfunction. Women who have been sexually abused as children are more likely to have unprotected sex as adolescents and adults, and therefore run the risk of contracting HIV/Aids. Affected women may suffer from different reproductive health problems, such as gynaecological problems and sexually transmitted diseases (STDs), including HIV/Aids. Consequences such as contracting Aids or unplanned pregnancies may in themselves act as risk factors for further aggression, forming a cycle of abuse. The effects of violence may also be fatal as a result of intentional homicide or suicide.

#### **4.11 Capacity Constraints and Implementation Challenges**

- cxlv. At the heart of development is capacity building with a view to developing not only a capable state, but also a capable nation and society. Essentially this involves being able to identify goals and objectives, and marshal all the resources of the nation to meet them. Central to this is the ability to meet challenges and solve problems.
- cxlvi. For understandable reasons, capacity weaknesses are inherent in Mozambique. These are manifest in the following ways:
- Institutional weaknesses;
  - Low human resources development;
  - Problems of coordination and management;
  - Lack of comprehensiveness;
  - Challenges of knowledge generation and information management; and
  - Weaknesses of ownership and donor coordination.

The lack of human resources and institutional capacity is a significant constraint to development in Mozambique, regardless of the sector, region or issue.

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- cxlvii. The country gained its independence amid a chaotic and violent exodus of Portuguese settlers, including almost all of the technical and managerial elite. Property and productive infrastructure were sabotaged and abandoned, and the country was left with a largely dysfunctional economy and an unskilled human resources base. Before long, the country was engulfed in a civil war. In the immediate aftermath of the conflict, training programmes were hurriedly established under the pressure to demobilise over 90 000 soldiers. While they have had some success, they have also created frustration and unfulfilled expectations. There has been a boost in school enrolment over time, but the educational system, especially at the tertiary level, has not been able to meet the demand for critical skills.
  - cxlviii. Mozambique has articulated a clear vision of its future in its Constitution, economic and poverty reduction strategies, and sectoral plans. Legislation, decrees and policies have been adopted, and institutions and mechanisms put in place to realise this vision. However, the country needs to comply with and implement these constitutional, legal and institutional frameworks and fill in existing gaps. At present, the critical challenge facing the country is the energetic, comprehensive and effective implementation of these measures and how to make the system function as it was intended to.
  - cxlix. The CRM noted that often legislation and policies exist to promote governance in all four thematic areas, but they are not implemented. While institutions have been established, they function ineffectively, and well-intentioned and clearly articulated goals are set aside. Although there are several reasons for the gap between plans and implementation, such as the lack of political will, the principal reason appears to be deficiencies and gaps in capacity. Accordingly, as a matter of top priority, the government and people of Mozambique should concentrate their efforts on building the capacity of the state so that it can implement policies and programmes effectively and efficiently.
  - cl. Invariably, the capacity gaps are larger at the provincial and district levels than at the national level. For this reason, capacity building should be a central feature of the decentralisation process. The goal should be to empower local communities fully so that they become increasingly responsible for their own destinies, within the framework of a common national vision.
  - cli. Equally important is the need to recognise that capacity building is a goal, not only for the state, but also for the nation as a whole. Often, genuine good political and economic governance is negated by deficiencies in the capacities of other stakeholders, notably CSOs. These organisations fall short in their ability to act as effective advocates of the citizens and agents of development. Another area in which these organisations often fall short is in their ability to address some of their challenges through their own efforts, rather than to rely most (or all) of the time on the government or donors to solve problems for



them. Related to the strengthened capacity of CSOs is the need to enhance capacity building in corporate governance. Institutions such as the Investment Promotion Centre (CPI) need strengthening. Measures should also be taken to strengthen the capital market.

- clii. In Mozambique, as elsewhere in Africa, capacity building will depend mainly on the state playing a leading role in its implementation. In this respect, the government should articulate a comprehensive strategy for capacity building within the state organs; coordinate efforts; and empower and motivate other institutions in society to play their role, all the while monitoring the entire process. A national mechanism composed of senior officials from the government and all stakeholders would be required to monitor and evaluate progress in this area.


#### **4.12 Elections**

- cliii. The litmus test of the electoral process is whether a peaceful change in government is possible. Beyond formal party pluralism, the opposition should have a real chance of winning the next elections. In other words, democracy and elections go hand in hand. Ironically, the lesson emerging so far from experiences in SSA with multiparty democracy is that it is possible to have elections but no democracy. While in principle many African citizens are now free to choose their own leaders, in a substantial number of cases incumbent leaders have found ways to manipulate and win electoral mandates, despite clamping down on political liberties and participation. Furthermore, political freedoms and civil rights may be formally recognised, but imperfectly observed in practice, particularly in the periods between elections.

- cliv. Mozambique is not exempt from accusations of electoral malpractices. Admirably, while all elections since the introduction of multiparty democracy have been marred by accusations of fraud, the government has responded by pursuing the reform of electoral instruments, strengthening electoral bodies and installing a state council consisting of representatives from different political parties and civil society. These measures should be understood as statements of Mozambique's commitment to consolidating democracy, while also documenting its willingness to uphold international standards. However, still more needs to be done to strengthen the electoral system and processes, and in particular to promote the accountability of the elected representatives to the electorate.

- clv. Mozambique's parliamentary system, which lacks direct representation, has left citizens without the leverage to influence their parliamentary representatives or hold them to account. Not surprisingly, the country's General Assembly has been very ineffective in holding the Executive to account. This situation has not been helped by the current conflation of government and leading party.




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- clvi. The above factors point to the existence of a form of “democratic deficit” in Mozambique. This term refers to the failure of established, liberal notions of representative or participatory democracy to link citizens with the institutions and processes of the state. This impacts on the quality and vibrancy of democracy and consequently reduces accountability. It also tends to promote a sense of disappointment as to how little elections have improved the government’s accountability and performance. With high, and probably rising, levels of poverty and inequality in Mozambique, and as citizens become increasingly sceptical and distrustful of political parties and sensitive to suggestions of combating corruption, there is evidence of declining political participation. Under the current electoral system, links between citizens and the state are weak. The result may be a “weak democracy” marked by poor representation.
  - clvii. It is important for citizens to be the guardians of democracy and to hold whatever government comes to power to account. The conflation between state and party should be replaced by the promotion of accountable politics.
  - clviii. Ultimately, the citizenry should be the stewards of a democracy, operating through a government that respects their rights and the basic principles of democracy. The government should be reconciliatory and transparent, as well as accountable for its actions. This is the dream towards which the country should strive. Mozambique should explore ways in which to best engage its citizens in the process of deepening democracy – focusing on governance institutions, the capacity of civil society and the interface between the two.

#### **4.13 Corruption**

- clix. The scourge of corruption is a serious challenge to good governance in many countries. It has an adverse impact on all four dimensions of governance as defined by the APRM. In the political realm, corruption seriously undermines democracy and good governance. In elections and in legislative bodies, it reduces accountability and representation in policy making and the Judiciary, thereby eroding the rule of law. In the economic realm, macro-level, econometric-based studies have been able to establish a strong causal link between corruption and, more generally, poor governance on the one hand and weak private investment and growth on the other hand. This scenario undermines a country’s development efforts.
- clx. More recent studies have also shown that corruption distorts the allocation of resources by diverting budgetary funds towards activities where bribes and illegal commissions can be more easily made. This diversion tends to impose the greatest cost or burden on the poor, with serious implications for socio-economic development. These findings have both heightened the awareness of policy makers, donors, the business community and the general public concerning the undesirable effects of corruption and the urgency in addressing its





root causes. It has also provided the much-needed impetus for policy makers to view the problem more seriously and take action.

- clxi. Corruption occupies a prominent place in the country's political and economic landscape. Transparency International's 2008 Corruption Perceptions Index ranked Mozambique 126th out of 180 countries surveyed, which is a downgrade in both relative and absolute terms. It ranked 111th out of 180 countries in both 2006 and 2007.
- clxii. As indicated in the CSAR, corruption continues to flourish in Mozambique, not only at the highest political levels, through rent-seeking practices and the manipulation of procurement, but also in the shape of so-called "petty corruption", through small bribes demanded by, for example, traffic police and hospital staff. Despite the government's commitment to solve such problems, progress remains slow due to bureaucratic inefficiency and a lack of judicial capacity.
- clxiii. Legal provisions in Mozambique concerning the governance and integrity of public institutions are still weak. The Anticorruption Act, which was adopted in 2004, does not give full prosecuting powers to the Central Office for Combating Corruption (GCCC), thus impacting negatively on its general performance.
- clxiv. While the introduction of the Anticorruption Act was hailed as a milestone in the anticorruption movement in Mozambique, the lack of investigative authority of the GCCC, its limited authority and the ineffective nature of whistle-blowing mechanisms are cause for concern, raising doubts about the applicability and efficiency of the Act.

## **5. SPECIAL ISSUES**

- clxv. In addition to the cross-cutting issues highlighted above, Mozambique should also pay attention to the following special issues identified by the CRM,

### **5.1 Climate Change**

- clxvi. Mozambique is vulnerable to flooding due to its geographical location downstream of many international rivers that flow into the Indian Ocean. Other factors contributing to the country's vulnerability include a high population growth rate, high levels of poverty and a high dependence on natural resources for livelihood.<sup>3</sup> According to Ministry for the Coordination of Environmental Action (MICOA), and confirmed by the CRM at its meeting with the National Council on the Environment in 2009, the three major extreme weather events in the country are drought, floods and tropical cyclones. Nevertheless, it is pertinent to note that most devastating floods in the country, especially those of 2000 and 2007, were caused by torrential rains in the neighbouring countries of Malawi, South Africa, Tanzania, Zambia and Zimbabwe.<sup>4</sup> Generally, floods, drought

and hurricanes are cyclical in nature, while earthquakes occur occasionally in the country.

clxvii. The government has devoted considerable attention to mitigating the adverse impacts of natural disasters. The CRM was informed that the Council of Ministers, at its 32nd session on 4 December 2007, approved the following four action plans and objectives in order to reduce the negative impact of natural disasters in Mozambique:

- Strengthening the early warning system so that information can reach affected communities with minimum delay – this will involve the installation and/or rehabilitation of 15 synoptic stations to be evenly distributed all over the country at an anticipated cost of US\$2.7 million;
- Strengthening capacities of agricultural producers to cope with climate change through the provision of drought-resistant seeds for cultivation;
- Reducing the impact of climate change in coastal zones; and
- Managing water resources under climate change.

ccxvii. While the efforts so far are commendable, the APR Panel suggests that Mozambique should:

- Develop an appropriate climate risk management and adaptation strategy that would safeguard the natural resources and ecosystems; value the goods and services that they provide; and ensure their environmentally sound and sustainable exploitation, since the economy is highly dependent on natural resources;
- Strengthen the regulations governing the management of shared river basins with other SADC countries by setting up River Basins Commissions with a technical or scientific unit to carry out studies on the use of the basins aimed at alleviating poverty, in addition to protecting biodiversity and preventing or reducing the incidence of flooding;
- Strengthen the Natural Resource Information System (NRIS) by enhancing institutional capacity building for officials at the community, district, provincial and national levels to ensure effective management of the country's environmental resources; to reduce to a minimum the negative impacts of climate change; and to implement environmental regulations.

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<sup>3</sup> For example, owing to its geographical location, a significant proportion of the country near the coastal zone is subjected to extreme weather events. Tropical cyclones and depressions formed in the Indian Ocean cross the Mozambique Channel inland, affecting landmasses along the coastal zone.


<sup>4</sup> For example, in 2007, out of an average total flow of about 216 km<sup>3</sup> per year, only 100 km<sup>3</sup> per year (46 per cent) were generated within Mozambique, while the remaining 116 km<sup>3</sup> per year (54 per cent) originated from neighbouring countries.

## 5.2 Landmines

- clxviii. Mozambique is affected by landmines and explosive remnants of war, a legacy of nearly 30 years of conflict that ended in 1992. The devastation caused by mines is striking. In addition to farmable land, power lines, roads, bridges, railroads and airports, even schools, factories and cattle dip tanks were mined. Wildlife is also threatened by mines; elephants have been found maimed by antipersonnel mines and killed by antitank mines.
- clxix. Since the signing of the GPA in October 1992, mine-clearing activities have been under way. While Mozambique has not yet met its targets, partly because of difficult access to mined areas, the country has made progress in dealing with its mine and unexploded ordnance problem. With the support of development partners, the country is tackling the issue from all sides – from mapping and landmine clearance, to support for survivors and education programmes for children. In the process, Mozambique is taking bold steps down the road to greater security and prosperity. However, tens of thousands of landmines remain, posing a gruesome threat to civilian safety and rural economic recovery.
- clxx. In November 2008, Mozambique presented its request to the other member states of the Ottawa Convention, which bans the production, exporting, transportation and use of landmines, for an extension of the time granted under the convention to be declared free of landmines. Its request was accepted and the deadline for landmine clearance has been extended by five years, from 2009 to 2014. The international community is urged to continue supporting Mozambique in its mine-clearing programme so that the country can meet the target of becoming free of landmines by 2014.

## 5.3 The Environmental Situation in Beira

- clxxi. With an estimated population of 436 240 in 2007, Beira is the second largest city in Mozambique and the capital of Sofala province. It lies in the central region of the country, where the Pungue River meets the Indian Ocean. It also holds the regionally significant Port of Beira, which acts as a gateway for both the central interior portion of the country and the landlocked nations of Malawi, Zambia and Zimbabwe. Beira is also a major railway terminus, with links extending to the Democratic Republic of Congo, Malawi, South Africa, Zambia and Zimbabwe.
- clxxii. The city of Beira has a relatively long history, having been founded in 1889 as the headquarters of the Mozambique Company, or Companhia de Moçambique, on the site of an old Muslim settlement. The city's administration passed from the trading company to the Portuguese government in 1942, and then to independent Mozambique in 1975. It celebrated its centenary in 1989.


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- clxxiii. Before Mozambique's independence from Portugal, Beira was known to be one of the best-equipped seaports in all East Africa. It was also known for tourism, fishing and trade. The city prospered as a cosmopolitan port with different ethnic communities, with Portuguese, Indian, Chinese and indigenous Africans employed in administration, commerce and industry.
- clxxiv. Due to a combination of several factors, the city is currently largely in ruins and the chaotic neglect is aptly depicted by its shabby form. Formerly a seaside resort town, the superb hotels and sweeping boulevards of grand houses have been reduced to weed-strewn shells with black-eyed windows.
- clxxv. Following its independence from Portugal in 1975, scores of Portuguese nationals left the city. The city was also at the epicentre of the civil war that ravaged Mozambique from 1977 to 1992, and its infrastructure was severely damaged. The Umtali-Beira railway line was also bombed repeatedly, first by Rhodesian guerrillas prior to Zimbabwe's independence in 1980, and then by the Mozambique National Resistance Movement (MNRM) in the early 1980s. At one stage the city's famous Grande Hotel was occupied by around 1 000 homeless people, and by the end of the civil war it was in near ruins.
- clxxvi. In 2000, Beira and the surrounding region were destroyed by floods, leaving millions homeless and wreaking havoc with the local economy. As an erstwhile core constituency of RENAMO and its political headquarters, the city's fortune has also been taken hostage by intense politicking.
- clxxvii. A slow rejuvenation of the city is currently under way, with assistance from donors, especially in rehabilitating the port. In view of its historical and economic significance, as well as environmental challenges, the government needs to channel considerable attention towards rebuilding the city.

## 6. BEST PRACTICES

- clxxviii. Listed below are Mozambique's five best practices that the APR Panel deems to be worthy of emulation by other African countries. They are highlighted below for peer learning.

### 6.1 Democracy and Political Governance

- **The GPA and the peace process:** Despite some challenges, Mozambique's road to peace after several years of civil war is a model of social capitalism at work in the reconciliation of the warring factions of a country. The uniqueness of the GPA goes beyond the laying down of arms by the combatants. It enunciates principles and values that should be the foundation of multi-party democracy going forward. These have proved to be a valuable frame work for anchoring political activities to date. Some of the features of Mo-



zambique's constitutional and political order that are attributable to the GPA include multiparty democracy; the electoral system; the guaranteeing of freedoms and rights; and the restoration of traditional rulers to the structure of governance.

- **Best practice in demobilisation, disarmament and reintegration in Mozambique through religious leaders:** The Christian Council of Mozambique (CCM) under the leadership of Bishop Dinis Sengulane of the Anglican Diocese of Lebombo, has tenaciously continued with efforts to completely disarm and rehabilitate Mozambicans who came to possess arms as a result of the civil war. It is estimated that the UNOMOZ operation resulted in the recovery of 150 000 arms, but at the time of the CRM, the CCM had recovered over 600 000 small arms and light weapons. The CCM has received financial support from several countries, notably Canada, Germany and Japan, to buy back arms or purchase farming implements, sewing machines and other work tools to exchange for arms.

## 6.2 Economic Governance and Management

- **Strong macroeconomic performance:** Mozambique is a success story of post-conflict transition, with impressive economic growth averaging 8 per cent from 2000 to 2006, as well as sustained macroeconomic stability. This is one of the highest rates in the world, although from an admittedly low starting point. Similarly, the rate of per capita GDP growth has been increasing consistently, with an annual average of 1.4 per cent between 1986 and 1996. It more than quadrupled to 5.9 per cent between 1996 and 2006. Inflation was also reduced to single digits during the late 1990s, and although it returned to double digits in 2000–04, it averaged about 7 per cent between 2005 and 2007. The inflation rate currently stands at 8.16 per cent, which is lower than the 13 per cent for 2006.
- **Sequencing of reforms in Mozambique and its rationale:** A major contributing factor to Mozambique's successful implementation of reforms is the sequence in which they have been implemented. The sequencing of reforms was predicated on the assumption that achieving sustainable development requires an appropriate interaction between economic and political reforms, starting with those perceived to be relatively easy to implement and proceeding to the most difficult ones. The strategy was to implement certain reforms on which other reforms could be built. This started with the implementation of "zero-generation" reforms upon which other reforms could be implemented in an incremental way.
- **Strengthening monetary policy in Mozambique:** Following the initiation of economic reforms and the subsequent liberalisation of the financial sector, the BM assumed the central bank role of coordinating monetary manage-


ment and serving as banker to the government. In this regard, the BM has striven to maintain a judicious monetary policy stance supported by close coordination with fiscal authorities, as well as a comprehensive framework for liquidity management that helps to maintain stability in the financial markets. In order to strengthen policy formulation, the BM has intensified its monitoring, analysing and forecasting of macroeconomic and monetary indicators, thanks in part to the introduction of quarterly reports on the GDP by the INE.

### 6.3 Socioeconomic Development

- **Policy dialogue on poverty between the state and non-state role-players in Mozambique.** PARPA has introduced the Poverty Observatory (OP), which has turned out to be a useful platform for dialogue between the government and civil society. The OP brings together government representatives and representatives of CSOs, including employers' associations and trade unions. It has a consultative character, but has proven to be a powerful instrument in broadening the discussion of policy options in the country. CSOs also engage the government in policy discussions by making concrete suggestions on how to deal with certain issues. Since the launch of the OP in 2003, it has held at least one plenary session per year at the national level. The outcome of the OP process is presented to Parliament and feeds into the development of the annual development plans.
- **Reducing mother-to-child transmission of HIV in Mozambique.** The country has made significant progress in improving the access of pregnant women and women living with HIV to antiretroviral therapy (ART). There has been a noticeable increase in the number of sites for the prevention of mother-to-child transmission (PMTCT) in Mozambique, up from 222 at the end of 2006 to 386 by December 2007. Almost 800 health centres with antenatal care facilities offer PMTCT services. In 2006, the total estimated number of pregnancies in Mozambique was 760 000, while 269 084 (35 per cent) of these women received antenatal care at a health facility with PMTCT services. The proportion of HIV-positive pregnant women receiving ART prophylaxis to the overall population of HIV-positive pregnant women increased from 0.2 per cent in 2002, to 8.3 per cent in 2006 and 29.7 per cent in 2007. In addition, the number of HIV-positive women who receive ART for their own health has increased. There is still a large unmet demand for reproductive health services, however, and the country is urged to continue scaling up efforts to improve access to PMTCT and ART.

## 7. CONCLUSION

clxxix. Mozambique's remarkable recovery since the end of the civil war in 1992 should make its citizens proud of their accomplishments. Over the last two



decades, the country has made noticeable progress in rebuilding its political, economic and social institutions. There is no doubt that Mozambicans can build on the successes highlighted in this report, while addressing the challenges in a vigorous manner, in order to move forward rapidly.

clxxx. Mozambique can exploit the abundant natural resources in the country for the benefit of the majority of its citizens. However, this will be difficult to achieve without pragmatic and innovative solutions to the challenges arising from both the thematic and cross-cutting issues identified by this report.



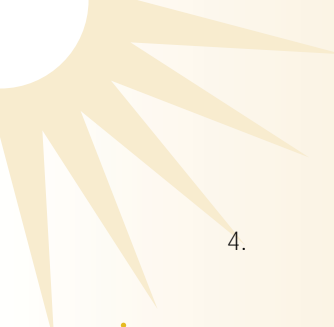
# CHAPTER ONE



## 1. INTRODUCTION

### 1.1 Evolution of the African Peer Review Mechanism

1. Africa entered the new millennium with optimism and a commonly derived and broadly supported roadmap for overcoming the development challenges of the last decades. These had been exacerbated by various factors, including conflict, institutional decay, leadership and managerial deficit, endemic corruption and economic mismanagement. The continent's agenda for renewal and for overcoming these development deficits includes advancing the basic values of democratisation and good governance, which together constitute the key requirements for sustainable development; devising bold steps for action; leading the renewal process; as well as increasingly exercising ownership of its development agenda.
2. In an effort to put Africa back on the path of self-sustaining development, the plan for renewal was encapsulated in the New Partnership for Africa's Development (NEPAD), which the African Union (AU) adopted at its Summit in Abuja, Nigeria, in October 2001. As the development framework of the AU, NEPAD constitutes a synthesis of two proposed development frameworks, the Millennium Partnership for the African Recovery Programme (MAP) and the Omega Plan for Africa. The primary objectives of NEPAD are to eradicate poverty; to place African countries, both individually and collectively, on a path of sustainable growth and development; to halt marginalisation of the continent in the globalisation process; to enhance its full and beneficial integration into the global economy; and to accelerate the empowerment of women.
3. At the core of these objectives is the need for good governance on the African continent as a prerequisite for human security and political stability, high economic growth, sustainable development, and accelerated subregional and continental economic integration. In recognition of this need, the Heads of State and Government Implementation Committee (HSGIC) of the AU proposed that NEPAD countries should subject themselves to a voluntary self-assessment process intended to review progress in the achievement of mutually agreed targets and compliance with mutually agreed standards. The creation of the institutional framework for the review process was taken a step further at the Inaugural Assembly of the AU in Durban, South Africa, in June 2002, when the heads of state and governments of AU countries issued a Base Document on the African Peer Review Mechanism (APRM). The document provided for the



appointment of a Panel of Eminent Persons, the setting up of an APRM Secretariat and the provision of supporting services from NEPAD, strategic partners and special consultants and advisers.

4. The Sixth Summit of the HSGIC of NEPAD was held in Abuja, Nigeria, in March 2003, where the Memorandum of Understanding (MoU) on the APRM was adopted. Members of the Panel were appointed in May 2003 and commenced work after an inaugural meeting in Cape Town, in June 2003.
5. Six years on, the APRM is now widely heralded as the jewel in NEPAD's crown and an innovative initiative for governance in Africa. The instrument is voluntarily acceded to by member states of the AU for self-evaluation. Assessment under the APRM is conducted within a framework of agreed values, codes and standards, as contained in the Declaration on Democracy, Political, Economic and Corporate Governance.
6. The APRM has at its fulcrum the deepening of democratic practices, the strengthening of achievements, dissemination of best practices and rectification of underlying deficiencies in governance and socioeconomic development processes among AU member states. The framework is aimed at encouraging and building transformational leadership through a self-assessment process, constructive peer dialogue, and the sharing of information and common experiences. Its objective is to reinforce successful and exemplary practices among African countries.
7. The APRM is unprecedented both in scope and mandate. It assesses a country's performance in four substantive thematic areas:
  - Democracy and Political Governance;
  - Economic Governance and Management;
  - Corporate Governance; and
  - Socioeconomic Development.
8. The implementation of the APRM over the years, albeit uneven in member countries, has generated valuable experiences in, and lessons on, the challenge of governance in Africa. It is making it possible for countries to benchmark good governance on the continent, with shared African and international norms and standards serving as the guiding framework, and citizen participation in the evaluation of how they are governed. Through the APRM, African countries are able to learn from each other and further deepen African solidarity. Capacity in monitoring governance is being developed and partnerships created, facilitating greater advocacy for the APRM and showcasing Africa's innovative thinking in governance.
9. Notwithstanding its monumental achievement in the area of Africa's governance, there are perceived obstacles that are receiving attention. The expecta-

tion now is for the Mechanism to deliver qualitative improvements in governance, and to demonstrate the continent's seriousness in tackling identified challenges in governance that are obstacles to its development. The APRM provides a unique opportunity for countries that have acceded to it to strengthen their institutions and systems of governance.

## 1.2 Progress in the Implementation of the Mechanism

10. Membership in the APRM is open to all member states of the AU. At the time of its inception in 2003, there were only 10 pioneer members. Since then, membership in the APRM has grown. Togo's accession in June 2008 brought the total number of AU member countries that have voluntarily acceded to the APRM to 29.
11. Current APRM membership by regional group is presented in Table 1.1. However, Mauritania ceases to be a member, following its suspension on 25 October 2008. This was due to the unconstitutional change of government following the coup on 6 August 2008, which ousted the country's democratically elected President, Sidi Ould Cheikh Abdallah.

**TABLE 1.1: COUNTRIES THAT HAVE JOINED THE APRM BETWEEN MARCH 2003 AND MAY 2009 <sup>1</sup>**

Region	Country
Central Africa (5)	Cameroon, Gabon, Democratic Republic of Congo, Rwanda, São Tomé and Príncipe
East Africa (5)	Djibouti, Ethiopia, Kenya, Tanzania, Uganda
North Africa (3)	Algeria, Egypt, Sudan
Southern Africa (7)	Angola, Lesotho, Malawi, Mauritius, Mozambique, South Africa, Zambia
West Africa (9/8)	Benin, Burkina Faso, Ghana, (Mauritania), Mali, Nigeria, Senegal, Sierra Leone, Togo

12. As indicated in Figure 1.1, APRM member countries represent approximately 76 per cent of the African population.

<sup>1</sup> APRM Secretariat, September 2008.

**FIGURE 1.1: APRM GEOGRAPHICAL COVERAGE <sup>2</sup>**



**Legend**

- Green – Reviewed countries
- Orange – Other participating member countries
- Grey – Non-participating countries

13. Accession to the Mechanism entails a country undertaking to submit to periodic peer reviews and facilitating such reviews. It also includes committing to the implementation of the National Plan of Action (NPOA) arising from the review, as well as to the operationalisation of agreed parameters for good governance across the four thematic areas.
14. Since its inception in 2003, the APRM has initiated reviews in 15 countries, as shown in Table 1.2. Reviews have been finalised for nine countries and the Country Review Reports (CRRs) have been peer-reviewed by heads of state and governments. The review process itself began in 2005, with Country Review Missions (CRMs) fielded to three countries: Ghana (April 2005), Rwanda (April 2005) and Kenya (October 2005). Ghana was the first country to be peer-reviewed in January 2006; Rwanda and Kenya followed in June of the same year.

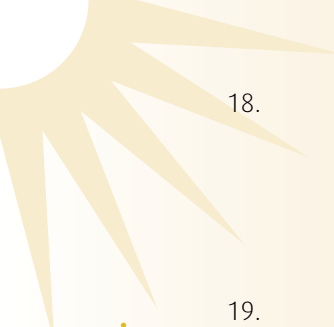
<sup>2</sup> APRM Secretariat, April 2008 (adapted from WorldAtlas.com)

**TABLE 1.2: DATE OF LAUNCH/OFFICIAL COMMENCEMENT OF THE COUNTRY SELF-ASSESSMENT PROCESS IN APRM MEMBER COUNTRIES <sup>3</sup>**

Country	Launch or commencement of the CSAR
Ghana	May 2004
Rwanda	June 2004
Mauritius	June 2004
Kenya	July 2004
Uganda	February 2005
Nigeria	March 2005
Algeria	July 2005
South Africa	November 2005
Benin	November 2005
Tanzania	May 2006
Burkina Faso	June 2006
Mozambique	August 2006
Lesotho	December 2006
Mali	June 2007
Ethiopia	June 2008

15. The peer reviews of Algeria and South Africa, the first two of the five initiating members of NEPAD to reach this stage, were conducted at the Seventh APR Forum Summit Meeting, held in Accra, Ghana, in July 2007.
16. The pace at which the APRM is implemented has hitherto been very slow, but is gradually improving, as more countries and key stakeholders understand its *raison d'être* and value. Critical to this is the understanding that the APRM is not an invidious measure, but an instrument for advancing good governance and people-centred socioeconomic development. Commendably, four peer reviews were conducted in 2008. Benin had its CRM in July 2007 and was peer-reviewed at the APR Forum Summit held in Addis Ababa, Ethiopia, in January 2008.
17. The CRMs of Uganda, Nigeria and Benin took place in the first quarter of 2008. Uganda was peer-reviewed at the Ninth Summit of the APR Forum held in Sharm el-Sheik, Egypt, in June 2008, while that of Nigeria commenced but could not be completed due to time constraints. Nigeria's peer review was eventually concluded, together with that of Burkina Faso, at the First Extraordinary Summit of the APR Forum in Cotonou, Benin, in October 2008.

<sup>3</sup> APRM Secretariat, March 2008

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18. The CRM to Mali commenced in December 2008 and was completed in January 2009. Those of Mozambique and Lesotho were fielded in the first quarter of 2009. The Panel of Eminent Persons is also striving to accommodate those of Ethiopia and Zambia, and they will hopefully take place in the second half of 2009.
  19. If this momentum is sustained, the APR Panel should be in a position to ensure that the current 28 member countries have been peer reviewed by 2013 or 2014, while not neglecting the second-phase reviews, at least in the pioneer countries.

### **1.3 APRM Process**

20. The APRM consists of five interrelated stages, as elaborated in the Base Documents adopted by the heads of states and participating governments of the APRM.

#### ***Stage One***

21. The first stage requires a country to establish structures for managing the peer review process at a national level. These include designating a Focal Point and establishing a National Governing Council (NGC) or a National Commission. The country is then required to undertake a comprehensive national self-assessment involving all key stakeholders and grassroots constituencies. The findings of the assessment have to be validated nationally and a Country Self-Assessment Report (CSAR) is submitted to the APR Panel.
22. The country undergoing review is required to use the findings of the CSAR to prepare a draft NPOA, which must reflect broad civil society input. The NPOA is then submitted to the APR Panel as an integral part of the CSAR.
23. The primary purpose of the NPOA is to guide and mobilise the country's effort in implementing the necessary changes to improve its state of governance and socioeconomic development. The NPOA is therefore the key input delivered by the country into the peer review process. It serves to present and clarify the country's priorities; the activities undertaken to prepare and participate in the APRM; and the nature of the national consultations. The NPOA also indicates the responsibility of various stakeholders in implementing the programme. These include the government, civil society organisations (CSOs), the private sector, Judiciary, political parties, national assemblies, media, women, young people, people with disabilities, trade unions, religious bodies, professional bodies, corporate entities and organisations (private, public and informal), academia, and research institutions.
24. As the country prepares its CSAR, including an NPOA, the APR Secretariat prepares a comprehensive background document on the country, drawing on



up-to-date information from national, subregional, regional and international sources. The Background Paper serves to cross-check the information contained in the CSAR.

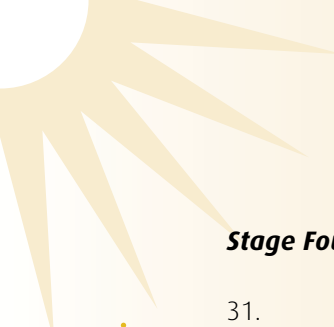
25. On the basis of the CSAR, NPOA and Background Paper, the APR Secretariat develops an Issues Paper, which outlines the key issues on which the review process will focus. The following are the main considerations in the preparation of the Issues Paper:
- Critical issues that are addressed in the CSAR, but need reinforcement;
  - Issues that have been understated or inadequately addressed;
  - Issues identified in the past, but which continue to have serious problems with implementation;
  - Issues missed completely by the CSAR; and
  - Areas of discrepancy or divergence (as is evident from cross-checking with the Background Paper).

### **Stage Two**

26. During the second stage, a CRM under the leadership of the APR Panel visits the country. The main objectives of the CRM are to:
- Learn about the different stakeholders' perspectives on governance in the country; and
  - Clarify the issues identified in the Issues Paper and build consensus on how these should be tackled.
27. The CRM is mandated to carry out the widest possible consultations with all stakeholders in the country undergoing peer review.

### **Stage Three**

28. The main activity during Stage Three is the drafting of the CRR by the CRM. The drafting of the report is informed by the CSAR, NPOA, Background Paper and Issues Paper, as well as the information made available to the CRM during the wide-ranging country consultations.
29. The draft CRR also:
- Considers the applicable political, economic, corporate governance and socio-economic development commitments made in the preliminary NPOA;
  - Identifies any remaining weaknesses; and
  - Recommends further actions to be included in the final NPOA.
30. The draft report has to be clear on the specific actions required in instances where unresolved issues are identified. The report is first discussed with the government concerned to verify the accuracy of the information. The government is given an opportunity to respond to the CRM's findings and put forward



its own view on how the shortcomings could be rectified. These responses are appended to the CRR. At this stage, the country finalises its NPOA, taking into account the conclusions and recommendations of the draft report.

### **Stage Four**

31. The submission of the CRR and the country's final NPOA to the APR Panel by the Panel Member leading the country's peer review process marks the beginning of this stage of the APRM process. On the Panel's approval, the report is submitted to the APR Forum for presentation and peer review and, subsequently, for implementation according to the mandate of the APR Forum. If the country demonstrates a strong will to rectify the identified shortcomings, it is incumbent on participating governments to provide assistance to the extent they can, and to urge development partners and agencies to come to the assistance of that country.

### **Stage Five**

32. The final stage entails the formal publication and presentation of the CRR to various institutions after it has been considered by the APR Forum. The key institutions include the regional and subregional structures, such as the regional economic community to which the country belongs, the Pan-African Parliament, the African Commission on Human and Peoples' Rights (ACHPR), the Peace and Security Council, and the Economic, Social and Cultural Council (ECOSOCC) of the AU.
33. The timeline for the completion of the peer review process is expected to vary considerably among countries, depending on each country's specificities. The anticipated duration of each peer review from the onset of Stage One to the end of Stage Four is 9–12 months.

## **1.4 APRM Principles**

34. The effectiveness of the APRM is dependent on a number of essential factors and principles, such as national ownership and leadership by the participating country; inclusiveness and broad-based participation; accountability; technical competence; credibility; and freedom from manipulation.
35. Rules and procedures incorporating these principles have been developed to guide all stakeholders in the conduct of the review process. They include the APRM Base Documents; the "Guidelines for Countries to Prepare for and to Participate in the APRM" (Country Guidelines); and the standard questionnaire for APRM assessment that is sent to all countries.

## 1.5 Key Objectives of the APRM Focus Areas

36. Listed below are the key objectives for each of the four thematic areas.

### ***Democracy and Political Governance***

- Preventing and reducing intra- and interstate conflicts;
- Fostering constitutional democracy; that is, periodic political competition and opportunity for choice, the rule of law, a Bill of Rights and the supremacy of the Constitution are firmly established in the Constitution;
- Promoting and protecting economic, social, cultural, civil and political rights, as enshrined in all African and international human rights instruments;
- Upholding the separation of powers, including protecting the independence of the Judiciary and of an effective Parliament;
- Ensuring accountable and efficient public officeholders and civil servants;
- Fighting corruption in the political sphere;
- Promoting and protecting the rights of women;
- Promoting and protecting the rights of children and young persons; and
- Promoting and protecting the rights of vulnerable groups, including displaced persons and refugees.

### ***Economic Governance and Management***

- Promoting macroeconomic policies that support sustainable development;
- Implementing transparent, predictable and credible state economic policies;
- Promoting sound public finance management;
- Fighting corruption and money laundering; and
- Accelerating regional integration by participating in the harmonisation of monetary, trade and investment policies among the participating states.

### ***Corporate Governance***

- Providing an enabling environment and effective regulatory framework for economic activities;
- Ensuring that corporations act as good corporate citizens with regard to human rights, social responsibility and environmental sustainability;
- Promoting the adoption of codes of good business ethics in achieving the objectives of the organisation;
- Ensuring that corporations treat all their stakeholders (shareholders, employees, communities, suppliers and customers) in a fair and just manner; and
- Making provision for the accountability of corporations and directors.


### ***Socioeconomic Development***

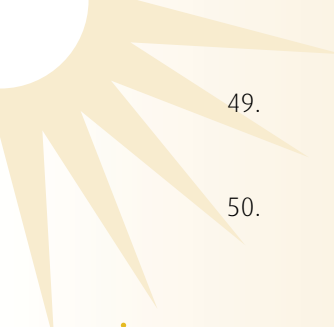
- Promoting self-reliance in development and building capacity for self-sustaining development;
- Accelerating socioeconomic development in order to achieve sustainable

- development and the eradication of poverty;
- Strengthening policies, delivery mechanisms and outputs in key social development areas (including education for all and combating HIV/Aids and other communicable diseases);
- Ensuring affordable access to water, energy, finance (including microfinance), markets, and information and communication technology (ICT) to all citizens, especially the rural poor;
- Ensuring progress towards gender equality, particularly equal access to education for girls at all levels; and,
- Encouraging broad-based participation in development by all stakeholders at all levels.

## 1.6 Implementation of the APRM Process in Mozambique

37. Mozambique was one of the pioneer countries that acceded to the APRM in March 2003 and the country immediately began the task of operationalising and institutionalising the APRM process in the country.
38. In August 2004, an advance CRM fielded to Mozambique cautioned against proceeding with the process because of the impending elections at the time. The process was put on hold until after the presidential and parliamentary elections of 1–2 December 2004, and the swearing-in of the President-Elect, His Excellency Armando Guebuza, on 2 February 2005.
39. The APRM process in Mozambique was resuscitated in August 2005 when the Council of Ministers appointed His Excellency, Dr Aiuba Cuereneia, Minister of Planning and Development, as APRM Focal Point in Mozambique, with the responsibility of coordinating the process. The Council of Ministers also constituted the National APRM Forum on 3 July 2006, tasking it with leading and creating the necessary structures for the operationalisation of the APRM process in the country; monitoring and following up its implementation; and ensuring the inclusive participation of all national citizens in the APRM in an independent, professional and credible manner.
40. The National APRM Forum, which was formally inaugurated on 7 August 2006, is made up of 59 members representing the following stakeholder groups: the National Council of Agenda 2025, the National Youth Council, civil society, the Higher Social Communication Council, eight Working Committees of Parliament, deans of public and private universities, three provincial governors, the Governor of the Bank of Mozambique, and the President of the National Institute of Statistics (INE).
41. The APRM Support Mission, led by Ambassador Bethuel Kiplagat, Lead Panellist for Mozambique, was fielded in August 2006. During the Mission, the APRM's MoU on the Technical Assessment and Country Review was signed, thus paving the way for the country's self-assessment process to get under way.

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42. In order to operationalise the peer review process, the National APRM Forum established a National Secretariat in January 2007, as well as a National Forum Technical Unit in June 2007, which were tasked with the administration of all APRM operation processes in Mozambique.
  43. Upon completion of a public tender that was initiated in April 2007, three local research institutes were hired on 6 September 2007 to lead the self-assessment process in the four thematic areas, according to what had been established in the APRM's baseline survey.
  44. These research institutions are:
    - The Centre for Strategic and International Studies (CEEI): Democracy and Political Governance;
    - Austral-COWI: Economic Governance and Management and Corporate Governance; and
    - Cruzeiro do Sul – Research Institute for Development, Socioeconomic Development.
  45. The technical research institutes immediately commenced the task of preparing the country's self-assessment, which was executed using a holistic approach. As is widely becoming the convention, four research instruments were used: desk research, expert panel interviews, focus group discussions, and a national sample survey. In addition, the National Commission carried out public hearings and received memoranda and written submissions from various interest groups across the country.
  46. The household survey, based on a sample of 4 200 households, was administered by the CEEI of the Higher Institute of International Relations (ISRI), under the technical direction of the INE. Apart from control procedures embedded in the design of desk and field research assessments, several quality control and assurance measures were deployed.
  47. The self-assessment reports were validated throughout the country in two-day seminars held in each provincial capital. Thus, 11 seminars corresponding to the 11 provincial capitals were held, including Maputo city, with representation of civil society in 128 districts.
  48. The CSAR was submitted to the APRM Secretariat in April 2008 and the draft NPOA in August of the same year. Everything considered, the CSAR, which comprises four volumes (one report for each thematic area), is sufficiently candid about the governance and socioeconomic situation in Mozambique. It represents the actual situation on the ground, despite some dissenting issues and criticisms, especially by some non-governmental organisations (NGOs). These were taken up during the CRM.

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49. The CRM was fielded from 7 February to 3 March 2009. It was led by Ambassador Bethuel Kiplagat, Lead Panellist for Mozambique.
50. The review team comprised independent experts in the four APRM thematic areas; experts from strategic partner institutions – the African Development Bank (AfDB) and the United Nations Economic Commission for Africa (UNECA) – as well as members of the APR Secretariat, as indicated below.

**A. APR Panel**

- Ambassador Kiplagat, Lead Panellist for Mozambique

**B. Independent Technical Consultants**

***Democracy and Political Governance***

- Prof. Alex Gboyega (Lecturer in Political Science and Expert Consultant, Department of Political Science, University of Ibadan, Nigeria);
- Prof. Michele Olivier (Lecturer in International Law and Expert Consultant, Department of Public Law, University of Pretoria, South Africa); and
- Ms Laura Nyirikindi (Human Rights Lawyer and Expert Consultant, Kampala, Uganda).

***Economic Governance and Management***

- Dr Abdul Aziz Jalloh (Former Director of Economic Policy and Strategic Planning, Islamic Bank, and Expert Consultant, Sierra Leone).

***Corporate Governance***

- Mr Leo Kibirango (Former Bank of Uganda Governor and Expert Consultant).

***Socioeconomic Development***

- Prof. Adeniyi Gbadegesin (Lecturer in Geography and Expert Consultant, Department of Geography, University of Ibadan, Nigeria);
- Prof. Fatima Karaja (Former President of the Algerian APRM National Commission and Expert Consultant, Algeria); and
- Mr Bernard Ntegeye (Former UNDP Resident Representative and Expert Consultant, Rwanda).

**C. Partner Institutions**

***African Development Bank (AfDB)***

- Mr Dawit Makonnen (Economist and Expert Consultant).

***United Nations Economic Commission for Africa (UNECA)***

- Dr Gladys Mutangadura (Economic Affairs Officer, African Centre for Gender and Social Development);
- Mr Guillermo Mangué Nnandongo (Development Management Officer,



- Public Administration Division); and
- Dr Mzwanele Griffiths Mfunwa (Development Management Officer, Lusaka Office).

#### **D. APRM Secretariat**

- Dr Afeikhena Jerome (Coordinator, Economic Governance and Management, APRM Secretariat, South Africa);
- Mr Ferdinand Katendeko (Research Analyst, Democracy and Political Governance, APRM Secretariat, South Africa);
- Dr Francis Chigunta (Lecturer in Development Studies and Expert Consultant, Department of Development Studies, University of Zambia);
- Ms Gertrude Takawira (Research Analyst, Corporate Governance, APRM Secretariat, South Africa); and
- Ms Dorothy Mwangi (Executive Assistant, APRM Secretariat, South Africa).

51. The 19-member team are nationals of 11 member states of the AU, namely, Algeria, Equatorial Guinea, Ethiopia, Kenya, Nigeria, Rwanda, Sierra Leone, South Africa, Uganda, Zambia and Zimbabwe.

#### **1.7 Activities Undertaken During the CRM**

52. The National Focal Point, Mozambique's National Commission and the national APR Secretariat facilitated the work of the CRM in Mozambique.

53. The CRM formally began on 7 February 2008, at a ceremony held at the Joachim Alberto Chissano International Conference Centre, attended by His Excellency President Guebuza. The CSAR and the NPOA were ceremonially handed over by the President to the Leader of the CRM.

54. In his speech, the President located the peer review within the longstanding Mozambican practice of "criticism and self-criticism", initially taught by the founder of Mozambican nationalism, Eduardo Mondlane. He implored the APR Team to work objectively, noting that what Mozambique expected from the exercise was the mobilisation of more synergies so that the country could continue to record more victories in the fight against poverty, at peace and ever more united.



*His Excellency President Armando Guebuza with members of the CRM during the opening of the Mission at the Joaquim Alberto Chissano International Conference Centre in Maputo.*

55. In the course of its work, the CRM met with senior government officials in the thematic clusters. It also interacted with representatives and officials from various institutions with a bearing on governance, including the Cabinet, the Judiciary and the Attorney-General, the General Assembly, the Internal Revenue Authority, the Auditor-General, the Central Bank, the Anticorruption Body and various government departments. The CRM also held discussions with non-stakeholder groups, including private sector representatives, CSOs, women's groups and political parties. It also held a meeting with development partners.
56. Significantly, from 17 February to 27 February, the CRM visited and held interactive sessions with stakeholders from all nine provinces of Mozambique. The regional visits commenced in Maputo province at Matola on 17 February 2009, followed by the Gaza and Inhambane provinces at Xai-Xai on 18 February. On 20 and 21 February, the Team held sessions in Zambézia province at Quelimane and departed for Nampula on 22 February. As elsewhere, the CRM held sessions at Nampula for the Niassa, Cabo Delgado and Nampula provinces. Representatives of stakeholders from three provinces were in attendance. On 24 February, the Team departed for Beira city, where it held sessions for Sofala province the next day. The Team wound up its provincial tours with sessions in Chimoio city on 26 February, attended by delegates from the two provinces of Tete and Manica.

### BOX 1.1: CONSULTATIONS DURING THE COUNTRY REVIEW MISSION <sup>4</sup>

Due to a shortage of funds, most of which were provided by donors, the NGC could print only few copies of the historic self-assessment report. The CSAR is, however, available on the NGC's website. Stakeholders had to contend with duplicated summaries of the CSAR. This was frustrating, not only to stakeholders, but also to the Commission and the CRM. The CSAR was also poorly translated into English. Despite these constraints, Mozambique should be commended for its conduct during the Mission. Noteworthy is the high level of representation at the consultative and interactive meetings. Commendably, all the stakeholder groups were led by their respective heads and they were very candid in their assessment of the governance challenges facing the country. They were also very punctual in turning up for meetings.

57. The regional visits allowed the CRM to obtain the views of key stakeholders on issues that emerged from the CSAR and NPOA. In each region, sessions were held with the district officials, both elected and selected. In addition, the CRM met with stakeholder groups, such as women's groups, the youth, people with disabilities, the elderly, minority groups, NGOs, academia, the media, small businesses, faith-based organisations (FBOs), trade unions, private sector companies, community-based organisations (CBOs), professional bodies, social service institutions and traditional leaders, to understand their perspectives on governance and development in Mozambique. The visits to all the regions were very useful in providing the CRM with a clear picture of the state of governance on the ground.
58. On 27 February 2009, the CRM returned to Maputo city for continuation of its interactions with stakeholders and wrap-up sessions. In all the interactions with stakeholders at both the provincial and national levels, it was made abundantly clear that the exercise was not limited to the government and the public sector, but was a holistic review of Mozambique as a nation. While the government – at national, provincial and district levels – is no doubt a key strategic role-player, it is not the sole player, as all stakeholders have their respective parts to play. Consequently, the CRM was able to encourage stakeholders to come up with viable solutions to the identified problems, and to consider what they themselves could do to foster development and the reduction of poverty.

## 1.8 Structure of the Report

59. The report is divided into seven chapters. This introductory chapter is followed by Chapter Two, which provides an overview of Mozambique as a backdrop to the report. Chapters Three to Six evaluate developments and challenges in the four APRM focus areas (Democracy and Political Governance; Economic Governance and Management; Corporate Governance; and Socioeconomic Development) respectively. Each of these chapters has two sections: the first

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<sup>4</sup> Compiled by the CRM, March 2009.

analyses the codes and standards of the APRM, while the second assesses the APRM's objectives for that thematic area. Each section begins with a summary of the CSAR, followed by the findings of the CRM and, finally, the APR Panel's recommendations on the identified challenges. Effort has also been made to highlight areas of best practice in shaded boxes.


60. Chapter Seven discusses the cross-cutting issues considered critical due to their wider impact on governance. They thus require holistic, immediate and urgent attention. These salient issues are the following:
- Poverty and inequality;
  - Interwovenness of party, government and business;
  - HIV/Aids
  - Land ownership;
  - High levels of illiteracy;
  - High aid dependency;
  - Information flow and paucity of data;
  - Political inclusivity;
  - Crime, safety and security;
  - Domestic violence;
  - Capacity constraints and implementation challenges;
  - Elections; and
  - Corruption.
61. The chapter also highlights three special issues of interest to Mozambique and the Mission, namely, the environment, landmines and Beira city.
62. The NPOA received from Mozambique and the comments of the government are annexed to the report, as mandated by the APRM rules.



# CHAPTER 2

## 2. BACKGROUND

63. Mozambique has had a traumatic past. Its complex history includes a prolonged period of colonisation by Portugal, which lasted for 490 years – one of the longest in Africa – as well as an unsuccessful socialist experience and, above all, the ubiquitous and fratricidal civil war (1976–92) that plunged the country into political instability, massive social dislocation, economic ruin and mass poverty.
64. At the dawn of independence in 1975, which was achieved largely through a violent armed struggle, there were great hopes for building a united, peaceful and egalitarian society. However, this was not to be. Shortly afterwards, Mozambique was engulfed in a vicious and brutal civil war, which left a trail of destruction across the country and caused great suffering and considerable human misery. Experiencing very high levels of poverty and a negative economic growth rate, Mozambicans were caught up in the worst possible conditions with regard to their quality of life.
65. Nevertheless, although it is still one of the “poorest” countries in the world, Mozambique has, like the legendary phoenix, risen from its own ashes and has had a remarkable renaissance in the face of persistent natural and man-made adversity. Since the mid-1990s, the country has reinvented itself as a highly successful post-conflict country in transition, with impressive levels of economic growth and sustained macroeconomic and political stability.
66. Since the devastating civil war ended in 1992, the country has enjoyed a remarkable recovery, achieving an average annual economic growth rate of 8 per cent between 1996 and 2007 – this was among the highest growth rates in the world. As a result, the poverty headcount index fell by 15 percentage points between 1997 and 2003, bringing almost three million people out of extreme poverty to above the poverty line (out of a total population of 20 million). From a human development perspective, this has meant a 35 per cent decrease in infant and under-five mortality, and a 65 per cent increase in net primary school enrolment. Inequality has remained relatively low by regional standards, and progress has been made towards achieving the key Millennium Development Goals (MDGs) for infant mortality and primary enrolment.
67. The country has also made notable progress with regard to democracy. Democratic principles are respected and elections have been held consistently, albeit



under severe constraints. To date, Mozambique has held three presidential and parliamentary elections (in 1994, 1999 and 2004) and two municipal elections (in 1998 and 2003), with legislative and presidential elections set for 2009. Civil and political rights have been more deeply entrenched in the country due to constitutional guarantees being observed. Civil society participation in development processes and institutional capacity building has added value to the formulation and implementation of important national action plans, policies and programmes. Although important safeguards exist to ensure that the media operate and can disseminate information, access to information remains a problematic issue.

68. Although the country still faces enormous challenges, Mozambique today stands as a beacon of hope for other post-conflict countries, not only in Africa, but also across the world. These countries can draw useful lessons from Mozambique's experience in political and economic management.
69. Despite these successes, Mozambique is, to all intents and purposes, still a post-conflict society and one of the poorest countries in the world. Some 54 per cent of the population find themselves below the national poverty line and the country ranked 172nd out of 177 countries in the 2007/08 Human Development Report.<sup>1</sup> Although the Front for the Liberation of Mozambique (FRELIMO) has been in power since independence, the country bears only the slightest resemblance to the vision that was proclaimed at independence.

## **2.1 Brief Political History**

70. Mozambique has had a chequered past in its struggle for liberation, peace, political stability and democracy. This brief exposition of the country's history is intended to illuminate how Mozambique's complex historical inheritance led the country to political ruin, economic decline and mass poverty. For ease of understanding, this section has been divided into three phases: pre-colonial, colonial and post-colonial.

### **2.1.1 Pre-colonial History**

71. According to historical accounts, Mozambique's first inhabitants were the San hunters and gatherers, ancestors of the Khoisan peoples. Between the first and fourth centuries AD, waves of Bantu-speaking peoples, generally farmers and ironworkers, migrated from the north through the Zambezi River valley and then gradually into the plateau and coastal areas.
72. When the Portuguese explorer, Vasco da Gama, reached the Mozambican coast in 1498, he found Swahili and Arab trading settlements that had existed along

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<sup>1</sup> Human Development Report (HDR). 2007/08. Fighting climate change: Human solidarity in a divided world. New York: United Nations Development Programme (UNDP).




the coast and outlying islands for several centuries. Political control of the coast had been in the hands of a string of local sultans. In 974 AD, the famous Arab geographer and historian, Al-Masudi, reported Muslims living among Africans in “the land of Sofa”, referring to modern day Mozambique.

### 2.1.2 Colonial History

73. Historical accounts suggest that Portuguese traders first arrived in Mozambique in 1498. From the foothold provided by trading posts that they established, Portuguese influence gradually extended from economic exploitation to cultural and social penetration of the territory, especially with the arrival of Christian missionaries who brought not only religion, but also education. Although Portuguese occupation and sovereignty over Mozambique was acknowledged by the Berlin Conference of 1884–85, it was not until the first and second decades of the 20th century that a proper colonial government was organised for the administration of the territory.
74. Portuguese colonial rule in Mozambique focused on the exploitation of the country’s resources for the benefit of Portugal. Consequently, except for the education provided by the missionaries, no conscious efforts were made to develop the local human resources or to prepare the country for national self-determination. Apart from the Portuguese-owned plantations on which Mozambicans worked as labourers, the only other investments made were the construction of railway lines that opened up the interior to facilitate trade. With the limited inflow of investments, the economy stagnated and the wellbeing of the people remained deplorable.
75. Mozambique’s political relationship with Portugal changed from one of benign domination to that of aggressive possessiveness when Dr António de Oliveira Salazar became Prime Minister of Portugal. He adopted a new colonial policy of lusotropicalism, which justified the development of closer links between Portugal and its colonial territories. Dr Salazar’s belief that Portugal’s modest resources could not guarantee its economic self-sufficiency implied that the colonies would have to be relied on more intensely in order to ensure that Portugal maintained its imperial status. To this end, emigration was encouraged and the Portuguese population in Mozambique began to grow. This policy, along with the wind of change blowing through all colonies after World War II, stirred up nationalist aspirations in the Mozambican elite, who started various political movements to fight for national independence.
76. The 1960s were critical years in African colonial history, as many African states gained independence from their colonial masters and the Organisation of African Unity (OAU) proclaimed support for the total liberation of the African con-

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<sup>2</sup> The name Moçambique was given by the Portuguese after the Swahili name Msumbiji for the island and port town. It is also believed to be a derivative of the name of a ruling Arab sheikh, Musa bin Ba’ik.

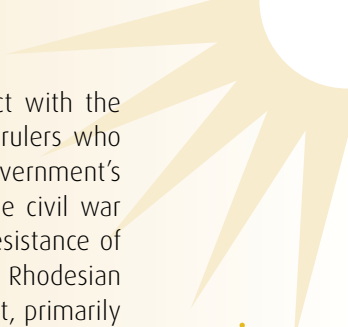


continent. The struggle against colonialism became a Pan-African struggle and all countries still under colonial rule were supported by the independent states.

77. In 1962, the leaders of three of Mozambique's nationalist movements met in Tanzania under the auspices of the late President Julius Nyerere, where they formed FRELIMO, with Eduardo Mondlane as leader. In 1964, Tanzania also served as the launching pad when harsh repression against anticolonial agitation in Mozambique forced the liberation movements to resort to an armed struggle. FRELIMO faced formidable challenges, as it had to operate against not just Portuguese colonialism, but also the white supremacist rulers of South Africa and Rhodesia (now Zimbabwe).
78. Mondlane was assassinated in 1969 and was succeeded by the late Samora Moisés Machel, who continued the armed struggle against colonial rule. The dynamics of the liberation war changed when the government of Portugal collapsed in a coup d'état on 25 April 1974. Faced with a political crisis at home, the new regime in Portugal could not withstand the economic and political costs of anticolonial war abroad and ceded independence to FRELIMO on 25 June 1975. Samora Machel became the first President of the country.
79. Mozambique thus became independent after more than ten years of sporadic warfare. FRELIMO took complete control of the country after a transition period, as agreed in the Lusaka Accord, which recognised Mozambique's right to independence and the terms of the transfer of power. Within a year of the coup in Portugal, almost all the Portuguese population had left the African territory – some were expelled by the new post-independence government of independent Mozambique, while others fled in fear.
80. This rapid exodus left Mozambique with few skilled human resources and, as a result, the Mozambican economy collapsed. Some texts claim that the country was left with fewer than five engineers after June 1975. In any event, as late as 2001, the disastrous economic outcome could still be seen in places like Beira, the second largest city in Mozambique. Once a thriving vacation destination on the coast, many of Beira's 300 000 inhabitants now live as squatters in unfinished luxury hotels facing the Indian Ocean, buildings which date from the 1970s.

### **2.1.3 Post-independence Politics**

81. After Mozambique became independent in June 1975, FRELIMO initially pursued Marxist-Leninist policies. It responded to the country's lack of resources and the Cold War politics of the mid-1970s by moving into alignment with the former Soviet Union and its allies. FRELIMO's leadership established a one-party socialist state and soon received substantial international aid from Cuba and the Soviet bloc.

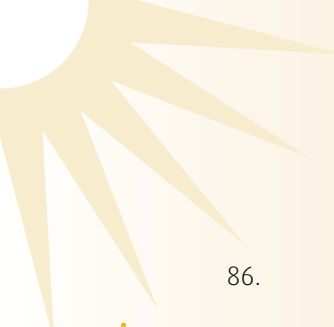
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82. The Marxist ideology adopted by FRELIMO brought it into conflict with the leaders of other political parties that were outlawed, traditional rulers who had been removed, and rural dwellers adversely affected by the government's policies. Severe conflicts started to erupt, culminating in full-scale civil war between the one-party FRELIMO government and the National Resistance of Mozambique (RENAMO). RENAMO was formed in 1976/77 under Rhodesian direction, but drew on popular resentment against the government, primarily in the central region of Mozambique.

### ***Civil War (1976–92)***

83. Mozambique was embroiled in a civil war for 16 years. The proclamation of independence in 1975, and the country's commitment to building a new society based on equality and social justice for all citizens, had antagonised the then racial and minority regimes in South Africa and Rhodesia. In particular, Mozambique's support for the African National Congress (ANC) of South Africa, the Zimbabwe African National Union (ZANU) and Zimbabwe African People's Union (ZAPU) liberation movements, coupled with its firm stand against apartheid and oppression in southern Africa, culminated in confrontation with the then neighbouring racist regimes. Rhodesian and South African secret services, with some support from American rightwing groups, set up RENAMO as an anticommunist organisation. RENAMO was financed and trained in order to destabilise Mozambique and undermine the fulfilment of FRELIMO's political and economic agenda by means of low-intensity guerrilla warfare. In addition, Mozambique's close relations with the Non-Aligned Movement (NAM) and the former Communist bloc marked it as one of the Cold War battlegrounds.
84. It should be noted, however, that although Rhodesian and South African secret services created and supported RENAMO in its struggle against FRELIMO, the movement appears to have been supported internally by FRELIMO dissidents, RENAMO captives and the local population in RENAMO-controlled areas.
85. Available evidence<sup>3</sup> indicates that in May 1975, 5 000 former FRELIMO members were branded as traitors. In August of that year, various top army commanders were expelled and sent either to prison or to re-education camps. In December, the government successfully cracked down on a rebellion and "those involved in it were severely punished". In February 1976, five members of FRELIMO's central committee were expelled from the party. Among the top military commanders expelled were André Matadi Matsangaisa, the first President of RENAMO, and Afonso Marceta Macacho Dhlakama, the current President of RENAMO. Both had escaped from a re-education camp and went to Rhodesia, where they received logistical support and assistance to fight against FRELIMO. In June 1976, the Rhodesians set up the "Voice of Free

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<sup>3</sup> Serapião, L.B. 1989. FRELIMO and political legitimacy in independent Mozambique. *Africa Quarterly*, 29(1/2): 10–26.



Africa”, a radio station aimed at broadcasting anti-FRELIMO propaganda. In February 1977, Matsangaisa, Dhlakama and other FRELIMO dissidents returned to Mozambique through Manica province in order to fight against the FRELIMO government.

86. In Manica province, the small group of RENAMO fighters mounted a successful raid against a re-education camp and freed close to 500 detainees.<sup>4</sup> Of these, 300 were incorporated into RENAMO’s ranks. Apart from targeting re-education camps, to which most FRELIMO dissidents were sent, RENAMO fighters adopted outrageous methods of kidnapping, setting ambushes, making threats, destroying villages and local populations’ farms, sabotage and mutilation in order to force people to adopt RENAMO’s objectives, increase the number of guerrillas, and widen the organisation’s base of support inside Mozambique.<sup>5</sup>
87. The above is said in explanation of the overwhelming increase in the number of fighters and the pace at which the war spread throughout Mozambique. Until 1981, the war had been limited to Manica province only. In 1982, it spread to four provinces (Gaza, Inhambane, Sofala and Tete); in 1983, to three more provinces (Maputo, Nampula and Zambézia); and, by 1984, fighting had reached the provinces of Cabo Delgado and Niassa.<sup>6</sup>
88. By the mid-1980s, Mozambique was at a crossroads, as the war had spread throughout the country, causing great devastation in rural areas, the suspension of development programmes and the disruption of socioeconomic infrastructure. The costs of the war were massive and included an estimated 1 million casualties, 1.7 million refugees in neighbouring countries, and 3.2 million displaced people within Mozambique.<sup>7</sup>
89. As a result of the devastation of its social and economic infrastructure, Mozambique became one of the poorest, highly aid-dependent and debt-ridden countries in the world, with the lowest ranking on the Human Development Index (HDI) for southern Africa.<sup>8</sup> The economy experienced a steady decline, as reflected in its falling GDP, production, real incomes and employment, the negative balance of payments and an average per capita income of less than US\$100 dollars.<sup>9</sup>

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<sup>4</sup> Kulipossa, F.P. 2006. Mozambique. *IDS Bulletin*, 37(2): 40–52.

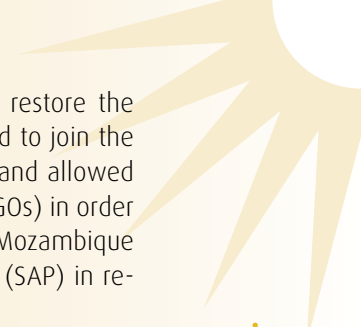
<sup>5</sup> As reported in a range of studies on the subject.

<sup>6</sup> Serapião (1989:12–13).

<sup>7</sup> Hanlon, J. & Smart, T. 2008. *Do bicycles equal development in Mozambique?* Oxford: James Currey.

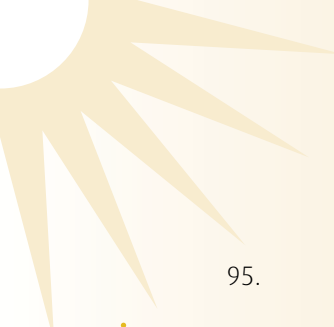
<sup>8</sup> United Nations Development Programme (UNDP). 1998. *Human Development Report (HDI) 1998*. New York: Oxford University Press.

<sup>9</sup> Hanlon & Smart (2008).

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90. Faced with severe shortages of food supplies and the need to restore the socioeconomic life in rural areas, the FRELIMO government agreed to join the World Bank and the International Monetary Fund (IMF) in 1984, and allowed the presence of international non-governmental organisations (NGOs) in order to distribute aid and food for the starving rural masses. By 1986, Mozambique had no choice but to pursue a Structural Adjustment Programme (SAP) in return for aid.<sup>10</sup>
  91. The concessions made by Mozambique to Western countries had immediate positive payoffs. Aid increased from US\$360 million in 1985 to US\$1 billion in 1990. In the period 1990–94, Mozambique had become the largest aid recipient in sub-Saharan Africa (SSA), accounting for more than US\$1.1 billion per year. The consequence of the proliferation of aid was that donors and international NGOs became powerful, often prevailing over the Mozambican government in policy making and implementation.
  92. Following the demise of Rhodesia in 1980, RENAMO enjoyed South African patronage as part of the latter’s “Total Onslaught” strategy aimed at disrupting the politics and economies of the black-ruled “frontline states” on its borders. War weariness and political changes in South Africa and Mozambique – including FRELIMO’s move away from Marxism-Leninism doctrine – helped bring about a General Peace Agreement (GPA) between FRELIMO and RENAMO, signed in Rome in 1992.
  93. In an attempt to end the war, the late President Samora Machel negotiated the infamous Nkomati Accord with the then President P.W. Botha and the South African government in 1984, in which Mozambique was to expel the ANC in exchange for South Africa cutting off aid to RENAMO. At first, both parties complied, but it soon became evident that infringements were taking place on both sides and the war thus continued. In 1986, President Samora Machel died in a plane crash inside South African territory on his way from a frontline meeting in Zambia. Although unproven, many suspect a conspiracy lay behind his death. Samora Machel was replaced by Joaquim Chissano as President.
  94. With apartheid crumbling in South Africa, and support for RENAMO drying up both in South Africa and the USA, the first direct talks between the FRELIMO government and RENAMO were held in 1990. As a result, a new Constitution was adopted in November of that year. Mozambique had become a multiparty state, committed to periodic elections and guaranteed democratic rights. On 4 October 1992, the Rome General Peace Accords, negotiated by the Community of Sant’Egidio with the support of the United Nations (UN), was signed in Rome between President Joaquim Chissano and RENAMO leader, Afonso Dhlakama, and formally took effect on 15 October 1992. A UN peacekeeping

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<sup>10</sup> Ibid.

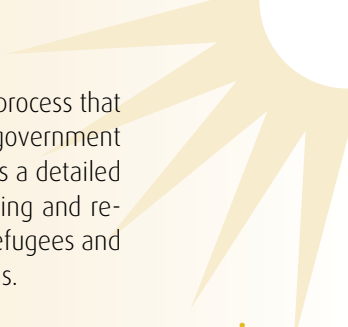


force, UNOMOZ, oversaw the two-year transition to democracy and the last of its contingents departed in early 1995.

### ***From War to Peace: Cessation of Hostilities***

95. As indicated earlier, Mozambique's long and devastating war came to an end in 1992, following the signing of the GPA between the FRELIMO government and RENAMO, on 4 October 1992 in Rome.
96. The GPA was reached due to the warring parties' recognition that the civil war in Mozambique could not be won by military means. Aware of the need to end the war and secure legitimacy from the Mozambican people, both FRELIMO and RENAMO sought to conclude peace negotiations. In August 1989, RENAMO distributed a 16-point document to this end to the media in Nairobi and Washington DC after its first congress, held in Gorongosa from 5–9 June of that year. There were also internal pressures on both sides, especially from Roman Catholic bishops through their 1987 Pastoral Letter, to seek peace and end the war.
97. At the regional level, Mozambique's neighbours – especially Malawi, Tanzania, Zambia and Zimbabwe – were undergoing democratic changes. In South Africa, apartheid laws were being dismantled and the country was adopting democratic changes that led to the first multiracial democratic elections in 1994.
98. At the international level, donors put pressure on the warring parties to seek a peaceful resolution of the conflict, even going so far as to provide financial support to RENAMO to assist it in making the transition from a rebel movement to a legitimate political party. Apart from these shifts, good governance and democratisation had gained currency internationally. For these reasons, both FRELIMO and RENAMO embarked on peace negotiations, knowing that the civil war in Mozambique was no longer sustainable.
99. The factors that led to the cessation of hostilities in Mozambique suggest that the war had no winner or loser, because neither FRELIMO nor RENAMO had suffered a military defeat. The Mozambican people, including former soldiers of both the FRELIMO and RENAMO armies, were the winners, as they had suffered most from the civil war. Hence, the solution was to introduce fundamental economic and political reforms in order to reconcile and accommodate the interests of both FRELIMO and RENAMO within the Mozambican political system, and then to implement “zero-generation” reforms aimed at placating the majority of people who had suffered most from the war. This argument helps to explain the durable cessation of violent conflict in Mozambique.
100. Another contributing factor to the lasting cessation of violent conflict was the astute mediation of members of the Roman Catholic community of Sant'Egidio, the



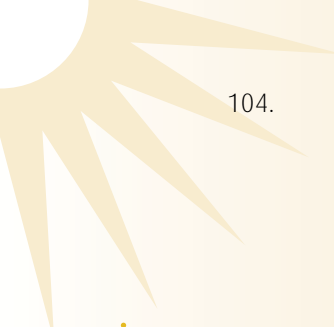


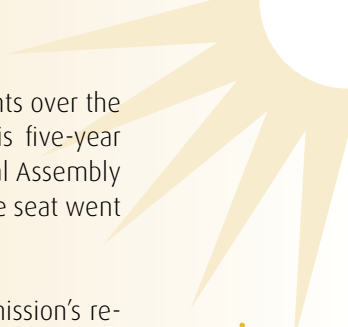
Italian government and the Roman Catholic Archbishop of Beira, in a process that entailed the building of mutual confidence between the FRELIMO government and RENAMO and the creation of democratic institutions. The GPA was a detailed blueprint for a truce, the demobilisation of armed forces, the demining and re-opening of roads to facilitate the resettlement of a huge number of refugees and other displaced people, humanitarian issues, and democratic elections.

101. Since 1992, the Mozambican government has instituted several economic, social and political reforms to put conditions in place for socioeconomic development based on the foundation of democratic pluralism, inclusiveness, periodic free and fair elections, the rule of law, respect for human rights and the reduction of the potential for intra- and inter-state conflicts. It has also begun reforms in the way in which the government does business, seeking to check corruption, improve on the service delivery capacity of the public service and ensure greater popular participation in governance through decentralisation. The implementation of the GPA allowed the realisation of the first-ever general and presidential elections in 1994, and the subsequent general and presidential elections in 1999 and in 2004. All of this goes to explain why Mozambique's turnaround has been successful thus far and is sustainable.

### ***Political Reforms***

102. In the wake of the GPA of 1992, Mozambique has undergone political and economic restructuring, rapidly moving from the 16 years of civil war and one-party autocracy to a multiparty democracy. Sociopolitical changes that occurred in the world in the late 1980s enabled the introduction of broad political reforms towards a liberal democracy. The approval of the 1990 Constitution accelerated the democratisation process in general and provided for an environment more conducive to dialogue, participation and the organisation of democratic elections.
103. Since 1994, conflict has been contained consistently, resulting in the cementing of a multiparty atmosphere. To date, the country has had three presidential and parliamentary elections (in 1994, 1999 and 2004) and three municipal elections (in 1998, 2003 and 2008) and is set for its first provincial elections as well as legislative and presidential elections in 2009. The new Constitution approved in 2004 deepens democratic liberties and is in tune with an environment of economic growth. It favours the chances of both domestic and foreign investment in social areas, including the steadily developing media sector. In the first democratic election of 1994, Joaquim Chissano was elected as President with 53 per cent of the vote. A 250-member National Assembly was voted in with 129 FRELIMO deputies, 112 RENAMO deputies and nine representatives of three smaller parties that formed the Democratic Union (UD). Since its formation in 1994, the National Assembly has made some progress in becoming a body increasingly more independent of the Executive.

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104. Democratic decentralisation was introduced in 1998, with the first-ever local elections being held in 33 municipalities, most of which are mainly rural. The aims were to give decision-making powers and responsibility to people who have a legitimate stake in, and knowledge of, local development needs; to increase community participation in local governance and local economic development; and to increase the speed and flexibility of decision making while generating additional resources and encouraging more efficient and effective use of existing ones. It was also intended to spread the gains of democratisation to local contexts and to improve the effectiveness of central government by providing a check on its performance and curbing antagonisms between central and local institutions.
  105. The principal opposition party, RENAMO, boycotted the local elections, citing flaws in the registration process as the reason. Independent slates contested the elections and won seats in municipal assemblies. The turnout was, however, very low.
  106. In the aftermath of the 1998 local elections, the government resolved to make greater accommodations for the opposition's procedural concerns with a view to the second round of multiparty national elections in 1999. Working through the National Assembly, the electoral law was rewritten and passed by consensus in December 1998. Financed largely by international donors, a very successful process of voter registration was conducted from July to September 1999, providing registration cards to 85 per cent of the potential electorate (more than 7 million voters).
  107. The second local elections, involving 33 municipalities with some 2.4 million registered voters, were held successfully in November 2003. Five of the 33 municipalities passed peacefully to the RENAMO-led opposition, including Beira, the second largest city in the country. For the first time, FRELIMO, the RENAMO-Electoral Union (RENAMO-UE) and independent parties had been able to compete without significant boycotts and the turnout of 24 per cent was well above the 15 per cent of the first municipal elections. FRELIMO won 28 mayoral positions and the majority in 29 municipal assemblies, while RENAMO won five mayoral positions and the majority in four municipal assemblies. The voting was conducted in an orderly fashion without violent incidents. However, the period immediately after the elections was marked by objections about voter and candidate registration and vote tabulation, as well as calls for greater transparency.
  108. The second general election was held from 3–5 December 1999, with a high voter turnout. International and domestic observers agreed that the voting process was well organised and went smoothly. However, both the opposition and observers subsequently cited flaws in the tabulation process that, had they not occurred, might have changed the outcome. President Joaquim

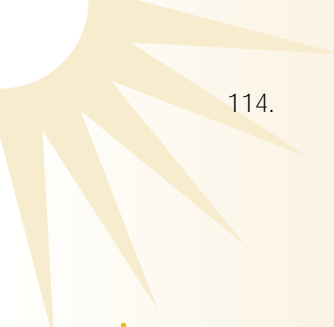


Chissano won the presidency with a margin of four percentage points over the RENAMO-UE coalition candidate, Afonso Dhlakama, and began his five-year term in January 2000. FRELIMO increased its majority in the National Assembly with 133 out of 250 seats, whereas RENAMO-UE won 116 seats, one seat went independent, and no third parties were represented.

109. The opposition coalition did not accept the National Election Commission's results of the presidential vote and filed a formal complaint with the Supreme Court. One month after the voting, the court dismissed the opposition's challenge and validated the election results.
110. In May 2004, the government approved a new general election law containing innovations based on the experience of the municipal elections of 2003. The third general election was held from 1–2 December 2004. FRELIMO candidate Armando Emilio Guebuza won with 64 per cent of the popular vote, while his opponent, Afonso Dhlakama of RENAMO, received 32 per cent of the votes. The estimated turnout of 44 per cent was well below the turnout of almost 70 per cent in the 1999 general election. FRELIMO won 160 seats in parliament and a coalition of RENAMO and several small parties won the remaining 90 seats. Armando Guebuza was inaugurated as the President on 2 February 2005.
111. Local elections took place in Mozambique's 43 municipalities on 19 November 2008. FRELIMO mayoral candidates won 42 of the 43 contested seats. Presidential and parliamentary elections are scheduled for late 2009.
112. All these changes have established a framework for governance and administration based on the democratic principles of representation, political equality, limitations on state power, and extended political participation. This has contributed to Mozambique's "turnaround" in the form of a lasting cessation of violent conflict and sustained economic growth.

## **2.2 The Economy**

113. Following the departure of most of the Portuguese settler population which, at the peak of the colonial period numbered around 250 000 people, the economy of Mozambique came to a virtual standstill after experiencing a very sharp drop in economic activity. In response to this situation, in the late 1970s the post-independence FRELIMO government adopted a strategy of central planning of the economy, aimed at achieving rapid economic growth and ending underdevelopment by the 1990s. The strategy failed to achieve these goals, partly due to its unrealistic nature, but also to the multiple economic and political constraints the country faced after independence. This led the government to adopt a comprehensive agenda of economic liberalisation and reform in the mid-1980s, which has continued to the present.

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114. From the early 1980s, Mozambique was plunged into an economic crisis. Production plummeted, half the rural primary schools were burned down or forced to close, the health network shrank by more than a third, and the country began to default on its debt repayments. By the time President Joaquim Chissano and RENAMO leader Afonso Dhlakama signed the GPA in 1992, much of the country's physical infrastructure – roads, bridges, railways, sugar mills, rural shops and more – lay in ruins. Annual per capita GDP had fallen from US\$133 in 1981 to US\$90 in 1993.
115. Although exports increased by 83 per cent between 1977 and 1981, a number of serious economic setbacks developed as the civil war continued. The country's agricultural policy failed due to the abuse and misuse of resources. A large proportion of industrial workers started leaving the country, which led to a fall in the industry sector's share of the gross national product (GNP) from 40 to 27 per cent between 1981 and 1986. Revenues decreased as export earnings declined and imports increased during the same period until the early 1990s, resulting in faulty prioritisation and a sharp downward trend in economic development. This was a poor base on which the government could build in the post-war era.
116. Early in 2000, a cyclone caused widespread flooding in the country, killing hundreds and devastating the already precarious infrastructure. There were widespread suspicions that foreign aid resources had been diverted by powerful leaders of FRELIMO. Carlos Cardoso, a journalist investigating these allegations, was murdered and to date his death has not been explained satisfactorily.
117. Much of the economic recovery following the end of the civil war of 1977–92 has been led by investors and tourists from South Africa and East Asia. A number of returning Portuguese nationals have invested in the country, as well as some Italian organisations. However, the country remains one of the poorest in the world.

### ***Economic Reforms***

118. In response to the national economic collapse and the changing international context, the government launched an SAP in 1987 in order to reverse the decline in production by creating better conditions for rural populations; to ensure a minimum level of consumption and income; to reduce domestic financial imbalances; to strengthen the balance of payments; and to lay the foundation for economic growth.<sup>11</sup> The implementation of the programme entailed two main stages, namely, stabilisation and adjustment. The first stage aimed at devaluing the national currency and drastically cutting public expenditures.

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<sup>11</sup> Kulipossa, F.P. 1987. Draft Report on Mozambique, page 5.

The second stage entailed the transformation of economic structures through deregulation, privatisation, reduction of bureaucracies and subsidies, and the encouragement of realistic prices in order to stimulate high productivity.

119. Although the SAP accelerated inflation, hardship and deprivation for the majority of the population in the first years of its implementation, its benefits began to be felt in the subsequent years, with substantial growth in the agricultural and industrial sectors. In order to mitigate the negative effects of the SAP, the government implemented “zero-generation” reforms aimed at the majority of people who had suffered most from the civil war. These reforms included the introduction of social safety net programmes, such as the Demobilisation Fund (for retrenched FRELIMO and RENAMO soldiers), the Food and Subsidy Scheme, the Social Fund for Medicines, the Infant Food Supplement, the School Social Action Fund, the School Lunch Programme, the Civil Servant Wage Supplement and the Emergency Programme. This suggests that the programme has been relatively successful in halting economic stagnation and boosting rapid economic growth in Mozambique, despite criticisms levelled by some scholars against the Bretton Woods institutions.<sup>12</sup>
120. Notably, though, while the government accepted the neoliberal policy prescriptions of the IMF and the World Bank in order to secure funding, these policies often led to the wide-scale neglect of social concerns, especially in respect of the poor. They also had severe implications for “uncompetitive” industries and regions, resulting in increased inequalities between rural and urban areas, in particular.<sup>13</sup>
121. In 1994, with the former leader of FRELIMO, Joaquim Chissano, being elected as President during the country’s first multiparty democratic elections, a new political scene was set. Attempts at reinvigorating economic reforms within the framework of the liberalistic-enthused Economic and Social Rehabilitation Programme (ESRP) were initiated.<sup>14</sup> These included a sequence of standard stabilisation measures, such as monetary restraint, fiscal adjustment and devaluation of the exchange rate. Based on neoliberal principles,<sup>15</sup> radical economic reform started to take shape in the form of a reduced role of the government in the economy as state expenditure declined, privatisation of state-owned industries increased and protective tariffs were phased out.

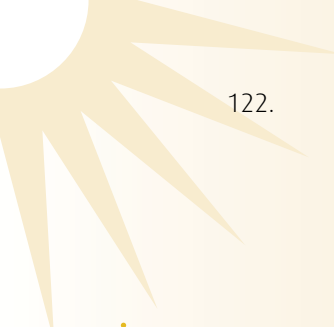
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<sup>12</sup> Kulipossa, F.P. 1987. Draft Report on Mozambique, page 5.

<sup>13</sup> Peck, J. & Tickell, A. 1992. Local modes of regulation. *Geoforum*, 23(3): 347–363.

<sup>14</sup> Arndt, C. & Tarp, F. 2000. Agricultural technology, risk and gender: A CGE analysis for Mozambique. *World Development*, 26: 1307–1326; Arndt, C. & Lewis, J.D. 2000. The macro-implications of the HIV/Aids epidemic: A preliminary assessment. *South African Journal of Economics*, 68(5): 1–32.

<sup>15</sup> The neoliberal ideology has originated from the neoclassical economic theory of free market fundamentalism and is based on the principles of privatisation, deregulation, fiscal austerity and other forms of market liberalisation, as encapsulated in the Washington Consensus and the second-generation reforms.

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122. Today, Mozambique's development strategy is framed in the Plan of Action for the Reduction of Absolute Poverty II (PARPA II) for 2006–09. This action plan aims at reducing the incidence of poverty from 54 per cent of the population in 2006 to 45 per cent in 2009. In order to achieve this target, the government is consolidating macroeconomic stability and undertaking a second wave of structural reforms that encompass the public sector, fiscal policy governance and the business climate.
123. The implementation of a computerised integrated budget and Treasury management system, called e-SISTAFE, has contributed to improved public expenditure management. Revenue collection has increased moderately, too. To boost revenue further, it will be necessary to broaden the tax base, especially in the extractive and informal sectors, and to strengthen tax administration.
124. In line with PARPA II's target, the government is increasing spending in priority areas (to 65 per cent of total expenditure) and undertaking huge infrastructure rehabilitation projects. This increase in spending will be comfortably financed by rising aid inflows and, to a lesser extent, by resources freed up by the Multilateral Debt Relief Initiative (MDRI).

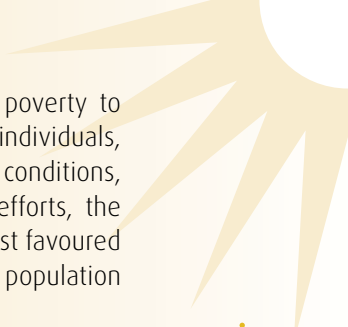
### ***Impact of Economic Reforms***

125. From 1990, the Mozambican economy has been among the fastest-growing economies in the world, with an average annual GDP growth of about 8 per cent. The cyclone and devastating floods of early 2000 reduced economic growth for that year to 2.1 per cent, but the country bounced back in style when growth in GDP approximated 14 per cent in 2001.
126. Pivotal to Mozambique's structural adjustment, sound macroeconomic management and fiscal prudence became key constituents in its efforts at economic reform. The country achieved much of its impressive results only at a later stage of its transition, under PARPA I of 2001–05, sustaining an average economic growth of around 8 per cent per year since 1993, and reducing the Poverty Headcount Index (PHI) from 69 per cent in 1996 to 54 per cent in 2003. Central to the ESRP, PARPA I focused mainly on the prime determinants of growth. Economic growth, the World Bank asserts, has been pro-poor, meaning that "the rate of consumption growth of people below the poverty line was strongly positive due to agricultural expansion, greater non-farm activities in rural areas, and a rise in employment".<sup>16</sup>
127. As mentioned previously, in 2006 Mozambique introduced PARPA II for 2006–09 in order to shift the balance of emphasis more towards alleviating poverty.

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<sup>16</sup> World Bank. 2006. Republic of Mozambique Poverty Reduction Strategy Paper: Joint staff advisory note. Washington DC: World Bank, page 2.





As pointed out by the IMF, PARPA II broadened its definition of poverty to “the impossibility, owing to inability and/or lack of opportunity for individuals, families and communities, to have access to the minimum basic conditions, according to the society’s basic standards”.<sup>17</sup> Through reform efforts, the main aim of PARPA II is to raise the low standard of living of the least favoured population groups, and to decrease poverty from 54 per cent of the population in 2003 to 45 per cent in 2009.

128. Notably, PARPA II differentiates itself by giving higher priority to an increase in productivity and greater integration of the national economy. By focusing specifically on the contribution that reforms in Mozambique may have had on economic growth and poverty reduction after 1992, this section of the report initially highlights the possible effects of reform-induced changes in investment, trade and privatisation on growth and poverty. It then draws attention to the linkages between potential regional imbalances and growth, poverty and employment conditions during the past decade and more.

### ***Effects on Growth and Poverty***

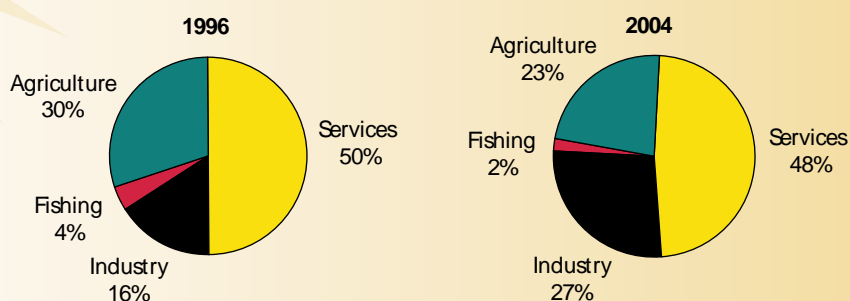
129. The fairly successful implementation of economic and political reforms in Mozambique has engendered macroeconomic and political stability. This appears to have contributed greatly to large inflows of foreign direct investment (FDI) and an upsurge in investors’ confidence regarding the country’s ability to sustain its turnaround after the mid-1990s.
130. Riding on the back of strong economic growth and a significant reduction in inflation, the sectoral composition of Mozambique’s economy started to show discernible changes. Mozambique’s services sector, being the largest sector, has experienced a volatile period since 1996 after its share of the GDP initially rose by 5.6 per cent to an exceptional high of 55.1 per cent in 2000, and then fell to 48 per cent in 2004 (Figure 2.1). It is argued that, because private sector investments increased by almost 3 per cent of the GDP annually, especially after 1997, they have contributed appreciably to at least the initial growth phase.<sup>18</sup> The services sector – particularly ports and railways, the services it provides for its landlocked neighbours – is clearly one of Mozambique’s core economic strengths that should be developed by means of increased privatisation.

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<sup>17</sup> International Monetary Fund (IMF). 2007. Republic of Mozambique: Poverty Reduction Strategy Paper. IMF Country Report No. 07/37. Washington DC: IMF, page 8; Social Exclusion Knowledge Network (SKN). 2008. Understanding and tackling social exclusion. Final Report to the WHO Commission on Social Determinants of Health. February 2008, page 49.

<sup>18</sup> Biggs, T., Nasir, J. & Fisman, R. 1999. Structure and performance of manufacturing in Mozambique. Regional Programme on Firm Development, August.

**Figure 2.1: Composition of the GDP of Mozambique, 1996 and 2004 (%)** <sup>19</sup>



131. Growth in the agricultural sector as a percentage of GDP dropped drastically from 30 per cent in 1996 to 18.8 per cent in 2001, and then recovered somewhat to 23 per cent in 2004. The growth of not only Mozambique's industrial sector, but also its entire economy over this period, was driven mainly by construction, of which the share of the GDP increased from 6.6 per cent in 1996 to 11.7 per cent in 2001. This was primarily due to the benefits received from FDI since 1999 in the aluminium-smelting megaprojects (Mozal I and II) of BHP Billiton. In fact, a number of other megaprojects in natural gas (Sasol), titanium mining (Moma) and the Cahora Bassa hydroelectric dam and generating station, among others, were the result of considerable private capital inflows attracted by the new, reformed environment since 1992.
132. The megaprojects are considered to be Mozambique's main source of growth. Over the period from 1996–2006, total investment in Mozambique grew at an average rate of 11.6 per cent. This was 3.1 per cent higher than the country's average real GDP growth rate <sup>20</sup> for the period and 1 per cent lower than the growth of net exports. Making the growth in total investment appear quite serrated since 1996, FDI experienced sharp increases in 1999 and 2002 (8.5 per cent of the GDP), while gross capital formation experienced intense volatile phases. This steep incline in 2006 was mainly due to strong growth in public investment (51 per cent), which was recognised for its contribution towards reducing poverty throughout the period. <sup>21</sup>
133. However, it should be noted that Mozambique's meteoric growth has resulted from an extremely small base. In 1997, the country's per capita GNP was still the lowest in the world at US\$90, and much of the health and education infrastructure had yet to be rebuilt, virtually from scratch. Nonetheless, sound economic management, massive international debt relief, and great investment in human capital have been quite successful in alleviating poverty in the country.


<sup>19</sup> International Monetary Fund (IMF). 2005. Republic of Mozambique: Selected issues and statistical appendix. IMF Country Report No. 05/113. Washington DC: IMF, page 7; Kulipossa (2006:44).

<sup>20</sup> Between 1989 and 2006, real GDP growth averaged 7.5 per cent, which is almost twice the comparable figure in SSA.

<sup>21</sup> World Bank. 2007. Promoting shared growth through empowerment of citizens and institutions: Mozambique Country Partnership Strategy, 2008–2011. Washington, DC: World Bank.

## ***Industrialisation***

134. Mozambique was rated the sixth most industrialised economy in SSA during the late colonial period. Independence from Portugal in 1975 and the political turmoil that followed, however, led to a sharp decline in industrial activity, with manufacturing output falling by over 30 per cent between 1974 and 1976. A key factor behind this debacle was the departure of around 200 000 Portuguese settlers in the aftermath of independence – they had supported the growth of the manufacturing sectors by providing skilled labour and creating a growing demand for locally produced manufactured goods.
135. In response to this state of affairs, the post-independence FRELIMO government adopted a model of central planning of the economy. It intervened in numerous industrial firms abandoned by their Portuguese owners and formulated a strategy aimed at ending underdevelopment by the 1990s, based on a process of accelerated industrialisation. Despite these intentions, by 1985 manufacturing activity had reached a historical low, with production down to levels previously seen in the early 1960s and the utilisation of capacity estimated to be below 30 per cent in most industries.
136. In 1986, the Mozambican government initiated a process of structural reform and economic liberalisation that has continued to the present. In the two decades since then, manufacturing activity has experienced a substantial recovery overall, with the share of manufacturing value added over GDP reaching a historical peak of 14.8 per cent in 2004. However, this figure hides a less impressive reality, characterised by a growing concentration of manufacturing production in a small number of industries and firms, and a general thinning out and weakening of Mozambique's manufacturing base, with manufacturing employment falling from over 111 000 workers in 1987 to 31 500 in 2005. By 1999, only nine firms accounted for 56 per cent of industrial production, with the two largest firms (South African Breweries and Coca-Cola) being responsible for 25.7 per cent of industrial output. This process of growing concentration has continued in the 2000s, as several industrial megaprojects have been established in Mozambique.
137. Mozal, an aluminium smelter operating outside Maputo since 2000, and perhaps the most renowned of these projects, alone accounted for 6.7 per cent of the country's GDP, 38 per cent of its growth and 55 per cent of its exports in 2004, while only employing around 1 100 workers. Meanwhile, other traditionally important sectors have fared less well. Some have almost disappeared, such as garments and textiles, which barely accounted for 0.1 per cent of manufacturing production in 2005, down from 23 per cent in 1988, or the cashew nut industry, which was one of the most important in the world in the 1970s.
138. Several factors have been identified as currently constraining manufacturing development in Mozambique. The most frequently cited are investment climate constraints imposed by a burdensome regulatory and administrative



environment, as well as the general inadequacy of business infrastructures.<sup>22</sup> In addition to these business environment considerations, the manufacturing sector is suffering from other important structural problems that equally hamper industrial development in Mozambique. These include a tight monetary framework and a strategy of financial restraint that has raised the cost of investment, with lending rates in local currency being above 25 per cent in nominal terms throughout most of the late 1990s and 2000s.

139. The Country Review Mission (CRM) also noted a steep decline in business opportunities for local firms, resulting from the strong competition exerted by the import and informal sectors, the collapse of upstream industries, and the decline in demand caused by the general drop in formal employment in the economy. Additionally, this sector's general technological backwardness and weak skills base have further undermined local manufacturing firms' competitiveness and market position in local and international markets. Finally, the privatisation of over 1 200 state-owned enterprises undertaken throughout the 1980s and 1990s does not appear to have led to any significant modernisation of the manufacturing sector's technological base.<sup>23</sup>
140. These manufacturing dynamics have coincided with a weakening of the policy and institutional framework for industrial development in Mozambique, further hampering the possibility of addressing these multiple constraints. At present, various institutions and NGOs are providing technical capacity-building support, business development services, and financial facilities to manufacturing firms in Mozambique. Yet, the overall impact and reach of these initiatives has been limited.<sup>24</sup> This has partly been the result of the difficult business environment faced by manufacturing firms operating in Mozambique, which has ultimately reduced the demand for this type of service. It has also been the consequence of the fragmentation of, and weak coordination between, these interventions, the lack of a clear strategy for manufacturing development, and the few resources devoted to this purpose. The government does, however, have a National Strategy for the Industrial Sector, which sets out the guiding principles for government intervention in this sphere.

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<sup>22</sup> Sriram, V. & Mersha, T. 2006. Facilitating entrepreneurship in sub-Saharan Africa: What governments can do. *Journal for International Business and Entrepreneurship Development*, 3(1/2): 136–151.

<sup>23</sup> Cramer, C. 2001. Privatisation and adjustment in Mozambique: A hospital pass? *Journal of Southern African Studies*, 27(1): 79–104; Pitcher, M.A. 2002. *Transforming Mozambique: The politics of privatisation 1975–2000*. Cambridge: Cambridge University Press.

<sup>24</sup> Warren-Rodriguez, A. 2008. Uncovering dynamics in the accumulation of technological capabilities and skills in the Mozambican manufacturing sector. SOAS Department of Economics Working Paper No. 156, March, page 6. Department of Economics, School of Oriental and African Studies (SOAS). London: University of London.

## **2.3 Major Achievements**

141. Mozambique's emergence over the past 20 years from economic decline, conflict and repressive governments to macroeconomic stability, high levels of growth and considerable political freedom represents a major turnaround. In post-conflict Mozambique, over a period of barely 16 years, the world has witnessed an astonishing economic improvement. This has revolved around a number of key positive developments.

### **2.3.1 Sustaining the Peace Dividend**

142. Mozambique's reconstruction and transition are widely regarded as one of the great success stories in Africa. The government has indeed carefully maintained a prudent set of macroeconomic policies that have elicited continued aid flows from the donor community.

### **2.3.2 Political Reforms and Multiparty Democracy**

143. Following the end of the civil war in 1992, Mozambique launched a process of democratisation. Since the early 1990s and continuing until the present, there has been a significant measure of political liberalisation in Mozambique. This has been evidenced by the emergence of a free media and civil society, although both are largely confined to major urban areas, especially the capital city of Maputo. The challenge in Mozambique is to consolidate the democratic gains and deepen the reform agenda.

### **2.3.3 Macroeconomic Reforms and Stabilisation**

144. Mozambique continues its successful transformation following a return to peace and political stability in 1992. It has had a notable economic recovery and impressive economic growth rates in the past decade, averaging about 8 per cent. In 2006, per capita GDP was estimated at US\$423, which was a significant increase over the mid-1980s level of US\$120. With high levels of foreign debt and a good track record of economic reform, Mozambique was the first African nation and sixth country worldwide to qualify for debt relief under the World Bank and IMF-initiated Heavily Indebted Poor Countries (HIPC) Initiative. In April 2000, Mozambique qualified for the Enhanced HIPC programme and reached its completion point in September 2001. In November of the same year, the Paris Club members agreed to reduce the remaining bilateral debt substantially, resulting in the complete rescindment of a considerable volume of bilateral debt. On 21 December 2005, the IMF formalised the complete cancellation of all Mozambican IMF debt contracted prior to 1 January 2005, worth US\$153 million.

### **2.3.4 Decentralisation**

145. In 1997, the Mozambican parliament passed Law 2/97 on municipalities, which entails the devolution of political and economic powers to local institutions. As a result, municipal assemblies, local councils, mayors, and local parliamentarians were elected on 30 June 1998. These bodies were vested with the power to make laws, plan and budget, acquire and administer resources, and collect tax. In exercising their powers, municipal institutions were encouraged to coordinate their activities with those of traditional authorities in satisfying the specific needs of local communities.

### **2.3.5 Broader Public Sector Reforms (2001–11)**

146. In 2001, the government passed its Global Strategy for Public Sector Reform (PSR) aimed at enabling the public sector to promote socioeconomic development and reduce absolute poverty. Rationalisation and decentralisation of service delivery are two key components of the PSR and entail restructuring the public sector based on functional analysis and restructuring plans for all ministries. This restructuring will lead to the transformation of the functions, structures and human resources of central government towards policy formulation and monitoring. Service delivery will be transferred from central institutions to local-level institutions, including the private sector and civil society organisations (CSOs). The PSR focuses on the following six key areas:

- Improving service delivery through decentralisation and institutional restructuring;
- Strengthening the policy formulation and monitoring process;
- Enhancing professionalism in the public sector;
- Improving financial management and accountability;
- Promoting good governance and combating corruption; and
- Managing the reform process.


## **2.4 Challenges**

147. While progress has been achieved in the pursuit of reforms, Mozambique still faces a number of major challenges that could complicate the country's quest to improve the welfare of the majority of its people. The challenges that require urgent attention are discussed below.

### **2.4.1 Lack of Structural Transformation in the Economy**

148. The irony of Mozambique's recovery is that the macroeconomic stability that has been achieved is based almost entirely on concessional and conditional transfers of development aid. It is not based on any fundamental improvement in the basic economic structure and the inherited colonial economy has persisted. There has been no deconstruction of the economy and therefore no restructuring





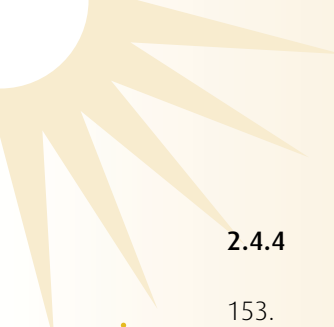
has taken place. Little has changed in the relative importance of the agricultural, industrial and other sectors of Mozambique's economy. Agriculture remains the most important sector by far, but is underdeveloped. As a result, the economic base remains fragile. Over half of its earnings are derived from aluminium exports, while aluminium prices – like those of many primary agricultural commodities – are extremely volatile. This reflects Mozambique's high vulnerability to external shocks. Significantly, as megaprojects generate limited spillover effects for the rest of the economy, but contribute relatively little to job creation and tax revenue, achieving broad-based growth remains a major challenge.

### **2.4.2 High Levels of Poverty**

149. Mozambique has experienced one of the most dramatic reductions in poverty in the world in recent decades. Based on a national poverty line, income poverty fell from 69.4 per cent of the population in 1997 to 54.1 per cent in 2003. Measures of the depth and severity of poverty declined even more. Nevertheless, Mozambique is still one of the poorest countries in the world, as 54 per cent of its population find themselves living below the national poverty line. Moreover, the country's efforts at reducing poverty have had uneven results across the regions. In particular, poverty rates have increased in Maputo city and Maputo province. The high poverty level and its associated regional imbalances pose the danger of social polarisation. The challenge is to ensure that benefits brought about by growth and stability can raise the living standards of the vast majority.

### **2.4.3 Rising Inequality**


150. Related to the issue of poverty is rising income inequality, which presents in many forms. Regional asymmetries continue to be a constraint in the balanced distribution of benefits resulting from socioeconomic development. Thus, urban districts present greater opportunities than rural districts in terms of access to services. The southern region presents higher indices of service provision compared with the central and northern regions of the country, albeit with interprovincial and interdistrict disparities within each region.
151. The pattern of regional imbalance left by the Portuguese colonial administration persists to date. PARPA II takes note of the regional imbalance in the provision of public services, with the southern region being more endowed than other regions and hence fostering inequality. This inequality exists in the provision of services in the education sector and healthcare sector, and has spurred rural-urban migration. As a result, there is polarisation on a social, economic and political basis.
152. For instance, access to credit, distribution of the banking system and information and communication technology (ICT) display great asymmetries. For



instance, over 50 per cent of the credit institutions are located in the city of Maputo. An increase in inequalities in the distribution of resources could lead to social conflict.

#### **2.4.4 Political Inclusiveness**

153. Equally disturbing is the emerging pattern of plural politics in Mozambique. While there are many indications that the country is moving in the right direction, there is some concern about Mozambique's political evolution.
154. While the civil war lasted, FRELIMO projected itself as, and was generally perceived by the people of Mozambique, to be the party of liberation. It was the party that won independence for the country and paid the price of self-determination – losing two of its national heroes, Eduardo Mondlane and Samora Machel, in the process, the former by assassination and the latter in a disputed plane crash. The FRELIMO government mobilised support for the civil war by portraying RENAMO as a party of saboteurs who collaborated with the enemy and were responsible for national destabilisation. RENAMO, on the other hand, painted FRELIMO as the party guilty of authoritarian rule, exclusive appropriation of the fruits of independence, and disregard for traditional rights of constitutive groups of the country. RENAMO portrayed itself as fighting to save democracy.
155. These portrayals have spawned enduring political stereotypes. In the perception of FRELIMO members, FRELIMO is the party of liberation and RENAMO the party of rebels, whereas RENAMO members see their party as the party of democratic choice and pluralism and FRELIMO as the party of authoritarian rule. These stereotypes continue to shape interactions between the two main political parties and constrain the development of genuine consensus among the political leadership on important national issues.
156. There is much concern that Mozambique is sliding into a one-party state. Many stakeholders have expressed concern that the ruling FRELIMO party appears to dominate the public sphere, blurring the distinction between state and party and actively promoting corruption and impunity, as well as aggressively seeking the weakening of political opposition. There is concern that FRELIMO has carefully controlled the political process so as to minimise risk to its hold on power. The 1998 election saw a RENAMO boycott and widespread abstentions. RENAMO is a significant political force, with strong regional bases, and heads a coalition with a large number of seats in parliament. Despite this, the Mozambican state bureaucracy is still deeply entangled in FRELIMO's party organisation.
157. There is a strong feeling among many Mozambicans that the ruling FRELIMO party has been pursuing a more aggressive, self-assertive policy requiring loyalty to the party in exchange for positions in the state apparatus, and is increasingly committing itself to the political aim of reducing opposition parties



into insignificance. These fears should not be taken lightly, particularly since highly influential older politicians, who were veterans of the war of colonial liberation, recently made public pronouncements contemptuous of democracy and opposition parties.


158. Commendably, though, this apparent setback to political development in the country has been offset by interesting developments within society. In fact, both the Constitutional Council and the Administrative Tribunal (National Audit Office) have recently ruled against decisions that appeared to be party-politically motivated. The Constitutional Council found that the imposition of the use of a FRELIMO party slogan on all state institutions by the newly created Civil Service Higher Authority, to be unconstitutional and asked that it be withdrawn. Similarly, the Administrative Tribunal made a devastating review of public accounts, pointing to criminal irregularities. Most importantly, it found a decision by the public Eduardo Mondlane University to ask academics who joined the opposition RENAMO party to step down from their senior positions within the University's administrative structure, to be illegal and ruled that they should be reinstated.
159. Given the widespread belief that the country is in the tight grip of the FRELIMO government, this obvious show of resistance from two institutions with the task of safeguarding and protecting the rule of law is not only encouraging, but also an indication that Mozambican society may be moving in a direction that renders democracy less dependent on individual goodwill, and is more structurally ingrained.

#### **2.4.5 Public Sector Reform**

160. There is no doubt that the government has made enormous efforts to transform the public sector since 1992. Most of this effort has taken place within the framework of the government's PSR programme to streamline the state apparatus, reform the judiciary, strengthen auditing capacity, and fight corruption. Although the programme has gone a long way towards meeting some of the most fundamental requirements of governance, the legacies of the past still loom large. Following in the footsteps of the centralised colonial administration and the subsequent Marxist-Leninist party/state apparatus, and with very little public consultation or transparency, the government continues to operate through megaprojects put together by the top political leadership and respective donors and/or private investors.

#### **2.4.6 Poor Educational Levels**

161. The availability of suitably skilled people in sufficient numbers is a major obstacle to development and innovation in Mozambique. While primary school enrolment stands at about 70 per cent, this drops precipitously to about 4 per



cent for secondary school enrolment and 1 per cent for tertiary enrolment. The quality of education that the small minority who do attend secondary school receive is poor. Specifically, the teaching of the basic sciences needs to improve dramatically. There are insufficient science and mathematics teachers, and many of the current teachers are not properly qualified. Science laboratories are ill equipped to prepare high-school students for pursuing science or engineering at a tertiary level. Access to computers and the Internet is inadequate. Furthermore, children have insufficient exposure to science and technology in a form that will attract them to consider careers in these fields when they leave school. The proportion of students pursuing science, engineering and technology qualifications at a tertiary level needs to be increased in order to provide a sufficient pool of people for Mozambique's nascent innovation system.

162. A particular example of where both short and long-term approaches are required is the challenge of educating the Mozambican population, most of whom do not receive a secondary school education, let alone tertiary training. The task is huge and innovative thinking is essential if significant progress is to be made. As traditional forms of education alone are insufficient, the power and potential of interactive multimedia-based ICTs should be exploited to the full. The task of education should become a national imperative in which all sectors of society, be they public, private, civil, urban or rural, play both active and supportive roles.

#### **2.4.7 Poor Business Environment**

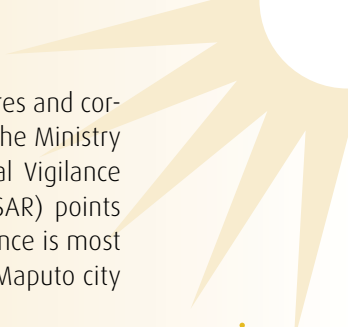
163. Without a doubt, Mozambique has made enormous progress in improving its business environment. Nevertheless, progress in other structural reforms has been slow. Despite the large reduction in the number of days needed to register a new company, deep-seated constraints to private sector development remain, notably the weak judicial system.

#### ***Corruption***

164. Corruption is a major issue facing Mozambique today. It is pervasive, and appears to involve prominent members of the government. Although it is difficult to quantify the extent to which corruption is reducing the rates of economic growth, it will no doubt eventually take its toll – on the rate of growth, the level and quality of domestic investment and FDI, as well as the proper channelling and use of external aid.

#### ***Rising Prevalence of HIV***

165. Mozambique is the only country in southern Africa with a rising HIV prevalence rate. Based on the findings of the National Council for Combating HIV/Aids (CNCS) in 2008, Mozambique is still among the ten worst-affected countries in



the world, with an infection rate of 16.3 per cent. Some urban centres and corridors are experiencing even higher rates of infection. Referring to the Ministry of Health's (MISAU) Report on the Revision of HIV Epidemiological Vigilance Data for 2004 and 2005, the Country Self-Assessment Report (CSAR) points out zonal variations in the infection rates. For instance, Sofala province is most affected, with a prevalence rate of up to 25 per cent, followed by Maputo city at 25 per cent and Nampula at 9.8 per cent.

166. Starting in 1986, the government has put in place a number of programmes and strategies to stem the spread of the HIV/Aids pandemic. These include, among other things, the launching of the National Programme for Combating Aids in 1988 and the establishment of the CNCS in 2000. The council is mandated to coordinate, monitor and evaluate multisector activities aimed at combating the pandemic. Under the coordination of the CNCS, a National Strategic Plan for Combating STDs/HIV/Aids (PEN), aimed at sensitisation, prevention and treatment, was initially launched in 2000. The first phase covered the period from 2000–04 and the second from 2005–09. The priority areas dealt with in the second phase of PEN are prevention, advocacy, stigma, treatment, mitigation, investigation and national coordination.
167. Despite all the measures undertaken by the government to address the problem, the situation is still worrying, given the growing trend in prevalence rates. The CSAR points out that some of the objectives pursued under PEN are not being fully achieved, due to various reasons.

### ***High Dependence on Donors***

168. Aid in the form of budgetary and project support now provides roughly half of Mozambique's annual budget, making it one of the most aid-dependent countries in Africa. FDI appears to be tapering off or is of poor (i.e. risky) quality. In 1992, the year the current government came into power, official development assistance amounted to approximately US\$200 million. By 1997, aid from the IMF, World Bank and donor governments had increased to nearly US\$850 million. Although there has been a decline in the level of dependence on aid, it still remains high. Mozambique was the first country to access the original HIPC Initiative in April 1998 and the Enhanced HIPC Initiative in May 2000. Although the country's debt overhang has since been reduced drastically under this initiative, it remains high and continues to grow.

### ***Disaster and Environmental Management***

169. Mozambique is prone to natural disasters. The country is faced with desertification, pollution of surface and coastal waters, severe drought and floods in the central and southern provinces, and, in recent years, earthquakes.

## 2.4.8 *Entrepreneurship, Innovation and Science*

170. Given its historical heritage, there is a lack of a culture of entrepreneurship and innovation in Mozambique. Innovative behaviour is the exception rather than the norm. This mindset represents a major barrier to the fostering of entrepreneurship and innovation, even for those who themselves have embraced the need for these values. The lack of an innovative climate makes it doubly difficult for innovative people to innovate.
171. The challenge for Mozambique lies in fostering a culture of entrepreneurship and innovation in which:
- The relevance of innovation to the improvement of the quality of life is understood and appreciated at all levels, and across all sectors;
  - Individuals at all levels of society are fully aware that they themselves can and ought to be involved in innovative activities; and
  - An entrepreneurial approach to life and work that individuals are expected to foster.
172. This is a long-term challenge, but one that is critical to the development and modernisation of Mozambique. It especially entails making drastic changes to the country's education system. At present, there is no comprehensive policy for human resource development that links the education sector to industry and employment. The government should ensure that, in addition to universal primary education and universal secondary education, more technical schools and wider university enrolment are introduced and that close links are created between educational institutions and employment opportunities.
173. The promotion of research and development (R&D), especially in agriculture, is also critical. Most R&D in the country is publicly funded, at a level of about 0.2 per cent of the GDP. The scientific research community is very small – there are only some 470 researchers in public R&D institutions, where practically all research in the country is undertaken. Of these, only 30 per cent have post-graduate qualifications and less than 10 per cent have doctorates.

## 2.4.9 **Landmines**

174. Mozambique is affected by landmines and explosive remnants of war, a legacy of nearly 30 years of conflict that ended in 1992. Since the signing of the GPA in October 1992, demining has been under way, but targets in this respect have not yet been met, partly because of the mined areas are difficult to access.
175. Clearly, Mozambique has advanced in dealing with its mine and unexploded ordnance problem. With the support of development partners, the country is tackling the issue from all sides – from mapping and demining, to obtaining support for survivors and presenting education programmes for children. In



the process, the country is taking bold steps down the road to greater security and prosperity. However, tens of thousands of landmines remain and they are a gruesome threat to civilian safety and rural economic recovery.

## **2.5 Opportunities**

176. It is encouraging to note the high priority that Mozambique has given to creating synergy between its macroeconomic policy, and especially its national MDG strategy and its new growth and poverty alleviation strategy, in addressing some of the challenges. The immediate challenge is to consolidate the country's hard-won gains by utilising the available opportunities, including its abundant natural resources and long coastline.

### **2.5.1 Political Stability**

177. Political stability plays an important role in determining a country's economic stability and progress. A stable political regime with a visionary leadership is able to lead a country to a higher level of growth. In particular, it creates a healthy economic environment for attracting foreign investment and attaining high levels of growth.

178. In Mozambique, there is currently a responsible government in place that enjoys a significant support base domestically. Institutional capacity building is ongoing and there is a strong commitment to democratic dispute resolution on the part of major players. Consensus building towards the common interest of ensuring the sustainable development of Mozambique will require concerted efforts, effective dialogue mechanisms, as well as participation by all role-players.

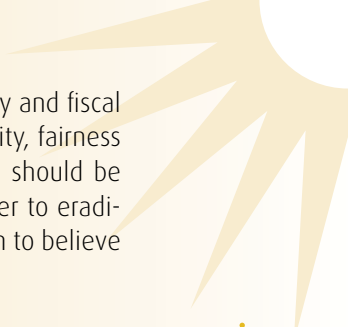
179. Increased exports, foreign transfers, tourist earnings, international aid and FDI are closely linked with a political regime's stability. Mobilisation of international financial resources can only be undertaken effectively by a stable government. With its present stable government, Mozambique is in a position to invest a large amount of capital in human resource development, financed by international aid and the country's rising economic growth.

180. Political stability is, therefore, an important asset that Mozambique can ill afford to waste. Available evidence shows that political stability and sustainable economic growth are inexorably linked and mutually reinforcing with appropriate policies in place.

181. The cry for democracy alone does not guarantee social and political stability; stability should instead be built on social redistribution and the fight against corruption and power politics. Mozambique should use its current stable political system to mobilise international financial resources and invest a large amount of capital in developing its human resources.

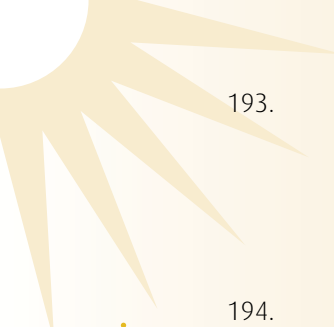
## 2.5.2 Economic Stability

182. Another critical challenge is that of maintaining the economic stability that is evident in Mozambique's current stable macroeconomic environment. Since the mid-1990s, the targets of high growth rates, low inflation and currency stability have been met and the government has won praise from its international partners for its tight control over public finance. As a result of this stability, Mozambique is likely to receive, and should use wisely, increased flows of foreign private capital, especially into the primary commodity sector. This is likely to result in increased wealth creation and prosperity in the country.
183. Although Mozambique's main objective, like that of other countries, is economic stability, in particular in the form of sustainable growth, it should be noted that social problems can emanate from robust economic growth and cannot be "wished away" with good GDP growth alone. The key challenge for Mozambique would therefore be how to translate the relative economic stability that the country is currently enjoying into social cohesion. Investment in social cohesion is a long-term one that leads to the creation of wealth and additional economic stability. It should not be forgotten that economic stability also depends largely on social stability.
184. Traditionally, it has been recognised that economic stability influences wealth creation positively and is a *conditio sine qua non* for social cohesion. Indeed, history has demonstrated that economic stability is an essential platform for achieving social cohesion.
185. Policy makers and financial institutions often lose sight of the horizon and make economic stability and its prerequisites an end in itself, rather than the means to achieve sustainable, balanced economic and social cohesion. Thus, they often wrongly make economic aspects (such as inflation, public deficit control, exchange rate volatility, etc.) the central elements of their policies, without duly taking into account the collateral impact of these aspects on social cohesion. Some of the prerequisites for social cohesion, which should be universally accessible to all Mozambicans, include access to employment, health, education, clean water and sanitation, etc., with the reduction of poverty as the main defining element, as nearly half of the country's population is currently living in poverty.
186. There is no doubt that a dynamic market economy, which Mozambique is currently promoting and which is necessary in today's competitive and globalised environment, necessarily involves some degree of instability, as well as gradual structural change. However, investing in social capital and social cohesion is critical to the advancement of society as a whole.

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187. Mozambique should further strengthen its frameworks for monetary and fiscal policy, based on the principles of transparency, stability, responsibility, fairness and efficiency. This, together with its status as a “donor darling”, should be used to deliver economic stability over the long term and as a lever to eradicate stubbornly high poverty levels. The APR Panel has every reason to believe that Mozambique is firmly pursuing this path.

### **2.5.3 Minerals, Land and Other Natural Resources**

188. Mozambique, like many African countries, is blessed with considerable quantities of natural resources, especially mineral wealth. The country’s primary natural resources are coal, natural gas, mineral sands and probably oil.
189. Mozambique, unlike other African countries, is predominantly virgin territory, with most of the country’s natural resources yet untouched. The government is determined to change this through increased exploration and exploitation of its natural resources in order to contribute positively to growth and poverty reduction.
190. The rights to Mozambique’s minerals, including heavy metals, coal, natural gas and possible oil reserves, have been auctioned off to multinational companies at a rapid rate in recent years. For instance, the South African company Sasol is exporting natural gas from Inhambane province, while the Ireland-based firm Kenmare and the South African company Corridor Sands are mining titanium deposits in Gaza province, about 200 km north of the capital, Maputo. Moreover, an array of companies from Brazil, Canada, Italy, Malaysia, Norway and the USA are prospecting for oil reserves.
191. Care should be taken, given the consequences of mineral extraction in some developing countries. Australia, Botswana, Canada and Norway have managed to use their mineral wealth for the good of their economies and populations, but this has not necessarily been the case in countries such as Angola, Equatorial Guinea, Nigeria and the Sudan, where vast oil reserves have failed to improve the livelihoods of the majority of those countries’ inhabitants.
192. Available evidence shows that, when poorly managed, the relationship between a country’s natural resource wealth and GDP growth is negative. In such a case, natural resource wealth has no demonstrable relationship with a population’s overall wellbeing, as measured by the HDI. The negative effects of poorly managed mineral wealth on a country’s economy and population can inflate the local currency, making other enterprises less competitive in the international market. Fluctuations in the price of oil, gas and minerals can create a volatile exchange rate that often discourages FDI. Moreover, mineral revenue windfalls also have a tendency to encourage poor government policy and increase foreign debt.



193. The CRM cautions that the Mozambican government should come up with a carefully prepared plan for controlling spending and borrowing and encouraging economic diversification, as well as a system of anticorruption checks and balances as the extractive industry expands. This will help the country to escape the negative situation portrayed above.

194. Mozambique is also endowed with vast areas of land suitable for agriculture. It is estimated that the country possesses 36 million hectares (ha) of arable land, of which 20 million ha are of low climatic risk, 5 million ha are of medium climatic risk, 3 million ha are of high climatic risk and 9 million ha are not viable for climatic reasons. An estimated 3 million ha of land have the potential for irrigation, but to date only 83 700 ha have been developed for irrigation and only 37 500 ha are actually being irrigated.<sup>25</sup> The potential for agricultural development is huge, but this is not likely to be achieved if agricultural production is not modernised.

#### **2.5.4 Long Coastline**

195. Mozambique has the longest marine coastline, with a length of 2 700 km, on the East African coast and the third longest in Africa. In addition, a considerable proportion of the land in provinces, such as Sofala and Quelimane, is below sea level. The Mozambique Channel separates the country from the island of Madagascar. Although Mozambique's long coastline is interrupted by the mouths of numerous rivers – notably the Rovuma (which forms part of the boundary with Tanzania), Incomati (Komati), Limpopo, Lugela, Lúrio, Revùe, Save (Sabi) and Zambezi (which is navigable for about 465 km within the territory) – there is huge potential to develop the country's water transport industry as the major means of communication between the southern and northern provinces.

196. Mozambique has five seaports, namely, at Beira, Maputo, Nacala, Pemba and Quelimane. Despite an increase in the volume of goods and passengers handled by the seaports between 2006 and 2007, sea transport for passenger movement was the least used among the major modes of transportation in the country in 2007. The development of sea transport can considerably complement other means of transport.

197. Mozambique's coastline has pristine beaches and marine biodiversity, which are primary attractions for tourists. There is enormous potential for tourism development. Although it has been growing fast in recent years, the country's tourism industry remains underdeveloped. More should, therefore, be done to address the constraints facing the development of tourism, especially poor infrastructure in rural areas.

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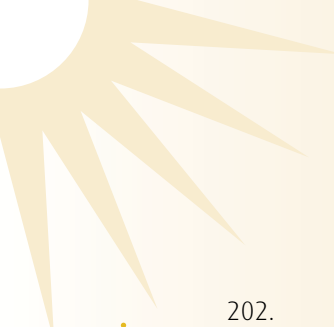
<sup>25</sup> National Directorate of Forests and Wildlife (DNFFB). 1997. PROAGRI: Forestry and wildlife sector – revised investment programme (1998–2002). Maputo: Ministry of Agriculture and Fisheries.

# CHAPTER 3

## 3. DEMOCRACY AND POLITICAL GOOD GOVERNANCE

### 3.1 Overview

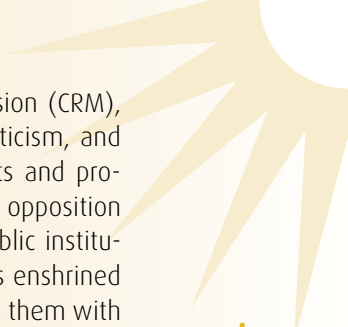
198. Mozambique gained independence in 1975 after a protracted armed struggle against Portuguese colonial rule. For the next 16 years, the country fought a bitter civil war, which ended only after the General Peace Agreement (GPA) was signed in 1992. It was not until peace had been secured that the leaders could concentrate fully on the country's socioeconomic development and the promotion of the people's political, civil, economic, social and cultural rights. Mozambique's political development since independence has, therefore, been shaped by the desire to consolidate peace, grow the economy rapidly and ensure that citizens' basic needs are met within an expanding framework of rights, duties and responsibilities.
199. The national leadership has performed this balancing act reasonably successfully over the past 16 years, enabling the country to make a relatively smooth transition from a one-party state of Marxist orientation to a multiparty free market democracy. The Mozambican government deserves much praise for the success it has achieved thus far in institutionalising democracy and political good governance, despite the challenges it has faced in reconciling competing political and social interests, and the relative inadequacy of human and material resources.
200. Reflective of Mozambique's late start in embracing multiparty democracy and the global regime of human rights, is the country's record with regard to the signing and ratification of instruments reflecting internationally accepted standards for democracy, good governance and human rights. Mozambique has signed and ratified many relevant codes and standards of the African Peer Review Mechanism (APRM), but many more remain to be signed. In addition, many of those ratified are not being fully implemented or observed. Thus, Mozambique needs to sign and ratify outstanding international instruments and implement them, along with those already ratified, in order to ensure that citizens enjoy the full benefits to be derived from the international legal system.
201. After some 30 years of armed conflict, Mozambique found peace through an agreement that was facilitated by friendly African countries, the Catholic Church and the Italian government. The GPA not only ended armed conflict, but also resulted in the adoption of a set of values and principles that have



since remained the guidelines for political action and the standard against which public policies are measured. The peace attained in 1992 has proved durable, even though challenges persist which the government must resolve in order to further secure peace and achieve genuine political and social reconciliation.

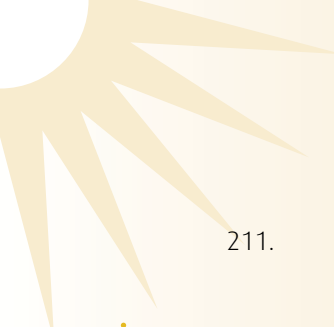
202. Persistent mutual distrust between the two main former protagonists – the Front for the Liberation of Mozambique (FRELIMO) and the National Resistance of Mozambique (RENAMO) – remains a challenge. Rising crime rates, land disputes, free circulation of small arms, incomplete demobilisation, and aggravating economic and social exclusion all threaten security and peace. Nevertheless, social rehabilitation appears to have progressed rather well in most of the country.
203. Mozambique's government system is a multiparty democracy based on the supremacy of the Constitution, the rule of law, the guarantee of fundamental human rights and popular participation through periodic, competitive elections. The government is organised on the principle of separation of powers, with the Executive being the more dominant arm of government, which is consistent with Lusophone traditions. The Constitutional Council is empowered to decide on the conformity of government actions with the Constitution, and thereby safeguards constitutional democracy against threats of abuse of executive power.
204. The electoral system provides guarantees for periodic, multiparty, competitive elections for electing members of the Assembly of the Republic (the Parliament of Mozambique) based on proportional representation, while the President is elected by a simple majority of votes. Although there are over 50 political parties, the political space is dominated by only two political parties – FRELIMO and RENAMO – whose mutual antagonism and manoeuvres shape the dynamics of politics in Mozambique.
205. The National Electoral Commission (CNE) is constituted on a partisan basis in the hope that the inclusion of representatives of political parties will enhance the transparency of its operations and make election results more acceptable. Unfortunately, this has not stopped elections being fraught with allegations of procedural and substantive irregularities. There is also genuine concern that Mozambicans' interest in elections is waning, as seen in the low voter turn-outs at recent elections. This trend should be reversed to promote democratic participation in governance.
206. The Constitution guarantees important civil, political, economic, social and cultural rights and the country is party to the International Covenant on Civil and Political Rights (ICCPR). Freedom of expression and freedom of association are among the most robust of civil rights in Mozambique. However, at almost





every stakeholder workshop held during the Country Review Mission (CRM), there were complaints that the government was intolerant of criticism, and that civil society organisations (CSOs) specialising in human rights and pro-democracy advocacy were usually classified together with political opposition to the government, which limits their capacity to partner with public institutions. Nevertheless, CSOs have been active in promoting the rights enshrined in the Constitution and many ministries have started to partner with them with a view to enhancing service delivery.

207. Although the government has been trying to actualise the right to health for all Mozambicans, the national health system is very weak. The public health sector covers only about half of the population and the ratio of health workers to the population is the worst in the world, at one medical doctor to every 30 000 inhabitants. Commendably, school fees have been abolished at primary school level, which has led to enrolment more than doubling between 1997 and 2006. However, many children are unable to attend school and the drop-out rate is quite high. The government is making a serious effort to raise standards by addressing problems of overcrowding, poor infrastructure, training of teachers, and lack of water and sanitation in schools.
208. Despite government efforts to meet guarantees of civil, political, economic, social and cultural rights, there is a gap between the constitutional provisions and the actual rights enjoyed by Mozambicans. In reality, these rights are constrained by practical challenges, such as a low level of literacy, a lack of awareness of their rights by a majority of the population, and the inadequacy of facilities to access. Access to justice, in particular, is undermined by a weak judicial system, a poorly resourced police force that lacks adequate capacity to investigate crime and corruption, and delays in the administration of justice.
209. The Constitution stipulates that judges shall be independent, impartial and objective. The appointment of judges is the subject of much contention, as it is party based. Moreover, the repeated nomination of the current President of the Supreme Court to office since 1988 has evoked strong disapproval from opposition political parties, who believe he is politically inclined towards the ruling party. Although it is reported that government officials have been exerting pressure on judges to influence their decisions, the Judiciary has been striving to guard its independence jealously from interference by the Executive.
210. The Parliament is separate from, and formally autonomous of, the Executive arm of government. Besides legislation, Parliament is empowered to ratify or abrogate treaties; propose the holding of referenda on matters of national interest; endorse the declaration of a state of emergency; ratify the appointment of the Presidents of the Supreme Court, the Constitutional Council and the Administrative Court respectively, as well as the Vice-President of the Supreme Court. Notwithstanding these powers, Parliament is unable to realise its



full potential because it operates part-time, does not have enough resources to carry out its oversight functions, and lacks legislative assistants to assist members in performing their functions.

211. The government has been implementing wide-ranging reforms of the public service in order to improve the efficiency and effectiveness of public officeholders and the civil service. The reforms include efforts to make the public service more professional, upgrade infrastructure and advance decentralisation. A “one-stop shop” to facilitate the registration of businesses by the private sector has also been established. Although these efforts have had positive results in improving the efficiency of the public sector, the impact of the reforms has unfortunately been weakened by a number of factors, such as the current low level of educational attainment in the country, failure to institute merit-based recruitment in the public sector, and poor motivation as a result of low wages and salaries.
212. Corruption is another bane of Mozambique’s public service. It occurs in the awarding of huge construction contracts and in procurements, and is generally rife among civil servants delivering services to the public. There appears to be a degree of social tolerance of corruption because it is very pervasive. The interwovenness of government, business and politics makes it very difficult to deal with corruption. The government has put an anticorruption strategy in place that involves rationalising and simplifying administrative procedures, as well as reducing the discretionary powers of civil servants; strengthening accountability procedures; fostering participation of CSOs and the private sector in government actions; and decentralising government to bring it closer to the people.
213. Notwithstanding the anticorruption strategy, there is little evidence of corruption declining in Mozambique. This is due to the government’s stranglehold on the economic and political spaces, weak legal and institutional frameworks, and Parliament’s lack of capacity to carry out effective oversight of government activities. In order to fight corruption more effectively, the anticorruption strategy would need to be revamped to include measures, such as vigorous prosecution of cases of grand corruption (to signal to Mozambicans that the government is seriously committed to combating corruption); publication of declared assets of high-ranking government officials; and active verification of these assets.
214. Mozambique has a good record of promoting gender equality, second only to Rwanda on the African continent. The ruling party’s gender policy sets aside a quota of 35 per cent for women to access public positions. This has yielded positive results, as women have been appointed to important political and public service positions at the central, provincial and local levels. Women’s rights, however, lag behind the gains attained so far in the political sphere. Women are still subject to considerable social discrimination and marginalisa-

tion. Gender-based violence is very common and the trafficking of women remains a significant hazard.

215. The Constitution provides for the rights of children and Mozambique has ratified the United Nations Convention on the Rights of the Child (UNCRC), and the Convention Concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour – Convention 182 of the International Labour Organisation (ILO). Nonetheless, children in Mozambique face many challenges while growing up. Child labour persists and there is a significant problem of street children because of extreme poverty and social dislocation.
216. Mozambique has a significant number of vulnerable groups, which include malnourished children, pregnant women, people living with disabilities, victims of natural disasters, refugees, ex-combatants, and children who are family heads. Although policies exist for the protection of such people, their implementation is constrained by financial limitations.
217. The promotion and protection of the rights of women, children and other vulnerable groups could benefit from the following: enhanced budgetary allocations to the relevant agencies and CSOs that have responsibility for their welfare; the ratification of the international codes and standards that guarantee their rights, such as the Convention on the Rights of Persons with Disabilities; and the establishment of a National Council for Disability.

## **3.2 Codes and Standards**

### **I. Summary of the CSAR**

218. The Country Self-Assessment Report (CSAR) does not provide a separate heading for discussing codes and standards.

### **II. Findings of the CRM**

219. In the absence of any data in the CSAR on Mozambique's performance with regard to the signing, ratification and observation of codes and standards, the CRM compiled the data in this section independently.
220. Mozambique has made visible efforts to become a party to the main international agreements and treaties through signature and ratification, and to adopt international standards pertaining to democracy and good political governance (Table 3.1). However, it should be noted that signature alone does not make a state party to a treaty; a state only becomes a party once signature is followed by ratification. Standard-setting documents should be distinguished from treaties and include a wide range of instruments, usually referred to as declarations, dealing with human rights and the environment. Such instru-

ments are usually adopted by means of a resolution. States can either vote for, against, or abstain from voting on such a resolution. It is not possible to sign and ratify these international instruments. International agreements or treaties and other non-treaty standard-setting documents are part of international law and together constitute international codes and standards.

**TABLE 3.1: INTERNATIONAL AND REGIONAL AGREEMENTS TO WHICH MOZAMBIQUE IS A PARTY, OR HAS SIGNED <sup>1</sup>**

Instrument	Party	Signature only	No action
Charter of the United Nations	✓		
International Covenant on Civil and Political Rights (ICCPR)	✓		
International Covenant on Economic, Social and Cultural Rights (ICESCR)		✓	
Optional Protocol to the ICCPR			✓
Second Optional Protocol to the ICCPR Aiming at the Abolition of the Death Penalty	✓		
Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment	✓		
International Convention on the Elimination of All Forms of Racial Discrimination (ICEFRD)	✓		
Convention on the Political Rights of Women			✓
Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW)	✓		
International Convention for the Protection of All Persons from Enforced Disappearance			✓
Convention on the Rights of Persons with Disabilities		✓	
Optional Protocol to the Convention on the Rights of Persons with Disabilities			
United Nations Convention on the Rights of the Child (UNCRC)	✓		
Optional Protocol to the Convention on the Rights of the Child, on the involvement of children in armed conflict	✓		
Optional Protocol to the Convention on the Rights of the Child, on the sale of children, child prostitution and child pornography	✓		

<sup>1</sup> <http://www.un.org>; <http://www.african-union.org>.

Optional Protocol to the Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment			✓
Convention for the Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others			✓
United Nations (UN) Convention Relating to the Status of Refugees	✓		
UN Additional Protocol to the Geneva Convention on Refugees	✓		
Geneva Convention Relative to the Protection of Civilian Persons in Time of War			✓
International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families			✓
Constitutive Act of the African Union (AU)	✓		
African Charter on Human and Peoples' Rights	✓		
AU Convention on Preventing and Combating Corruption		✓	
Protocol Relating to the Establishment of the Peace and Security Council of the AU	✓		
African Charter on the Rights and Welfare of the Child	✓		
Organisation of African Unity (OAU) Refugee Convention of 1969	✓		
Protocol on the Rights of Women in Africa			
NEPAD Framework Documents	✓		
Southern African Development Community (SADC) Protocol Against Corruption	✓		

221. International agreements to which Mozambique is not yet a party include the following:

- ICESR;
- Optional Protocol to the ICCPR;
- Optional Protocol to the Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment;
- Statute of the International Criminal Court (signed);
- Geneva Convention Relative to the Protection of Civilian Persons in Time of War;
- Optional Protocol to the Convention on the Rights of the Child, on the involvement of children in armed conflict;

- Optional Protocol to the Convention on the Rights of the Child, on the sale of children, child prostitution and child pornography;
- African Charter on Democracy, Elections and Governance;
- International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families;
- Convention on the Political Rights of Women;
- AU Convention on Preventing and Combating Corruption (signed);
- Protocol Relating to the Establishment of the Peace and Security Council of the AU; and
- Protocol to the Convention on the Elimination of All Forms of Discrimination Against Women.

222. Mozambique has experienced difficulties in complying with its reporting obligations to the UN treaty monitoring bodies and the African Commission on Human and Peoples' Rights (ACHPR). As far as UN treaties are concerned, Mozambique has submitted five reports <sup>2</sup> and seven are overdue. This situation may improve with the establishment of an ad hoc interministerial committee on human rights, which is responsible for Mozambique's reporting obligations. <sup>3</sup>
223. No reference could be located to any international instrument applied by the courts. The Constitution does, however, make reference to international treaties (Box 3.1). This is indicative of a low level of awareness of international law by the courts and the Judiciary. In an interview with representatives of Mozambican universities, it was indicated that international codes and standards do form part of certain courses and are adhered to where possible in university management.

### **BOX 3.1: GOOD PRACTICE IN THE APPLICABILITY OF TREATIES**

The Mozambican Constitution of 2004 can be considered "international law friendly". Article 17(2) states that the Republic of Mozambique shall accept, observe and apply the principles of the Charter of the United Nations and of the Charter of the Organisation of African Unity. Article 18 deals specifically with international law, stating that validly approved and ratified international treaties and agreements shall enter into force in the Mozambican legal order once they have been officially published and are internationally binding on the Mozambican state. This means that once a treaty has been entered into in terms of the constitutional requirements of Mozambique and international law, and has been officially published, it will form part of Mozambican law. No additional legislative act of domestication or incorporation is therefore required. Article 18(2) states that norms of international law shall have the same force in the Mozambican legal order as infra-constitutional legislative acts of the Assembly of the Republic and the government, according to the respective manner in which they are received.

<sup>2</sup> One report was submitted to the Committee on the Elimination of Discrimination against Women (for CEDAW), two to the Committee on the Elimination of Racial Discrimination (CERD) and two to the Committee on the Rights of the Child (CRC).

<sup>3</sup> Open Society Initiative for Southern Africa (OSISA). 2006. Mozambique: Justice sector and the rule of law. AfriMAP report. Johannesburg: OSISA, page 6.



224. The following information could not be obtained during the CRM:
- Whether a policy framework is available for the ratification of outstanding agreements and the implementation of, and reporting on, those already ratified;
  - Where reporting stands currently;
  - What has been the procedure adopted for, and challenges experienced with, reporting;
  - Reasons why outstanding treaties have not been ratified; and
  - What is being done to raise awareness among the population and courts at all levels.

### **III. Recommendations**


225. The APR Panel recommends that Mozambique should:
- Undertake a comprehensive audit of the compatibility of Mozambican legislation and policy with international codes and standards, and develop a plan of action for addressing areas of conflict between Mozambican law and policy and international codes and standards [Ministry of Justice (MOJ); CSOs];
  - Ratify outstanding international codes and standards and implement those already ratified by the General Assembly;
  - Train the Judiciary and legal practitioners on the impact of international law on Mozambican law [MOJ; the Bar]; and
  - Create a depository for all international agreements to which Mozambique is a party [MOJ].

### **3.3 Assessment of the Performance of APRM Objectives**

#### ***Objective 1: To reduce and prevent intra- and interstate conflicts***

##### **I. Summary of the CSAR**

226. The CSAR observes that Mozambique has enjoyed peace and stability since the signing of the GPA on 4 October 1992. Despite the existence of mutual mistrust or occasional outbreaks of violence between the former protagonists since then, it has been possible to sustain the spirit of the agreement and to maintain the peaceful conditions necessary for political stability and socio-economic development.
227. The CSAR notes that, following the signing of the GPA 17 years ago, strenuous efforts have been made to reduce distrust and deepen peace by means of consultations, dialogue, consensus and inclusive policies, in order to reintegrate formerly warring opponents and inculcate a new patriotism based on mutually defined national objectives and aspirations. The example set by former war



protagonists belonging to FRELIMO and RENAMO turning into peace advocates has had a salutary influence on both parties' members. The result has been the adoption of dialogue and consultation as a national ethic for conflict resolution. Thus, the GPA provides a reference and framework for the resolution of intra-state conflicts and, indeed, for the conditions for establishing and consolidating multiparty democracy.

228. However, the CSAR also notes that there are challenges to the maintenance of peace. There is evidence of rising violence due to perceived inequities in election procedures, such as the registration of voters, campaigning and balloting, and reporting of the outcomes of the voting. The frustrations of opposition party members have led them to engage in public protests, which the police have repressed with maximum force. For instance, in 2000, several lives were lost in protests in the Montepuez and Mocimboa da Praia districts in Cabo Delgado.
229. Poverty, together with economic and social exclusion, is also identified as a major cause of violent conflict in society. Over half of the population lives in poverty and an estimated 20 per cent of the labour force is unemployed and, consequently, may feel socially excluded from participating in, and taking advantage of, the expanding economic opportunities in the country. The potential for persons resorting to violence in order to seek redress or just to make ends meet is therefore high. Access to water sources and land disputes are also mentioned as causes of violent conflict, especially in the rural areas. A further threat to the peace is the presence of armed RENAMO ex-combatants, who should have been disarmed as part of the post-war demobilisation drive and who now serve as security guards to RENAMO leaders. Their appearance at polling stations in the Marigue and Chiringoma districts during elections is said to pose potential danger to their political opponents.
230. The CSAR also traces some of the violent conflicts in the country to persisting imbalances in regional development in terms of investments, socioeconomic infrastructure, service delivery and large-scale projects that could alleviate poverty and unemployment. However, the government has been trying to correct this historical differentiation, the origins of which can be traced to the colonial period. Gangs engaged in criminal activities, such as the trafficking of women, children, drugs and arms, are another source of violent conflict.
231. The CSAR observes that there is a substantial quantity of hard drugs circulating in the country, and that the security authorities appear incapable of coping with the menace. Drug trafficking and abuse are more common among urban residents, especially the youth, who are exposed to the negative influences of a rapidly globalising society. Criminals do not lack ready sources of weapons, as arms are easy to procure locally or at regional firearm markets. It is noted that criminal gangs use arms to intimidate, maim and rob citizens and banks, particularly in Maputo and surrounding areas. The success of spectacular crimi-

nal operations, such as bank robberies, prompts people to perceive that the state is losing the battle against criminals.

232. The last category of causes of violence has an international character. Cross-border crimes involve Mozambican nationals and/or nationals of other countries acting exclusively, or in partnership, to carry out criminal activities across national boundaries. Also in this category are immigrants who are increasingly being perceived to be involved in unspecified criminal activities. The CSAR reports that Mozambicans believe that Maputo and Nampula host large numbers of immigrants, many of whom are believed to have gained illegal entry into the country with the connivance of corrupt public servants. Uncertainty about the nature and legality of the businesses in which immigrants engage, and their apparent success within a relatively short time after their arrival, causes suspicion among locals.
233. The CSAR shows that there are formal and informal mechanisms in Mozambique for the prevention, management and resolution of intrastate conflicts. The informal mechanism comprises traditional rulers, while the formal mechanism consists of all security agencies and the courts. Interstate conflicts are prevented or managed by mechanisms established under the SADC.

## **II. Findings of the CRM**

234. The government has recorded tremendous achievements in implementing the GPA and setting the context for peace, constitutional rule and multiparty democracy (Box 3.2). The disarmament, demobilisation and rehabilitation (DDR) of ex-combatants have been formally concluded under the supervision of the United Nations Operation in Mozambique (UNOMOZ). This was a major confidence building-block of the peace process, as it symbolically signalled a farewell to arms and the embracing of national unity and reintegration.



### BOX 3.2: BEST PRACTICE IN THE GPA AND THE PEACE PROCESS

Mozambique's road to peace after several years of civil war is a model of social capital at work in the reconciliation of warring factions of a country. With the assistance of some African countries, the Italian government, the community of Sant' Edigio and churches of Mozambique, leaders of FRELIMO and RENAMO in October 1992 committed themselves to renounce war and work towards the achievement of peace, democracy and national unity based on national reconciliation. The result of their pledge has been an unbroken period of 16 years of peace and stability that Mozambique has enjoyed since the signing of the GPA.

The uniqueness of the GPA goes beyond the laying down of arms by the combatants. It enunciates principles and values that should be the foundation of multiparty democracy in the future and these have proved to be a valuable framework for anchoring political activities to date. Multiparty democracy, the electoral system, the guarantee of freedoms and rights, and the restoration of traditional rulers to the structure of governance are some of the features of Mozambique's constitutional and political order that are traceable to the GPA. Peace has held ever since, albeit fragile.

235. The CRM observed that the role of religious leaders in the DDR of ex-combatants has proved particularly successful in collecting small arms and light weapons long after international efforts have ended (Box 3.3).



### **BOX 3.3: BEST PRACTICE IN THE DEMOBILISATION, DISARMAMENT AND REHABILITATION IN MOZAMBIQUE THROUGH THE EFFORTS OF RELIGIOUS LEADERS <sup>4</sup>**

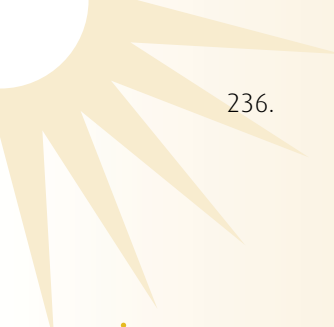
Cessation of violent conflict often leaves unsolved the problem of the proliferation of small arms and light weapons in the hands of demobilised and civil populations. Mozambique has been no exception in this regard. Due to its civil war of 16 years, small arms and light weapons were freely available over a wide area of its territory. Following the signing of the GPA in 1992, UNOMOZ supervised a DDR programme that lasted nearly two years. Nearly 120 000 combatants of FRELIMO and RENAMO were demobilised, while only about 12 500 were retained to constitute the Armed Forces for the Defence of Mozambique (FADM).

A programme of rehabilitation was implemented by the United Nations Development Programme (UNDP), the ILO and donor agencies, such as the German Agency for Technical Cooperation (GTZ) and the International Organisation for Migration (IOM). These DDR programmes soon terminated one after the other. The Christian Council of Mozambique (CCM), under the leadership of Bishop Dinis Sengulane of the Anglican Diocese of Lebombo has, however, tenaciously continued efforts to completely disarm and rehabilitate Mozambicans who came to possess arms as a result of the civil war.

It is estimated that the UNOMOZ operation resulted in the recovery of some 150 000 arms. At the time of the CRM, the CCM had recovered over 600 000 small arms and light weapons. The CCM has received financial support from some countries, especially Canada, Germany and Japan, to pay for arms or purchase farm tools, sewing machines and other work tools to exchange for arms. This remarkable achievement has received global acclaim, especially from the World Council of Churches (WCC).

While those who return arms have been given compensation in cash or kind and have been helped to reintegrate into society, recovered arms have been creatively turned into works of art. Two prominent sculptures – Throne of Weapons and Tree of Life – have been acquired by the British Museum. Made of recovered AK-47s, this archetypal instrument of death has been, and is being, transformed into things of beauty. The great lesson and value of this achievement as an example to the rest of the world lie in the fact that the Mozambican church leaders have leveraged their social status as religious leaders to promote peace rather than remain apathetic. Their efforts endure long after international organisations and the government have retreated from the field. It is also to the credit of the CCM that it works with the government in the handling of recovered weapons while remaining strictly non-partisan. The CCM demonstrates the possibilities that open up when civil society creatively engages in meeting critical needs in society.

<sup>4</sup> Alden, C. 1995. Swords into ploughshares? The United Nations and demilitarisation in Mozambique. *International Peacekeeping*, Summer, 175–93.

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236. Other key principles of the GPA have been embodied in the Constitution and laws passed since entering into the peace accord. The Constitution guarantees fundamental human rights characteristic of democratic governance, such as the freedom of association and assembly, freedom of the press, and recognition of political parties as voluntary associations of citizens formed to ensure expression of the political will of the people. The electoral law of 1994 follows the GPA in guaranteeing multiparty competition for political power and provides for an independent electoral management body, the CNE, to direct the process.

### ***Challenges to the Consolidation of Peace***

237. All Mozambicans across the various regions, irrespective of their station in life, very much appreciate the benefits of being able to pursue their livelihoods and their economic, social and political aspirations without the threat or actual outbreak of war. Participants at all the validation workshops organised for the CRM not only confirmed the positive impact that peace has had on national development, but also expressed the hope that Mozambique would never fight another war. While it would be an exaggeration to say that the peace currently being enjoyed is taken for granted, there are clear indications that complacency has set in. Several participants at the workshops pronounced the prevailing peace irreversible even as, at the same time, significant numbers also hinted darkly that all is not well because of unresolved issues of reconciliation. Thus, the prevailing mood of optimism that a formula has been found to secure an enduring peace in Mozambique is dampened by increasingly clamant voices that the GPA is unravelling.
238. The CRM notes that the prevailing peace is threatened by weaknesses in the implementation of confidence-building aspects of the GPA; that is, by challenges to the consolidation of peace and to the protection and promotion of human security.
239. The trust which is the foundation of the peace constructed after painstaking negotiations lasting about two years seems to be gradually eroding. The CRM confirmed the CSAR's observation that there are evident problems with the practice of inclusion and political pluralism, which lies at the heart of the GPA. While the GPA's framework remains in place, having been given expression in the Constitution and state laws, inconclusive implementation of key aspects of the GPA and practices that deviate from its spirit and letters portend a gradual retreat from the compromises and concessions agreed to in 1992.
240. Among the major issues indicative of the challenges to integration and social inclusion are the following.



## ***Incomplete Disarmament***

241. In interactive sessions with stakeholders, the CRM was informed that RENAMO has an unspecified number of armed ex-combatants serving as guards for its leaders. The existence of such armed men, who are identified with a particular political party, is a source of much apprehension and potent danger to members of other political parties, especially during elections. Not only is it a perpetual reminder of the divisions that existed before the war, it is also an admission of the inconclusiveness of the peace and integration process. The existence of people bearing arms outside the official armed forces is an anomaly that violates the full expression of sovereignty by the state. Although the GPA (Protocol V, Section III, par. 8) states that RENAMO shall be responsible for the immediate personal security of its top leaders and that the government shall grant police status to the members of RENAMO assigned such a security function, the conversion has not happened. These persons should have been disarmed and integrated into the police or national defence force a long time ago.
242. On the other hand, RENAMO leaders complained that the government has reneged on the commitment made in the GPA that its armed men would be demobilised and absorbed into the armed forces and other security agencies under similar conditions as FRELIMO's soldiers. Instead, they are being systematically weeded out of the army and other security agencies.
243. While the leaders and members of RENAMO are generally socially integrated, at the political level they are viewed with thinly disguised suspicion and hostility. In terms of popular perception, FRELIMO is projected as the party of liberation, having claimed victory in the campaign to terminate Portuguese colonial domination in 1975. RENAMO, on the other hand, is projected as the party of destabilisation that interrupted the consolidation of independence by launching a counter-revolutionary war. However, the self-image of RENAMO is that of a party which fought for democracy in Mozambique.
244. Reconciliation and reintegration have not gone far enough to erase from people's consciousness the dichotomous classification of Mozambican leaders and their political parties as "freedom fighters" and "rebels". Failure to deal with this socio-psychological aspect of reconciliation is making it difficult for reconciliation to penetrate to the roots of society. Besides, the people's growing perception of politics as the continuation of war by other means is reinforced when leaders of political parties shun each other and refuse to share the same public platform, and thereby symbolically reject national unity and solidarity. The first meeting arranged for the CRM to meet all political parties was shunned by both FRELIMO and RENAMO. At various validation workshops arranged for the CRM, FRELIMO members were reluctant to even mention RENAMO by name, often preferring to refer to it as "the other party".

## ***Economic Exclusion***

245. Economic exclusion manifests in the way in which the Local Initiative Investment Fund (LIIF) is operated. The fund, which was established in 2006 to support local investments that would generate employment and enhance food production, is made available to all 128 districts. Originally only amounting to 7 million meticaïs (US\$290 000), it has since been increased to 9 million meticaïs (US\$373 000), of which 2 million meticaïs are for the funding of local infrastructure projects and 7 million meticaïs are to be awarded as soft loans for local people's projects. Each district has a District Consultative Council (DCC) that recommends who should receive such a soft loan. The council is dominated by FRELIMO members and the district administrator, who is the loan administrator, is a FRELIMO member.
246. In the CRM's interactive sessions with stakeholders, many participants from all the provinces complained that the allocation of loans from the LIIF was not transparent, as there were no clear criteria other than that applicants should come up with projects capable of generating employment and enhancing food production. It was also established that most of the beneficiaries of the fund are FRELIMO members, as that party is generally supported by the way in which the fund is currently administered. FRELIMO members did not deny that they benefited the most and rationalised that non-extension of loans to RENAMO members was due to their alleged lack of capacity to design bankable projects worthy of funding.

## ***Social Exclusion***

247. The LIIF is a major government intervention for alleviating poverty, hence the concern about the exclusion of a significant proportion of the population from accessing it. According to government officials, the fund is making a huge impact in improving people's livelihoods. In Sofala province, for example, the LIIF had contributed to the creation of over 7 000 jobs. In all 12 districts of the province, however, it was very difficult to persuade beneficiaries to repay the soft loans. In 2007, only 173 000 meticaïs of the loan of 8.6 million meticaïs disbursed in the Bilene-Macia district had been repaid. Consequently, by the last quarter of 2008, only 3.7 million of the 8.6 million meticaïs had been disbursed.
248. In December 2008, the Minister of Planning and Development announced that the LIIF had financed 2 462 food production and 3 600 other projects that had created 20 000 permanent or seasonal jobs. However, he lamented the low repayment rate, which is estimated at 2.8 per cent. The LIIF's huge impact is desirable and commendable but, from evidence available to the CRM from the validation workshops, is working only for a limited component of the population. The political considerations to qualify for access to the fund may be

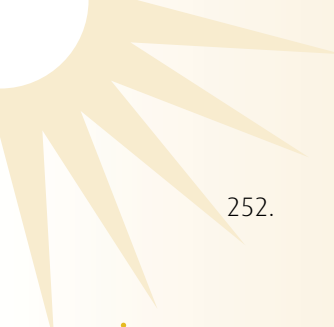
responsible for the low repayment rate, as beneficiaries may see it as reward for party membership.

249. The CRM established that the policy of social inclusion is also being systematically undermined through partisan recruitment policies in the public sector. Applicants for jobs in public institutions who show that they belong to FRELIMO are given preference to the disadvantage of non-members. FRELIMO members also enjoy discriminatory preferment and postings in the public service, all of which serves to alienate non-members and incite their resentment.
250. The conflation of the ruling party into the state, as described in Box 3.4, prejudices citizens' freedom of association and their choice of political affiliation, as guaranteed by the Constitution. The systemic lack of distinction between the boundaries of the state, government and party spells a grave hazard to the health of multiparty democracy in either of two ways. On the one hand, it may put pressure on all those in opposition to renounce membership of their parties in order to enjoy equal opportunities in the public service or, on the other hand, it may rather lead to the surrender of those being discriminated against, creating in them resentment towards, and alienation from, the state. Neither of these outcomes is conducive to the sustenance of multiparty democracy.

#### **BOX 3.4: CONFLATION OF PARTY INTO STATE**

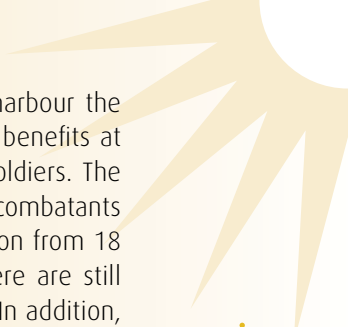
During all interactions with stakeholders, except in Gaza province, the CRM was inundated with reports that FRELIMO cells or units exist in all public institutions, where they operate with official sanction. Indeed, members are permitted to suspend work in order to attend party meetings when these are scheduled during working hours. They are allowed to wear party T-shirts and other paraphernalia to their places of work. Compulsory deductions are made from workers' salaries for the benefit of FRELIMO when authorised by the relevant party organs. Other political parties enjoy no such privileges. The CRM was informed that municipal authorities controlled by other political parties also discriminate in recruitment and preferment of public servants in favour of their party members. It follows logically that access to service by the public could also depend on whether the citizen-client identifies with the party supported by the public servant providing the service. For democracy to thrive for all Mozambicans, there is a need for a clear distinction between state and party.

251. Economic and social discrimination and exclusion combine to create an aggrieved population among non-FRELIMO members. This defies the letter and spirit of the GPA. The exclusion of non-FRELIMO members means that they are marginalised from participating in, and taking advantage of, economic and other opportunities ordinarily available to citizens. Membership of FRELIMO seems to be the only effective remedy for enjoying access to opportunities created by government policies and to the rights guaranteed by the Constitution. In addition, non-FRELIMO members are being subjected to undue and unfair pressure, which alienates them from the state and undermines com-



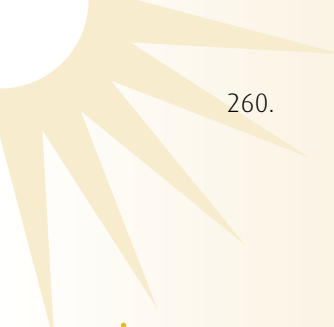
mitment to peace. Reactions observed during the CRM's validation workshops reflected deep-seated resentment against such discrimination.

252. The ambience of peace is also disturbed by inconclusive DDR programmes. Ex-combatants facing challenges in reintegrating comprise the following categories:
- Ex-combatants of the liberation war;
  - Ex-combatants of the civil war; and
  - Persons who complete the two-year compulsory military service.
253. These three groups experience different conditions of disengagement. Those who fought in the liberation war leading to independence in 1975 were, upon demobilisation, paid their entitlements and given assistance to reintegrate into society. Some had the opportunity to go abroad for training to acquire skills with which to fend for themselves. This category of ex-combatants has been satisfactorily reintegrated and possibly serves as an example of how the other categories can be dealt with.
254. The second category comprises those were demobilised after the 16-year civil war. UNOMOZ recorded a total of 91 478 (70 959 FRELIMO and 20 519 RENAMO) soldiers on both sides after the war, of whom only 12 453 were absorbed into the newly formed FADM. Eligible demobilised soldiers (mostly FRELIMO soldiers) were paid stipends over a period of 18 months, during which their reintegration into society was expected to be completed under the Reintegration Support Scheme funded from a trust fund managed by the UNDP. Most RENAMO soldiers not absorbed into the FADM were omitted from the payment of stipends, ostensibly because the government did not have their service records to assess their entitlements. Further support was provided by the Occupational Skills Development Programme, which was established under the Commission for Reintegration (CORE) but was taken over, when the latter wound up, by the Ministry of Labour and was run in collaboration with the UNDP and the ILO.
255. Furthermore, the Provincial Open Reintegration Fund was run by GTZ in the central provinces and by the IOM in the northern provinces, providing funding for self-employment and micro-entrepreneurial projects. This fund presaged the current LIIF in its philosophy, except that it targeted ex-combatants. All three programmes were terminated in the mid-1990s, because there were no funds to continue them after donors withdrew their support. The termination of the programmes left gaps in the support to ex-combatants and has opened up the country to potential threats of violent conflict because of deteriorating living standards of those affected. The high concentration of such people in three contiguous provinces – with Zambézia (15 256), Sofala (12 808) and Nampula (12 021) having 43 per cent of the demobilised soldiers – is unhealthy, as these areas are also more economically depressed. As a result, survival or coping opportunities for demobilised ex-combatants are limited.

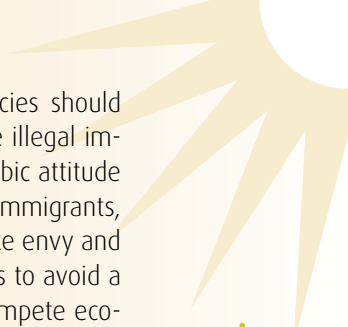
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256. The areas of highest concentration of demobilised soldiers also harbour the largest number of those ex-combatants who did not receive any benefits at all from the DDR programmes, namely RENAMO and underage soldiers. The government has recently stepped in to increase the number of ex-combatants earning pensions by reducing the age limit for eligibility for pension from 18 years to 16 years. This is a laudable initiative. Nevertheless, there are still substantial numbers of ex-soldiers not covered by any safety net. In addition, many of those declared medically invalid have not received any benefits and among those eligible, there are still persons waiting to be paid.
257. Another category of demobilised people with military training comprises those demobilised after doing compulsory military service, for which the age eligibility band is 18 to 35 years. A male person is required to register when reaching the age of 18 years and thereafter he may be called up at any time. In exceptional cases, draftees may be granted exemption from enlisting for military service. In the CRM's interactive sessions, several youthful participants complained about the call-up and exemption processes. It was noted that the call-up sometimes interrupts schooling, and those who leave jobs on receiving their call-up letters lose their jobs permanently and become unemployed after completing their military service.
258. The CRM confirms that the exemption criteria are not well articulated and advertised, so not many people are able to apply. If exemption is approved, the successful applicant has to pay an annual fee in lieu of doing military service, which most poor draftees cannot afford. Those discharged after completing their compulsory military service have joined the ranks of people with military skills, but limited or non-existent opportunities for employment and lack of pension. The CRM was informed that people in this category may be involved in rising crime levels in the country, as pointed out at the validation workshops.

### ***Challenges to the Protection and Promotion of Human Security***

259. The CRM confirms that the level of crime in Mozambique is high and rising. A report to Parliament on 29 April 2007 by the Attorney-General, Augusto Paulino, indicated that reported committed crimes had risen by 16 per cent, from 36 257 in 2006 to 41 902 in 2007. At 17 676, Maputo city and Maputo province had the highest recorded number of committed crimes, which represents 42 per cent of the total national crime rate in 2007. Although the level of crime was relatively low in Manica, it rose the highest there, from 621 to 1 140 between 2006 and 2007, an increase of 84 per cent. Robbery was the most common crime, accounting for 63 per cent of the total number of crimes against persons (24 per cent) and against public order (13 per cent). In reaction to the high and rising levels of crime, the former President and the current President both have had to dismiss police chiefs in 2001 and 2008, respectively. Stakeholders decried the apparent ineffectiveness of the police in fighting crime.

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260. Mozambicans' declining confidence in the ability of the police to protect the public against crime and the weakness, as well as slowness, of the law in dealing with people accused of crimes have led to people taking the law into their own hands and lynching suspects or people apprehended during the perpetration of crimes. In 2006, 17 people were reportedly lynched for committing crimes. This number increased to 31 in 2007 while, by the first quarter of 2008, 19 people had already been lynched. In the period covered by this report, a number of lynch victims were saved by the police.
261. The nature of the robberies suggests that sophisticated gangs, often with sub-regional or international links, are at work. Among items reported as stolen are electrical and communications equipment, railway tracks, overhead and underground copper and aluminium cables, fuses, metallic parts of pylons and fibre-optic cables installed by the state telecommunications company, TDM. In 2007, the ports and railways parastatal authority, CFM, alone lost materials costing over 82.7 million meticaais (about US\$3.4 million).
262. The free circulation of small arms in Mozambique aids crime and violent conflict. Both the war of independence and the civil war led to the free circulation of arms, and liberation wars in the neighbouring countries of South Africa and Zimbabwe added to the problem. The government is conscious of the menace that this constitutes to human, national and even regional security, and has been collaborating with the UNDP to address the problem. In 2006, the UNDP conducted a baseline study to formulate a strategy for control intervention. In 2008, the UNDP, with the support of the Netherlands government, commenced technical assistance to the Mozambican government by means of a supply of vehicles, computers and radios for controlling the circulation of free arms.
263. Mozambique, with its porous coastline of about 2 470 km, is vulnerable to penetration by drug cartels, gun-running gangs and fishing vessels engaged in unauthorised fishing in the country's territorial waters. Foreign fishing fleets have been able to act freely in the country's territorial waters because of the small size and limited capability of its navy. However, in 2007, Mozambique's naval fleet capability was enhanced by obtaining three patrol boats from the United States of America (USA) and reinforced by the cooperative arrangements between Mozambique and South Africa under the South Africa-Mozambique Joint Permanent Commission on Defence and Security (JPCDS). This renewed attention to the security of the coastline is important due to the consequences of piracy off the coast of Somalia and the enhanced traffic diverted towards Mozambique's coastline.
264. Although the CSAR suggests that illegal immigrants are perceived to be involved in criminal activities that have led to violent incidents in Maputo and Nampula, reactions to the presence of immigrants are generally positive. Most Mozambicans with whom the CRM interacted welcomed the presence of immigrants.





They did, however, warn that the police and other security agencies should ensure that legal immigrants are engaged in lawful activities, while illegal immigrants should be rapidly repatriated. While no significant xenophobic attitude in the country is perceivable, the presence of a growing number of immigrants, especially successful entrepreneurs of Asian origin, is likely to provoke envy and suspicion of their means of wealth. It will be necessary to take steps to avoid a situation in which the frustration of nationals, who are unable to compete economically, boils over into vengeful violence against immigrants.

265. The level of poverty in Mozambique is a threat to the maintenance of peace, law and order. While poverty has decreased nationally from 69.4 per cent in 1997 to 54.1 per cent in 2003, it has actually increased in Cabo Delgado (the northernmost province), Maputo province and Maputo city (in the southernmost part of the country). As indicated above, Maputo city and Maputo province had the highest concentration of crimes between 2007 and 2008.
266. Control of, and access to, land is a source of conflict in many communities in Mozambique. All land is vested in the state, but individuals can apply for the right of use which, if approved, confers lease rights for a specified number of years. The right to allocate land for residential or agricultural purposes is vested in the Community Consultative Councils (CCCs). In interactive sessions with various stakeholders, participants expressed many misgivings about the process of allocation usually not being transparent or fair. There were also complaints of people with power encroaching on land allocated to individuals. For instance, complaints that some military personnel encroached on farmlands belonging to small-scale farmers to graze their cattle were brought before the CRM in Gaza province. However, traditional rulers and community leaders often intervene to resolve such conflicts and where they fail, recommend that cases be submitted to the courts.
267. Elections were also identified as a cause of conflict in Mozambique. In the 2004 elections, many violent clashes between FRELIMO and RENAMO supporters occurred at Angoche, Chimoio, Inhaminga (where an armed guard of the national leader of RENAMO was shot dead), Mozambique Island and other areas. There were also violent clashes during the local elections of November 2008 in Beira, Dondo and Marromeau in Sofala province, and in the Nampula and Tete provinces. Electoral violence is caused by the incitement of political leaders and reluctance to permit campaigning by opponents in party strongholds.

### **III. Recommendations**

268. The APR Panel recommends that Mozambique should:
- Pay, as a matter of urgency, the outstanding pensions of ex-combatants and assist those who are still not integrated to reintegrate in a sustainable way [Office of the President; FRELIMO; RENAMO; Ministry of Finance (MF)];

- Disarm RENAMO guards still keeping arms under mutually agreeable terms [Office of the President; Ministry of National Defence (MDN); FRELIMO; RENAMO];
- Establish modalities for attaining lasting and genuine reconciliation between FRELIMO and RENAMO, and put an end to discriminatory political, economic and social policies [Office of the President; FRELIMO; RENAMO; observers]; and
- Separate party cells from public institutions in order to make the public service neutral of political influences [Office of the President].

**Objective 2: To promote constitutional democracy, including periodic political competition and opportunity for political choice, the rule of law and the supremacy of the Constitution**


**I. Summary of the CSAR**

269. Article 3 of the Constitution states that Mozambique is a state governed by the rule of law, based on pluralism of expression and democratic political organisation and on the respect and guarantee of fundamental human rights and freedoms. The Constitution is the supreme law of the land and prevails over all other legal rules. The Constitution proceeds to guarantee a wide range of fundamental rights, duties and freedoms. In turn, all citizens have the duty to respect the constitutional order. The rule of law is further guaranteed through the constitutional protection of just administrative action, the justifiability of legally protected rights and a series of institutions namely the courts, the Public Prosecution Service, the Ombudsman, the Constitutional Council, and the Petition Commission of the Assembly of the Republic. Challenges to the rule of law include inadequate functioning of the courts and the judicial sector, and ineffective functioning and limitations of the Petition Commission, the Administrative Court, the Constitutional Council and the Ombudsman, which is not yet fully operational. At grassroots level, this is experienced by the general public through a loss of confidence, low capacity in service delivery, and corruption, among other things.
270. As far as periodic political competition is concerned, the CSAR states that the Constitution guarantees a system of universal adult suffrage through an electoral system that provides for direct, equal and secret ballot, which enables citizens to elect their leaders freely through the political parties. It also guarantees freedom of association and the right to campaign for electoral purposes. However, there are challenges to the practice of constitutional democracy, such as the persistence of practices carried over from the one-party period that are incompatible with multiparty democracy. Furthermore, the CNE and the Technical Secretariat for the Electoral Administration (STAE) are composed in a partisan way, which affects the way in which they hold elections.

## II. Findings of the CRM

### *Promoting Constitutional Democracy and Supremacy of the Constitution*

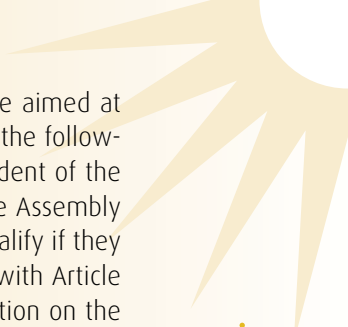
271. The Constitution is a modern one and provides for a constitutional democracy. As stated in the CSAR, the Constitution is the supreme law of the land, and both the state and the law are subordinate to it. The Constitution contains detailed provisions on nationality and fundamental rights, duties and freedoms. Equality before the law is guaranteed. Constitutionally protected fundamental rights are to be interpreted in harmony with the Universal Declaration of Human Rights (UDHR) and the ACHPR. This is in line with Mozambique's adherence to international codes and standards. The first five chapters of the Constitution cover the full spectrum of internationally accepted rights, namely, civil, political, economic, social and cultural rights.
272. A notable exception from constitutionally protected rights is the provision of preventative imprisonment. Although the period is fixed by law, the reasons for imprisonment must be provided promptly and the judicial decision by which imprisonment is ordered must be communicated promptly, as the concept of preventative detention violates internationally accepted human rights. The CRM was informed by a member of the Judiciary that, in several cases, timelines were not adhered to. A person must be brought before the court within 48 hours. This period is sometimes extended up to five days, depending on the availability of resources. This is due to technicalities and lack of material resources to conduct investigations. Sometimes the police or the citizens are unaware that they can resort to the law of Habeas Corpus.
273. Articles 73 and 74 enshrine the principle of universal suffrage and of political parties as the way in which to manifest political pluralism. Linked to these principles, the Constitution recognises a series of rights (e.g. the right of the creation of, and adhesion to, social organisations; the right to petition, complain and claim the right to resist; and the right of the population to take action). Duties, as opposed to rights, also enjoy emphasis in the Constitution. Article 38(1) states that: "All citizens shall have the duty to respect the constitutional order" and "Acts contrary to the provisions of the Constitution shall be subject to punishment in terms of the law".
274. Economic, social and cultural rights and duties are detailed in Chapter V of the Constitution. However, Mozambique's commitment to these rights is not underscored by being a party to the ICESCR. While this covenant provides for the progressive implementation of rights, an inability to provide for immediate and full enforcement should not be regarded as an impediment to ratification or accession. A clause in Articles 88 and 113, which appears confusing, is the right and duty of all citizens to education, specifically if viewed against the background that education is not compulsory. Another peculiar feature of the



Constitution is the inclusion of clauses that are non-enforceable but appear to be statements instead. For example, Article 123(1) expresses appreciation for the role of the youth in the national liberation struggle. This particular clause touches on the sensitive issue of children in armed conflict, as regulated by the Optional Protocol to the Convention on the Rights of the Child.

### ***Rule of Law***

275. The Constitution also guarantees the rule of law through the consecration of the principle of legality in public administration performance, citizens' prerogative to resort to courts if their legally protected rights or interests are violated, and a series of institutions for guaranteeing those rights, namely, the courts, the Public Prosecution Service, the Ombudsman, the Constitutional Council, and the Petition Commission of the General Assembly. It is also the function of the courts to guarantee the rule of law as an instrument of legal stability.
276. From a theoretical perspective, Mozambique appears to have the legal framework in place to make the rule of law operative. A firm commitment to the rule of law was displayed during interviews with government officials and members of the Judiciary in Maputo. From a practical perspective, however, there are many problems. Constitutionally protected rights are not enforced and the institutions designed to protect the rule of law either do not function or their functions are severely curtailed.
277. This is, among other things, due to:
- Inadequate functioning of the courts and the justice sector in general, thus limiting access to justice and the possibility of a fair trial;
  - Ineffective functioning of the Petition and Inquiry Commissions in the General Assembly;
  - Limitations of the Administrative Court, both in terms of its location and expansion throughout the country, as it is still confined to the capital city and is little used by citizens, who often do not even know of its existence and role;
  - The Constitutional Council being almost fully unknown and there being no tradition of constitutional litigation;
  - The fact that the Ombudsman is a recent creation and is not yet operational;
  - Widespread corruption; and,
  - A lack of distinction between the state/government/party in the eyes of not only certain politicians and government officials, but also the general public.
278. The Constitutional Council has the potential to play an important role in restoring confidence in both the government and the Judiciary. In terms of the Constitution, it has the power to pronounce upon the constitutionality of laws



and the legality of government actions. This avenue appears to be aimed at organs of government instead of individuals and civil society. Only the following may make a request to the Constitutional Assembly: the President of the Republic, the Prime Minister, the Ombudsman, the President of the Assembly of the Republic and the Attorney-General. Ordinary citizens only qualify if they manage to join a group of at least 2 000 people.<sup>5</sup> In accordance with Article 245(2), these may request the Constitutional Council for a declaration on the unconstitutionality of a law or the illegality of other normative acts of the state's bodies. It is no wonder that this mechanism has never been applied.

279. Only two examples could be identified where the Constitutional Council was consulted. One was in 1996, when the General Assembly approved a law that tried to institute Islamic holidays. By request from the President of the Republic, the Supreme Court, then acting as the Constitutional Council, gave its decision on the unconstitutionality of that law. On the basis of the court's decision, the President sent the proposed Islamic Holiday Law back to the General Assembly, which did not advance the matter again. In a more recent case in December 2004, which pertained to the approval of the Law on Combating Corruption, the President requested the Constitutional Council for an opinion before enactment of the law. The request was denied, based on the fact that the Constitution did not grant the Constitutional Chamber the powers to decide on the unconstitutionality of a particular law or other normative law before that law or Act had been approved and became operative. The Law on Combating Corruption was eventually approved by the General Assembly after some changes were suggested by the President.

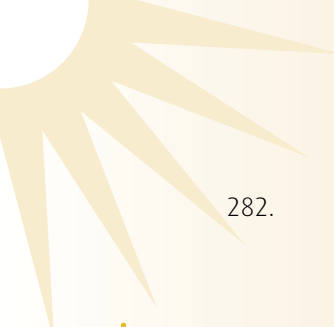
280. Excessive powers of the Executive vis-à-vis the Legislature and Judiciary lead to the perception that members of the Executive are above the law and violations of the law by government officials will go unchallenged.

### ***Periodic Political Competition and Opportunity for Political Choice***

281. The Constitution and the GPA guarantee multiparty democracy and the electoral system as the basis for electing national political leadership. Protocol II of the GPA guarantees the existence of political parties for the primary purpose of giving expression to the political will of the people, and enunciates principles ensuring that they operate freely and pursue patriotic goals. Political parties are to be equal before the law and have the right to propound their policies freely and publicly. They are given guarantee of access to the mass media and public funding by the Electoral Act, and no citizen is allowed to suffer discrimination by virtue of his or her membership of a political party. In return, political parties must avoid the use of acronyms or symbols that can incite violence or

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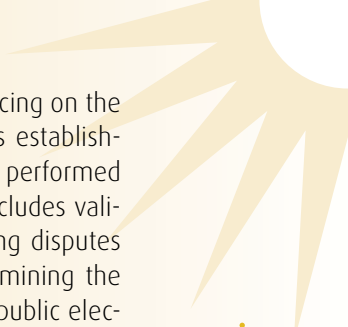
<sup>5</sup> This only became possible with the Constitution of 2004, as the Constitution of 1990 did not allow common citizens to bring cases of unconstitutional law or other normative acts before the Constitutional Council.



have divisive connotations, or exploit race, region, tribe, gender or religion, and must practise internal democracy.

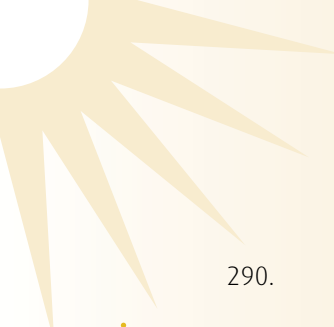
282. The Constitution captures the GPA's provisions by providing that the leaders must exercise political power through the election of their representatives by universal, direct, equal and periodic suffrage and by secret ballot; through referenda on major national issues; and through the permanent democratic participation of citizens in the affairs of the nation.
283. Protocol III of the GPA enumerates principles that should guide the drafting of the Electoral Act and specifically guarantees freedom of the press and the right of access to information, as well as freedom of association, expression and political activity to all citizens. It sets out general principles ensuring a system of democratic, impartial and pluralistic voting. The strong determination to ensure the acceptability of electoral outcomes, especially immediately after the civil war, is reflected in the detailed provisions made on the establishment of the CNE and its functions, on the Voting Assemblies, and on the conduct of elections to the Assembly and the Presidency.
284. The above principles and stipulations outlined under the GPA and the provisions of the Constitution, as periodically modified, provide the legal framework for the holding of elections in Mozambique. At the head of the election management organisation is the CNE, which is responsible for supervising the compilation of the electoral register and the holding of elections and referenda. It is assisted by the Provincial Electoral Commissions (CPEs), which are appointed 45 days before commencement of their assignment and leave office after completing it. The CPEs supervise the electoral register in the provinces and the holding of provincial elections or referenda. Similar roles are performed at the municipal and district levels by the Municipal or District Electoral Commissions, which are established 30 days before compilation of the electoral register for municipal and district elections starts.
285. The composition of the CNE and the lower electoral commissions is deliberately party based to enable political parties to participate in their activities as a way of assuaging distrust among the political parties and securing their confidence in the electoral process. Under Law 20/02 of June 2002, the CNE is composed of 11 members, five of whom are chosen by the political parties in proportion to their strength in the Assembly of the Republic. They, in turn, select the remaining six from among a list proposed by CSOs. The partisan composition of the CNE and lower electoral commissions has, however, not completely stopped protests against electoral outcomes and allegations of vote-rigging and other malpractices by losers during elections. The electoral commissions at the municipal and district levels are accountable to the CPE, while the latter is accountable to the CNE.



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286. The Constitutional Council is responsible for reviewing and pronouncing on the legality of the CNE's actions in the holding of elections. Before its establishment in 2004, the function of adjudicating electoral disputes was performed by the Supreme Court. Its role in the administration of elections includes validating the names of candidates for presidential elections; resolving disputes arising from the elections on appeal from aggrieved parties; examining the records of the collation of the presidential and Assembly of the Republic elections and referenda; validating and announcing the results; and fixing the date of resumption of office of the President. Like other election management agencies, even the composition of the Constitutional Council is determined largely on the basis of the proportionate strength of the political parties in the Assembly of the Republic. The chairperson is nominated by the President, subject to ratification by the General Assembly. The Assembly of the Republic chooses five judges in proportion to their numbers in the chamber, and those so selected co-opt the seventh member of the council.
287. The actual holding of elections is the responsibility of the STAE. Like the CNE, CPE and the lower electoral bodies, the composition of the STAE is also bipartisan. Its Director-General is appointed by the President, while the two main political parties, FRELIMO and RENAMO, each appoint a Deputy Director-General. Its main functions are to:
- Conduct voter registration and its periodic review;
  - Organise and hold elections;
  - Plan and operate logistics support for the holding of the elections; and
  - Train and deploy the electoral officials for the polling stations.
288. The election of Assembly of the Republic members is, as prescribed by the GPA, based on proportional representation.<sup>6</sup> As a result, all candidates for Assembly of the Republic elections must belong to a political party. To obtain seats in the Assembly, a party must win at least 5 per cent of the votes in an election. This threshold was abolished in 2007.
289. Of the 54 political parties in Mozambique, the two main parties are FRELIMO and RENAMO, which between them have more than 95 per cent of the members of the Assembly of the Republic. Thus, for all practical purposes, the system is tending towards a two-party system. The 250 seats of the Assembly are distributed among the provinces according to their voter registration figures, rather than their population figures. A presidential election, on the other hand,

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<sup>6</sup> Proportional representation systems are electoral systems that are specifically designed to allocate seats in proportion to votes, in the hope that assemblies and governments will accurately reflect the preferences of the electorate. They are now the most frequently used electoral systems in Western democracies. Under proportional representation, political parties are assigned a number of seats in Parliament corresponding to the degree of support they have received in a given electoral district. Of necessity, this arrangement dictates that all proportional representation systems rely on multi-member districts. There are two basic types: party list systems and single transferable vote systems.



is determined by a simple majority, with the proviso that the two candidates with the highest votes have a rerun, should none of the candidates secure the required majority on the first ballot. An independent candidate may contest a presidential election due to its special nature.

290. The Constitution provides for a renewable term limit of five years for members of the General Assembly and other elected bodies. General elections (both presidential and Assembly of the Republic) were held in 1994, 1999 and 2004, while another is due in 2009. Municipal elections were held in 1998, 2003 and 2008. The cycle of elections has been sustained since the first multi-party elections, except for the municipal/district elections due in 2007, which were postponed until 2009. Significantly, the term limit has been maintained through the restraint of former President Joachim Chissano from seeking constitutional changes to extend his stay in office beyond the two terms of five years stipulated by the Constitution, which is the bane of democracy in other countries on the continent. Thus, elections held so far under the existing arrangements have laid the foundation for the consolidation of democracy and multiparty elections as the means of choosing political leaders.
291. Although not specifically required by the Constitution, FRELIMO has a gender quota system that has enabled many women to be elected into the Assembly of the Republic. Currently, women constitute 37.2 per cent of the membership of the Assembly, a figure much higher than in many African countries.
292. Nevertheless, there are challenges for holding periodic elections as a mechanism for choosing political leaders and an opportunity for expressing political choice. A persistent challenge is the rejection of election results by the opposition after each election, save the municipal elections of 2003. During the stakeholder workshops held in all the provinces, widespread misgivings were expressed about way in which elections were held, starting with the registration of voters, the designation of polling stations, balloting, counting the votes and collating the results.
293. These complaints are summarised below:
- Freedom of movement, free expression of opinions and the right to unfettered access to all parts of the country to campaign for votes during elections are only guaranteed in a formal sense, as enshrined in the Constitution. The report of the Electoral Institute of Southern Africa (EISA) on the 2004 elections confirms that Gaza and Tete are areas where RENAMO campaigns were often disrupted and the candidates driven away.<sup>7</sup>

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<sup>7</sup> Electoral Institute of Southern Africa (EISA). 2005. Regional Election Observation Mission: Mozambique General Assembly and Presidential Elections, 1-2 December 2004. Johannesburg: EISA, page 28-29.

- The conduct of the police during elections was partisan. The opposition political parties accused the police of looking the other way when their candidates were being attacked or their campaigns disrupted. The police also allegedly assisted FRELIMO agents in perpetrating electoral malpractices.<sup>8</sup>
- There were complaints that the registration of voters was not done transparently. Although no proof could be offered, it was claimed that voter registration was more efficiently carried out in areas where the government had greater support, if figures were not outright inflated. In areas where the opposition had stronger support, the approach was lackadaisical, leading to poor registration figures. RENAMO organised protests in Beira and other affected areas in 1997 to protest against poorly held elections.<sup>9</sup> It has been reported that this complaint has been repeatedly made in Mozambique's newspapers and was in fact raised at a roundtable held in Beira on 9 January 2008.<sup>10</sup>
- Opposition spokespersons claimed that polling stations were located too far from voters in areas where they had the most support, but were more conveniently located in areas where the government enjoyed higher support. This was said to have been most prevalent in the rural areas, where it perhaps was unavoidable to provide site polling stations to serve a number of rural communities.
- FRELIMO officials complained that the presence of armed RENAMO men during elections was menacing and a discouragement to their supporters turning out to vote in Sofala province. Opposition party officials, on the other hand, claimed that the police intimidated their members during elections and discouraged them from going to vote. RENAMO representatives in Sofala claimed that voters were transported from out of town to vote in the last municipal elections.
- Counting and collation of votes was not done accurately because members of the STAE connived to inflate results. This allegation has a ring of truth to it, as international election observation missions (the European Union and Carter Centre) criticised the lack of transparency in the counting of ballots, even though they were satisfied with the general holding of the elections.<sup>11</sup> Indeed, the CNE did not inspire confidence in the accuracy of vote counts when, within one week, it issued three different results for the 2003 local elections.<sup>12</sup>

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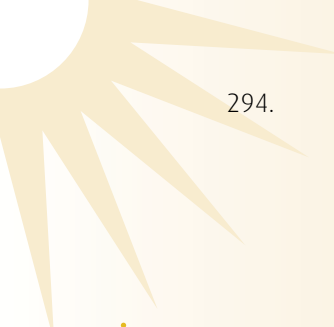
<sup>8</sup> Ibid.

<sup>9</sup> EISA (2005:21).

<sup>10</sup> Open Society Initiative for Southern Africa (OSISA). 2009. Mozambique: Democracy and political participation. AfriMAP report. Johannesburg: OSISA, page 64 (footnote 175).

<sup>11</sup> EISA (2005:11).

<sup>12</sup> Ibid.

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294. There are indications that the playing field is not level for all political parties in Mozambique. In interactive sessions with stakeholders, there were numerous allegations of discriminatory administrative practices that make it costly for individuals to identify openly with another party other than the ruling party, FRELIMO. It is alleged that, while it is not formal state policy to discriminate against non-FRELIMO supporters in recruitment into the public service (which would go against the Constitution), in practice most vacancies are filled on the basis of affiliation with the party.
295. The electoral system provides for public funding of political parties. Until 2007, this was subject to the political parties having won at least 5 per cent of the votes at an election. After the 1994 elections, only three political parties (FRELIMO, RENAMO and the Democratic Union) qualified for public funding and, since 1999, only the two main parties have qualified for public funding. Thus, the resource gap persists for most of the political parties.
296. The impact of the alleged discriminatory administrative practices on the support base of opposition political parties and their electoral fortunes is not quantifiable. Evidently, however, the electoral support for the opposition is gradually eroding, judged by the outcomes of successive elections since 1994. The percentages of votes won by the largest opposition party, RENAMO, in the Assembly of the Republic elections have been as follows: 37.78 per cent and 112 seats in 1994 (with 44.33 per cent and 129 seats for FRELIMO); 38.79 per cent and 117 seats in 1999 (with 48.55 per cent and 133 seats for FRELIMO); 29.735 per cent and 90 seats in 2004 (62.03 per cent and 160 seats for FRELIMO).<sup>13</sup>
297. In the presidential elections, the outcomes were as follows: in 1994, Afonso Dhlakama (RENAMO) 33.7 per cent and Joachim Chissano (FRELIMO) 53.3 per cent; in 1999, Afonso Dhlakama (RENAMO) 47.7 per cent and Joachim Chissano (FRELIMO) 52.3 per cent; and in 2004, Afonso Dhlakama (RENAMO) 31.74 per cent and Armando Guebuza (FRELIMO) 63.74 per cent. Gradual erosion of electoral support for the opposition parties raises questions about their capability to function effectively, in the long term, in order to afford the people of Mozambique a credible alternative leadership choice during elections. Part of the problem appears to be the lack of internal democracy and cohesion of the opposition, particularly RENAMO, whose leadership is in a more or less permanent crisis with dissidents being purged periodically.
298. Besides, voter turnout has been declining, portending an even greater hazard to the sustenance of electoral democracy in Mozambique as a system of leadership recruitment through competitive elections. Official statistics of voter turnout could not be obtained during the CRM, but EISA's Election Observation Mission to the 2004 general elections reported voter turnouts in the general elections as follows: 88 per cent in 1994; 74 per cent in 1999; and 43.6 per

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<sup>13</sup> OSISA (2009: Table 6.1, 6.2 and 6.3).

cent in 2004. Turnout at local elections has been equally low. During the 1998 elections, turnout was poor because of the boycott campaign organised by RENAMO and its allies to protest their dissatisfaction with the preparations leading up to the elections. In 2003, turnout was only 28 per cent.<sup>14</sup> It is important for Mozambique to recapture the vibrancy of political party competition and the large voter turnouts that characterised the early years of its multiparty democracy. This will more closely associate larger proportions of the population with the democratic system and, by implication, strengthen its legitimacy.

### III. Recommendations

299. The APR Panel recommends that Mozambique should:
- Institute a national programme of civic education to promote respect for the rule of law at all levels of government and society [CNE; CPE; MPs; CSOs];
  - Conduct a programme of law review in order to update all outdated laws and modernise the legal system [MOJ];
  - Eliminate discriminatory administrative practices in order to delink state and party and create a level playing ground for all political parties [Office of the President; MOJ; CNE];
  - Carry out the compilation and revision of the voters' roll more transparently in order to instil greater confidence in the electoral process [CNE; Electoral Observatory]; and
  - Handle the collation of election results properly to safeguard the integrity of the process [CNE; STAE; Electoral Observatory].

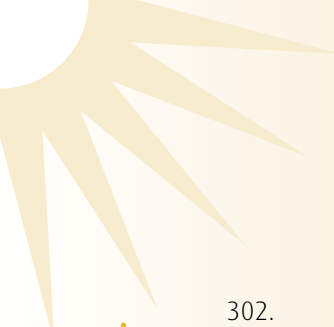
### **Objective 3: To ensure the promotion and protection of economic, social, cultural and political rights**

#### I. Summary of the CSAR

##### *Civil and Political Rights*

300. The Constitution sets out the rights, duties and fundamental freedoms of Mozambicans and guarantees important civil, political, economic, social and cultural rights. According to the CSAR, 77.9 per cent of the respondents interviewed were unaware of the contents of the Constitution, and hence also of their rights and duties.
301. Access to justice by the citizenry remains a problem, although efforts have been made to improve the situation through the recent adoption of the Law on Judicial Organisation and the Law of the Prosecutor and of the Magistrates.

<sup>14</sup> EISA (2005:12)



Throughout the country, delays in criminal proceedings and the lack of means of institutional support for the protection of citizens are factors that impede ordinary people's access to justice. It is extremely difficult for the general population to access the services of lawyers, given the shortage of lawyers and the cost of their services.

302. The CSAR also notes the violence perpetrated by state officials, overcrowded prisons, poor conditions in prisons, and a relative lack of knowledge of legal procedures, methods of work and guidelines for professional action on the part of police officers. District courts and community courts exist and their operation is relatively effective. Recent proposals have been made for the creation of branches of the Supreme Court and the Administrative Court in the provinces. Several legal reforms have been undertaken to improve the justice sector, such as the creation of the National Human Rights Commission (CNDH) with a view to expanding the protection of human rights.
303. In surveys cited in the CSAR, most respondents felt that freedom of expression exists despite isolated violations. It is also necessary to legislate on the right of access to information, which is a constitutional right. The CSAR points out that 336 mass communication media currently exist in Mozambique, including radio, television, newspapers, magazines, newsletters and other publications. Despite this, full national coverage is still a challenge for the government and other sectors. In some districts, such as Mocuba, the community radio station is not allowed to broadcast a visit by a member of the opposition party before consulting the administrator or the secretary of the party in power, otherwise "someone will be punished".

### ***Socioeconomic and Cultural Rights***

304. The CSAR asserts that land is owned by the state, while citizens have the right to the use and enjoyment of the land. Both women and men have equal rights in this respect. However, there is inconsistency between the law and actual practice as, in some cases, foreigners are allocated land to the detriment of the local population.
305. One of the deficiencies noted by the CSAR is the insufficient presence in rural areas of banks and microfinance institutions, which limits the population's opportunities to develop income-generating activities and create self-employment. There has been a gradual improvement in the welfare of the population, with recent estimates pointing to a reduction in poverty rates over the past six years. It is asserted the government has developed measures aimed at improving the conditions of housing, water supply and sanitation.<sup>15</sup>

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<sup>15</sup> Ministry of Planning and Development (MPD). 2008. Report on the Millennium Development Goals: Mozambique 2008. Maputo: MPD.



## ***Education***

306. Due to the recent expansion of educational services, there has been a significant increase in school enrolment figures. More schools are being constructed and parents' awareness of the importance of education is being raised. There is free distribution of books at schools, but the provision of free meals is limited. The government has focused on the expansion of schools, but the educational system still faces problems of limited availability of classrooms and qualified teachers.

## ***Health***

307. According to the CSAR, the government's programme in the area of health includes six components:

- Primary healthcare;
- Healthcare in the fight against epidemics;
- The fight against HIV/Aids;
- The health network;
- Human resources development; and
- Health sector planning and management.

308. The CSAR indicates an improvement in the quality of basic healthcare services rendered due to the increase in the number of health centres. However, there remains a limitation in the training of doctors and in public awareness of health issues. Financing by the government towards the prevention of HIV transmission is still low. In Mozambique, the most prevalent diseases are malaria and HIV/Aids, with malaria accounting for 40 per cent of all cases treated.<sup>16</sup> In view of this situation, the government has adopted an integrated strategy for controlling the disease, based on combinations of various preventive and curative interventions. The government continues its efforts to increase gradually the number of health units throughout the country as a way to improve the provision of health services to the population.

## **II. Findings of the CRM**

### ***Civil and Political Rights***

309. Mozambique is a party to the ICCPR, but not to the First Optional Protocol to this covenant, which would give individuals the right to access the complaints mechanisms provided for under the covenant. The Constitution guarantees important civil and political rights, and legislation is in place making these rights legally enforceable.

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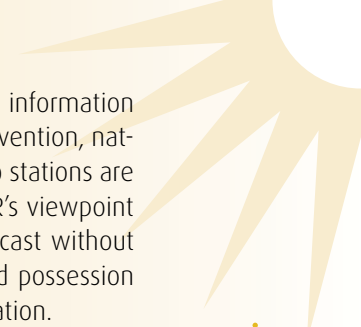
<sup>16</sup> Ibid.

## ***Enjoyment of Rights and Freedoms***

310. In interactive sessions with stakeholders, participants gave mixed reactions regarding the enjoyment of rights and freedoms by ordinary citizens.

### ***Freedom of Expression, Association and Information***

311. Many stakeholders felt that freedom of expression is observed, emphasising that there is open governance and the people are given the opportunity to express themselves freely. All citizens have a right to hold and air their own ideas and opinions. It was asserted that, at all levels of governance and in all public forums, people are free to express themselves and enjoy constitutionally protected freedoms. Freedom of association is observed and is manifest in the freedom to affiliate with political parties and form associations. Different religions coexist harmoniously. However, some stakeholders disagreed with this view.
312. Those who disagreed, argued that the government is not “pro-people”, claiming that those who speak out against what is wrong, especially at the community level, are seen as political adversaries. Others reported that some people are afraid to speak openly, as a person who criticises the government consistently may most likely face persecution. These stakeholders argued that poverty is not solved by political party colours and that people should be allowed to criticise the system. Democracy should be participatory despite ideological differences. The CRM observed that, in many areas, those who expressed the view that freedom of expression is curtailed were heckled by the majority present.
313. Most stakeholders agreed that the media in Mozambique articulate issues freely. In particular, there has been excellent coverage of the elections and high-profile corruption cases in Maputo. Radio and television services are provided by the state, as well as those run by the private sector. Newspapers are available both in print and electronically, although circulation to the rural areas is limited. Nonetheless, freedom of information in Mozambique is yet to be fully operationalised pending the enactment of the Law on Access to Information. Sectors of society seeking information for investigative or other purposes are hampered by the absence of this law, because the Official Secrets Law is cited as grounds for the non-release of information. There were reported instances of alleged harassment of individual journalists and, in certain instances, the Anti-defamation Law acts as a gag to suppress the media. The accessibility of the written media will, however, remain limited as long as the problem of illiteracy persists.
314. At the province and district levels, community radio is very effective. In Gaza and Inhambane, for example, three community radio stations and the state radio serve the communities, using local languages and focussing on issues that



are directly relevant to them. The broadcasts help to disseminate information from the government to communities, for example, on disease prevention, natural disasters and development programmes. The community radio stations are largely politically neutral, although the CRM concurs with the CSAR's viewpoint that programmes sponsored by the opposition may not be broadcast without clearance from a representative of the ruling party. Access to, and possession of, radios unfortunately limits the effect of this form of communication.

315. Dissemination of state policies, processes and programmes is fundamental to the development process. At the province and district levels, meetings are held to disseminate government policies, and this information is then passed on to the community. The leaders in Quelimane, for example, are doing a great deal of work in disseminating local government law, family law and the policy on fighting poverty. The provincial leaders informed the CRM that communities that received this information have registered an improvement in accessing CCCs and participating in development programmes.

### ***Right to Life, Liberty and Security***


316. The Constitution provides for the right to life and liberty. Nevertheless, there are several examples where the security of people has been jeopardised. The CSAR notes that crime is on the increase in Mozambique and this was confirmed in all the provinces the CRM visited.

### ***Landmines***

317. During interactive sessions with stakeholders, the CRM was informed that some active mines remain in several regions of the country. During the struggle for independence and the civil war, many landmines were planted. Not all have been removed; neither are all locations where mines were planted known. Stakeholders residing in Tete, Chimoio, confirmed the incidence of landmines, as well as those in Sofala province, Shiringoma province and Mwanza district. There are also many landmines in the Bandwa and Busi districts. Active mines prevent communities from carrying out farming practices and severely curtail movement and activities in certain areas. Several people have already been killed or maimed. Although demining has been carried out, the communities are unsure whether all the mines have been deactivated.

### ***Crime***

318. Cross-border crime is a source of concern in Mozambique. Prohibited substances coming into the country via the Indian Ocean have been captured through police interventions. Trafficking in small arms, women or children is the commonest crime committed on the ocean. In February 2009, the Human Rights League issued a report on the incidence of trafficking in human organs. The



government is undertaking measures to build the capacity of the police to combat trafficking and cross-border crime in cooperation with neighbouring countries. Mozambique is a member of Interpol, and SADC heads of police are collaborating with Interpol on this issue.

### ***Access to Justice***

319. Access to justice is fundamental in protecting citizens' human rights and the courts are vanguards of these rights. In this regard, it is important for courts to be objective and efficient arbiters, and for citizens to be aware of their rights and have easy recourse to them whenever their rights are infringed upon by the state or private role-players. In Mozambique, for the majority, access to the courts and an awareness of citizen's rights pose a challenge.
320. The Constitution recognises legal pluralism, leading to an application of statutory law and customary norms. CCCs are recognised as helping to preserve law and order in the community and often handle domestic disputes, where they apply mediation and conflict resolution methods. Bigger and more technical cases are referred to the formal justice system. Those dissatisfied with decisions from the CCCs can appeal to the magistrates' courts.
321. In CCCs, cases are resolved according to largely unwritten community rules, norms and practice. In addition, they tend to apply patriarchal constructions of customary law, which are often inimical to the rights of women. In some instances, community judges use formal law, with which they are not very conversant, and this creates a problem on appeal. CCC judges do not receive formal training on human rights codes and standards. The danger posed by this situation is that human rights guaranteed to citizens may not be applied to cases handled in these courts.
322. Access to justice for the ordinary person is hampered by technical procedures and other constraints. DCCs are not accessible to people in remote areas due to problems of distance and resources. Courts are not established in all districts, and the norms or rules of justice are not known or easily understood by the people. In many instances, as CSOs reported in the hearings, illiterate citizens are scared of the government because they do not know their rights and duties. In court, people sometimes lose their cases because they are afraid of the judge or do not understand Portuguese, and there often are no interpretation services in rural areas. Access to justice for persons with disabilities is very difficult, because they lack access to information about their constitutional rights.
323. The administration of justice still faces many challenges, the judicial system is weak, and the police lack adequate resources to investigate crime. Due to corruption in the judicial sector cases take long to be resolved. Also, as the CSAR points out, corruption has penetrated the justice system and many people feel that the rich can buy justice and evade the long arm of the law.


## ***Role of Civil Society in Promoting Human Rights***

324. The civil society in Mozambique has been very dynamic in engaging several development processes and shaping government policies. The operation of non-governmental organisations (NGOs) is governed by legislation regarding their registration and operations. Because of the value they add to the development process, more government ministries are resorting to partnering with NGOs in the execution of mandates in service delivery. The participation of CSOs in monitoring electoral processes has increased public oversight in elections, and the President of the CNE is from civil society. The inclusion of CSOs as members of the CNE is an indicator of growth and confidence in civil society vigilance. CSOs also monitor elections as observers, together with faith-based organisations, academic institutions and other human rights institutions.
325. Most CSOs receive their funding from donors, but still face human and financial resource constraints that limit their capacity to participate in the development process. Few CSOs are involved in political activism or governance, as those who do so risk being perceived as members of the opposition. In addition, donors (who form a significant source of resources) focus more on projects dealing with socioeconomic development. CSOs also observed that due to the low level of socioeconomic development, communities respond more to activities that lead to the production of tangible, visible items, such as water pumps at schools, or health centres, than to human or political rights issues.
326. CSOs not only review government policies, but are also involved in service delivery, such as healthcare, budget analysis and oversight, and policy analysis. Their efforts are collaborative and complementary to the government's work. Nonetheless, in some areas, collaborations between CSOs and the state are shaky. CSOs informed the CRM that the further they are from Maputo, the less their activities are tolerated. In some rural areas, the process is not inclusive. For instance, if a CSO operative questions plans or programmes, he or she is branded as belonging to the opposition, which then undermines his or her efforts.

## **Economic, Social and Cultural Rights**

### ***Social Rights***

327. Mozambique is not a party to the ICESCR. Despite this, the Constitution recognises the right of ownership and inheritance; the right to work; the right to retribution and to safety at work; freedom of professional associations and unions; the right to strike and the prohibition of lockouts; the right to education and health; the right to a balanced environment; housing and urbanisation; rights of consumers; physical culture and sport; freedom of cultural creativity; and the right to assistance of the disabled and the aged. Several important rights



are legally enforceable. Despite the government putting in place development programmes and enabling policies and laws to guarantee these rights, the majority of Mozambicans do not have adequate standards of living and do not enjoy this important category of rights, mostly due to resource constraints.

### ***Right to Education***

328. The CRM learnt from the Minister of Education that children's rights to education are being promoted vigorously. However, women's illiteracy levels remain high. At the higher educational levels, the presence of girls is less visible – their enrolment in secondary school has been estimated at 9 per cent. Adult literacy grew to 48.1 per cent in 2005.<sup>17</sup> Churches are helping with programmes for promoting adult literacy.

### ***Right to Health***

329. The Constitution guarantees the right to medical care and healthcare for citizens. The government has made progress in providing health services to the population. The Ministry of Health (MISAU) informed the CRM that, over the last ten years, there has been a reduction in infant mortality. Vaccination campaigns carried out in 2005 and 2008 have reduced polio by 9 per cent, although this rate is not deemed fast enough. Maternal mortality, which is still a major cause of death in women, is highlighted in the 2006–09 Plan of Action for the Reduction of Absolute Poverty (PARPA II). The MISAU reported a loss of about 11 pregnant women a day during the delivery process. Few surveys have been carried out with regard to maternal mortality; the last was conducted in 2003 and the next survey is due in 2011. The prevalence rate of HIV/Aids remains high at 16 per cent and HIV/Aids-related deaths impact negatively on the productive labour force, as the rate of infection among the youth is high.
330. There has been notable success in providing healthcare for persons living with HIV/Aids. Although all 128 districts in the country are receiving healthcare, the magnitude of the problem remains quite high and the key is seen to be prevention rather than treatment. Regarding HIV/Aids, stakeholders felt that testing facilities should be free. Some health units charge fees, which prohibits the population from going for tests and so hampers the fight against HIV/Aids.
331. Malaria and cholera have also posed a public health hazard. Even though malaria continues to be a colossal challenge and is the number one killer, like in most other African countries it tends to be given second-level priority compared with the HIV/Aids pandemic or other epidemics, such as cholera. On the other hand, while the capacity to diagnose tuberculosis is improving, the provision of healthcare services is stretched by the increase in tuberculosis due to HIV/Aids.

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<sup>17</sup> Ibid.



332. From interaction with the Minister of Health, the CRM learnt that the national health system is very weak in the public and private sectors. The public health sector serves approximately 50 per cent of the population. Most people have to walk more than 5 km to reach a health unit and pregnant women have to walk approximately 10–15 km to reach a maternity ward. Although the government is building hospitals, patients only seek admission to a hospital when their condition is critical. The responsibility for the provision of health services rests heavily on the government's shoulders. Mozambique has the worst ratio of health workers to the general population, namely, one medical doctor to every 30 000 inhabitants. Training health workers is a priority and has been put on the fast track in order to meet the Millennium Development Goals (MDGs). Human resources are more disparate in the provinces; for instance, Nampula and Zambézia have fewer resources than others.

### ***Access to Credit***

333. Private sector financial institutions providing credit are deemed by the rural populations to have stringent lending conditions and harsh recovery measures for those who default in repaying, and this is inimical to underdeveloped communities. Credit access in private banks is subject to many conditions, such as guarantees; some institutions require securities, such as title deeds. Sometimes the level of credit given is low (e.g. 5 000 or 100 000 meticaís), and such amounts cannot finance any but the smallest of enterprises.

### **III. Recommendations**

334. The APR Panel recommends that Mozambique should:
- Pass the Law on Access to Information expeditiously [General Assembly];
  - Ensure that the newly created CNDH embarks on a national civic education programme to enlighten citizens on their rights [CNDH; CNE]; and
  - Ensure that police training emphasises respect for fundamental human rights and that a complaints mechanism is put in place for victims of rights violation, together with appropriate disciplinary sanctions for violators [Ministry of Home Affairs (MAI); Police].

***Objective 4: To uphold the separation of powers, including the protection of the independence of the Judiciary and of an effective Parliament***

## *Separation of Powers and Independence of the Judiciary*

### **I. Summary of the CSAR**

335. According to the CSAR, the Constitution provides for the separation of powers between the Executive, the Legislature and the Judiciary. Article 133 of the Constitution establishes that “the sovereign bodies are the President of the Republic, the Assembly of the Republic, the government, the courts and the Constitutional Council”. Article 134 (Separation and Interdependence) provides that “the sovereign bodies are grounded on the principles of separation and interdependence of powers enshrined in the Constitution, and shall owe obedience to the Constitution and the laws”.
336. The Constitution establishes the following institutions responsible for governance: the President of the Republic and the Council of Ministers (or the government), which constitute the executive power, and the General Assembly, which constitutes the legislative power. Legislative power is not limited to the Assembly. The Council of Ministers can issue regulatory Acts in the form of decree-laws with prior authorisation from the Assembly. A decree-law has the same legal force as the law approved by the Assembly.
337. The President, who is elected by direct, universal suffrage, is at the same time the Head of State and the Head of Government (Executive). The CSAR states that the President and the Executive hold a very dominant position vis-à-vis the Legislature and the Judiciary.
338. This can be categorised as a strong presidential system. The President’s wide-ranging powers include the authority to command the defence and security forces; decide when to call for elections; appoint the Presidents of the Constitutional Council, the President of the Supreme Court, the President of the Administrative Court, the Vice-President of the Supreme Court, the Prosecutor-General and the Vice-Prosecutor-General, the Rectors of the public universities, the Governor and Vice-Governor of the Central Bank; declare war; declare a state of emergency and impose martial law; sign defence treaties and international treaties; and endorse the laws approved by the General Assembly.
339. The CSAR concedes that the principle of the separation of powers has faced challenges in Mozambique, due to provisions in the Constitution as well as constitutional practice. The balance of power tilts towards the President and the Executive at the expense of the Legislature and the Judiciary.
340. Access to the courts and the right to defence and legal aid are constitutionally guaranteed. The administration of justice is unfortunately tainted by inefficiency and corruption, as well as preferential treatment of the rich at the expense of the poor.

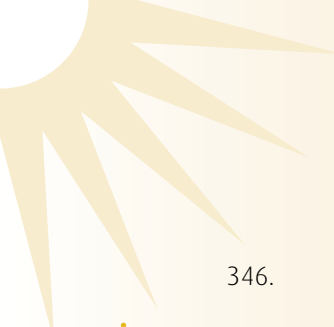
## II. Findings of the CRM

### *Separation of Powers*

341. It is clear that Mozambique is experiencing difficulties as far as the separation of powers and the autonomy of the Executive, Legislature and Judiciary are concerned. This flows from the constitutional structure, which provides for a strong and powerful President backed by the Executive, as opposed to an ineffective, weak and under-resourced Legislature and Judiciary. In line with practice in Lusophone countries, the President is empowered to appoint the President of the Supreme Court and the heads of the Constitutional and Administrative Courts, which power the General Assembly is unable to challenge effectively.
342. The constitutional mechanisms to ensure accountability, transparency and horizontal control are limited. The President and the government are not politically accountable to the General Assembly. According to Article 202(1) of the Constitution, the government must, however, discharge its functions in accordance with the decisions of the President and the Assembly. The Constitution provides a jurisdictional mechanism for the resolution of conflict between the different branches of government by means of the Constitutional Council. However, in Mozambican political history, there is no record of any relevant institutional conflict between two sovereign bodies. This makes it particularly difficult to assess allegations and perceptions of attempts by the Executive and Legislature to exert influence over the Judiciary.
343. A further impediment to good governance and the rule of law is the uneasy power balance between FRELIMO and RENAMO. The country and its governance structures are clearly divided between strongholds of either of the parties, and political intolerance is rife. The CRM observed that, both in the capital and in the provinces, political opinions are not freely expressed. Fears have been expressed that the General Assembly is hamstrung by the rift between the two major parties, which contributes to its incapacity to offer credible checks and balances to a strong Executive.

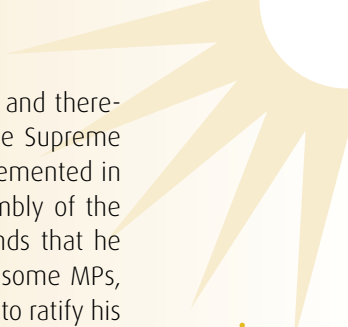
### *Independence and Accountability of Judges*

344. The 2004 Constitution has enhanced the principle of judicial independence. Article 217 provides that judges shall be independent, impartial and accountable, and shall owe obedience only to the law. Judges also require prior authorisation to undertake any other private or public activity.
345. The Supreme Court is the highest body within the hierarchy of courts. It is composed of Counsellor Judges nominated by the President of the Republic on the recommendation of the Higher Council of the Judiciary (CSMJ). Candidates are recruited through a competitive process starting with public advertisement of



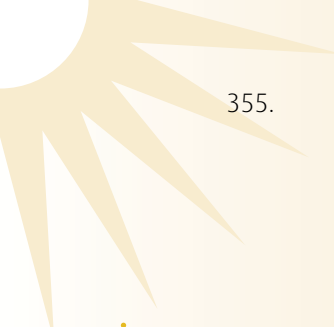
vacancies and submission of applications by qualified judges and other qualified lawyers. Theoretically, nominees are selected based on their qualification and experience. The President and the Vice-President of the Supreme Court are also appointed by the President after consultation with the CSMJ.

346. The Constitution provides for the CSMJ, which is the body responsible for the management and discipline of the Judiciary. The CSMJ is mandated to:
- Nominate, appoint, transfer, promote, exonerate and evaluate professional merit, take disciplinary action and, in general, carry out all acts of the same nature in relation to members of the Judiciary;
  - Evaluate professional merit and take disciplinary action in relation to officers of justice, without prejudice to the disciplinary powers assigned to judges;
  - Propose extraordinary inspections, inquiries and investigations to the courts; and
  - Give opinions and make recommendations on the policy of the Judiciary on its own initiative, or at the request of the President of the Republic, the President of the Assembly of the Republic, or the government.
347. The composition of the CSMJ includes the President of the Supreme Court (who presides over the council), the Vice-President of the Supreme Court, two members appointed by the President of the Republic, five members elected by the Assembly of the Republic (according to principles of proportional representation) and seven judges (from the different categories of judges and all elected by their peers). According to the Constitution, the CSMJ shall incorporate officers of justice elected by their peers for discussion and deliberation on matters related to professional merit and to the exercise of disciplinary authority over them.
348. AfriMAP's report, *Mozambique: Justice sector and the rule of law*, has been acknowledged as a well-integrated, consistent review of the Mozambican justice administration system, conducted over the past five years. The report refers to the Executive's failure to comply with the law: "In practice there has been tension between, on the one hand, the courts attempting to confirm their independence, and on the other, the Executive and Legislature attempting to maintain their historical control over the Judiciary."
349. Judges and prosecutors interviewed during the course of AfriMAP's research listed specific examples of "undue" interference with the courts, both directly and indirectly, by members of the Executive seeking to influence legal decisions. Interferences reported included government officials applying pressure on the criminal investigation police (PIC), prosecutors and judges regarding cases they were handling. The report also refers to lawyers interviewed who said that, based on personal experience, they had no doubt that ministers and other high-ranking government officials exert strong pressure on judges and prosecutors. This leads to arbitrary rulings and frequently to situations where judges release detainees before a charge can be formed against them.

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350. It is also noted that the appointment of judges is politically biased and therefore compromises their independence. The current President of the Supreme Court, Mario Mangaze, has held this position since it was first implemented in 1988. In April 2004, his reappointment was opposed in the Assembly of the Republic by RENAMO Members of Parliament (MPs), on the grounds that he had held office for such a lengthy period. Despite objections from some MPs, the President of the Republic was still able to obtain a majority vote to ratify his appointment for the Presidency and Vice-Presidency of the Supreme Court in 2004 successfully, as he has been able to do since the inception of the court.
351. The President of the Supreme Court is automatically appointed as President of the CSMJ. This council plays a central role in the appointment of judges to the judicial courts. Considering that the President and Vice-President of the Supreme Court are appointed by the President of the Republic, and that the ruling party also has a majority in the Assembly of the Republic, the President and his party could arguably exert influence over a considerable number of appointments to the Higher Council.

### ***Level of Independence of the Legislature***

352. As mentioned above, the Constitution gives a dominant position to the Executive, embodied by the President and the Council of Ministries. FRELIMO's comfortable majority in the Legislature has contributed to the weakening of the General Assembly vis-à-vis the Executive. Significant key legislation has been passed without the participation of RENAMO MPs, who declined to vote on the laws, arguably due to FRELIMO's clear intention of ignoring the arguments brought by the opposition during the discussion of the law.
353. The Legislature and Judiciary suffer from a lack of capacity and low levels of public confidence as a result of the greater power vested in the President and the Executive. Consequently, the application of the principle of separation of powers and the autonomy of the different branches of government is ineffectual. The current political practice in Mozambique also favours a blurring of the distinction between the ruling party, the government and the state.
354. The General Assembly sits part-time and has a limited number of days for doing oversight functions. Members of the General Assembly reported that its legislative work is done within three months (two sessions of a maximum of 45 days each), a maximum of 35 days for constituency work and 15–25 days for oversight functions during which members are paid. For the remaining seven months of the year, members have to fend for themselves. FRELIMO members of the General Assembly survive better because they are appointed to boards and commissions where they earn an additional income, but no so the opposition members. The 15–25 days in the year allocated for doing oversight functions are grossly inadequate.

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355. Financial constraints are cited as an excuse for the short period allotted to oversight functions. The decision on the amount of funds to be allocated to the General Assembly is the responsibility of the Executive. In this respect, MPs, both from FRELIMO and RENAMO, have on many occasions complained that the government is not paying enough attention to the General Assembly in the context of the state budget.<sup>18</sup> For a country with a huge problem of corruption and weak accountability mechanisms, it is undesirable that the General Assembly should be constrained from doing its oversight functions for lack of financial resources. Another constraint on the effectiveness of the General Assembly is its newness as a democratic institution (Box 3.5).

**BOX 3.5: THE GENERAL ASSEMBLY'S LACK OF LEGISLATIVE TRADITIONS**<sup>19</sup>

As a new democratic institution, the General Assembly in Mozambique is lacking in traditions, cohesion and self-confidence. Members lack experience in legislative drafting, which constrains their ability to shape Executive Bills. They do not have legislative assistants to carry out research on their behalf and are unable to analyse policy proposals independently with a view to improving on them. They also lack any experience of the legislative autonomy of the Executive. The majority of the laws passed in the General Assembly come from the Executive.

356. The work of the General Assembly is further undermined by a lack of technical capacity: "The General Assembly is lacking technical capacity to adequately and in a reasonable time deal with the legislative initiative submitted by the Executive. There is a dire need for qualified technical staff and technical training of the majority of the MPs."<sup>20</sup>
357. The CRM was informed that budget estimates are passed almost exactly as presented, because the General Assembly is informed that the budget structure is set by the funds available and limited by what donors will fund. As the country is heavily dependent on donor funding, this serves as a constraint on the ability of the General Assembly to engage the Executive on budget priorities. Donors, on the other hand, would prefer greater accountability and their support should not be the excuse for disabling the General Assembly in this way.
358. Widespread concerns are expressed about the wealth and standard of living of members of the General Assembly standing in sharp contrast to the poverty of the general population. Thus, the members of the General Assembly have an "image problem" with the public: they are seen to be leading opulent lifestyles and being insensitive to the general suffering of the masses. Constituency clinics are held infrequently, thereby further undermining public

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<sup>18</sup> The weekly newspaper O País, 29 December 2006.

<sup>19</sup> Field notes, Mozambique, 7 February to 2 March 2009.

<sup>20</sup> Plano Estratégico da Assembleia da República 2004-08, adopted by Resolution No. 16/2003, 31 December 2003. Published by BR No. 53, I Série.



confidence in the members. The situation has not been helped by the nature of the proportional representation electoral system, which holds that members of the General Assembly need not be local citizens and, as such, the public is easily alienated from them.

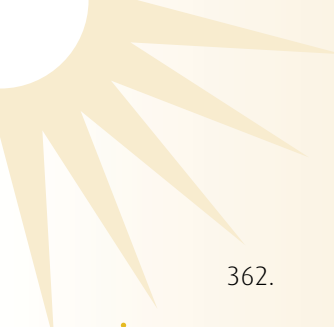
### III. Recommendations

359. The APR Panel recommends that Mozambique should:
- Depoliticise the appointment of judges in order to protect the integrity of the judiciary [Office of the President; MOJ; General Assembly];
  - Train the Judiciary in ethics, accountability and transparency [MOJ; the Bar];
  - Make membership of the General Assembly a full-time capacity and increase the number of days for oversight [Office of the President; General Assembly];
  - Ensure that the General Assembly has its own budget, which should be increased in view of greater involvement [MF; General Assembly]; and
  - Enhance the capacity of the General Assembly through training MPs in policy analysis and oversight functions [CSOs; UNDP/donors].

### ***Objective 5: To ensure the accountability, efficiency and effectiveness of public officeholders and civil servants***

#### I. Summary of the CSAR

360. The CSAR notes that the public service of Mozambique has a deplorable reputation for incompetence, ineffectiveness, corruption, bureaucratic red tape and poor service delivery. The incompetence and ineffectiveness are partly the result of the limited well-trained, qualified manpower available for recruitment and the inadequate opportunities for training and continued training of public servants. As a result, there are too many inexperienced people in positions of responsibility that are well beyond their capability. This situation is exacerbated by the insufficient numbers employed in the public service relative to the enormity of the functions of departments and agencies. Recruitment into the service is not merit based, but mainly happens through political party affiliation and nepotism, thus depriving the public service of some of the best candidates available. Those recruited through party affiliation and nepotism do not adhere to professional standards and ethics. They are difficult to control, which impacts negatively on discipline in the public service.
361. Inadequate financial and material resources also affect the performance of the public service negatively. Offices are not only inadequately funded to be run optimally in a financial year, they also are not adequately equipped, especially with information and communication technology (ICT) facilities to speed up op-




erations and enhance levels of accuracy in recordkeeping and retrieval. In rural areas, infrastructure is rudimentary and this prevents the public service from responding adequately to public demands for services. In addition, a traditional bureaucratic attitude of rule prevails instead of a results-oriented focus.

362. The CSAR reports that corruption has been a major issue in Mozambique's public administration system, mainly as a result of negative value orientation, insufficient mechanisms for ensuring transparency and accountability, low staff wages and the wide gap between high and low-income workers. This is a precarious situation for workers residing in urban areas, whose wages do not cover the high costs of housing and transport, let alone other necessities, such as adequate food, water, energy and clothing. Corruption is particularly rampant in the critical social services sectors of healthcare and education, as well as in the security and justice sectors. Health workers frequently demand bribes to hasten the provision of services, or to provide it at all. In the education sector, it is possible to obtain credits or certificates without sitting the examinations. Access to justice is cumbersome and expensive and its processes very slow and complex. The police are hampered by inadequate numbers and the lack of necessary equipment and expertise to handle investigations competently.
363. According to the CSAR, service delivery is affected by the diversion of funds by officers, insufficient provision of drugs in hospitals, inadequate and ill-trained teachers in schools and the low morale of workers generally. The public service lacks a culture of accountability to horizontal institutions as a result of its development from a centralised state system with a hierarchical organisational structure and vertical accountability to the highest level of party/state organisation. Ministers do not have a strong sense of accountability to the General Assembly, neither do public servants consider themselves accountable to the public for the quality of service delivered. The attitude of public servants to the public is often disdainful, because most of the population is illiterate and easily manipulated. Poor communication of rules and regulations and citizens' generally low appreciation of their rights and privileges promote impunity among public servants.

## **II. Findings of the CRM**

364. The CRM confirmed that the government has embarked on numerous efforts to revamp the public service since the cessation of the civil war in 1992. With the adoption of multiparty democracy, economic liberalisation and accession to the MDGs, the government realised the necessity of having an efficient and effective public service as the instrument for achieving its ambitious transformation goals contained in PARPA. A two-phased Public Sector Reform (PSR) programme was adopted, Phase I (2001-05) and Phase II (2006-11), to render the public service more effective in promoting the government's development initiatives and poverty reduction efforts.

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365. Under Phase I of the programme, the focus was on five components of reform to improve public sector management and service delivery, namely, decentralising structures; improving policy formulation and monitoring; enhancing professionalism in the public sector; improving financial management and accounting; and enhancing good governance and fighting corruption.
366. In Phase II, the programme seeks to improve service delivery to citizens and the private sector; to strengthen local government; to make public administration more professional; and to enhance good governance and fight corruption. Phase I of the reform was essentially about analysing, conceptualising and designing what needed to be done, while Phase II seeks to deepen and consolidate the gains of Phase I of the PSR programme.
367. The CRM confirmed that serious efforts are being made to transform the governance machinery through institutional reforms and human capacity development across the entire public sector. Among the reforms carried out to reform the public service are the following:
- Updating the “Norms of the Functioning of Public Services”, through Decree No. 30/2001, dated 15 August 2001;
  - Updating the “General Statute of Public Servants”;
  - Implementing the High Authority on Public Service, since July 2006, by Presidential Decree No. 2/2006, dated 7 July 2006;<sup>21</sup>
  - Implementing, during 2002–04, the “Ministries’ Functional Analysis” in order to prepare the ground for restructuring the ministries; and
  - Adopting “quick-win” programmes by each ministry and other agencies to muster public confidence behind the global reform agenda.
368. To drive the reforms, the government established the Interministerial Commission on Public Sector Reform (CIRESF) in 2000. Chaired by the Prime Minister, the commission reflects the government’s appreciation of the importance of high-level political support to the success of the PSRP and the Technical Unit for Public Sector Reform (UTRESF) to serve as the administrative secretariat of the reform programme.
369. The CRM confirmed that a good number of positive changes have been brought about in the structuring and functioning of the public service under Phase II of the PSRP, which was in its third year of implementation at the time of the Mission. The performance of the reforms per component is reported on below.<sup>22</sup>

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<sup>21</sup> Published by BR. No. 27, I Série, dated 7 July 2006.


<sup>22</sup> Technical Unit for Public Sector Reform (UTRESF). 2008. Balance of the report on the 2007 public sector reform implementation, March 2008. Maputo: Ministry of Public Service.

## ***Improving the Provision of Services to Citizens and the Private Sector***

370. Under this component of the reform, the goals are to restructure public agencies at the central and local levels through decentralisation in order to achieve greater efficiency and to improve the service delivery capability of public institutions. To this end, functional analysis and plans for restructuring were finalised for the MDN, the Ministry of Transport and Communications (MTC), the Public Prosecution Service, the Ministry for Veterans' Affairs (MAAC), the Ministry of Mineral Resources (MIREM) and the Ministry of Women and Social Affairs (MMAS). Various training programmes have been conducted for staff of central and local governments, such as technicians from the Ibo, Mecufi, Montepuez and Quissanga districts in Cabo Delgado province, the Gondola and Manica districts in Manica province, and Marracuene in Maputo province. To better serve the private sector, Decree No. 14/2007, for establishing and regulating the operation of customer one-stop shops, was published on 30 May 2007. At the Ministry of Finance, budget implementation for 28 ministries and eight other public agencies at the central and provincial levels has been computerised (e-SISTAFE). More than 1 700 officials have been trained in the implementation of the State Financial Management System (SISTAFE) and another 1 884 trained through academic institutions. The ministry has also established a web portal for public bidding at <http://www.concursospublicos.gov.mz>.

## ***Strengthening the Capacity of Local Government***

371. Chapter IV of the Constitution empowers the government to decentralise powers to local state bodies and local authorities. Local state bodies (as they are called by the Constitution) "represent the state at the local level in the administration and development of their respective territories". Thus, the government will act in the localities through local state bodies to ensure more effective penetration of society, as well as efficient and effective service delivery. As defined by the Constitution, the purpose of local administration (which is composed of local representatives, as distinct from state officials in localities) is to enable citizens seek their own solutions to local problems and to participate in governance. Consequently, the scheme of decentralisation, as mandated by the Constitution, has a dual dimension and purpose, namely, to ensure effective government presence in the localities while, at the same time, enabling autonomous local self-determination in a defined sphere.
372. Deconcentration, that is, the transfer of authority to field offices of ministries, departments and agencies, was effected through Law No. 8/2003 of 19 May 2003. This law saw the establishment of provincial and district governments charged with the implementation of government policies in the provinces and supervision of the same in the districts. The provincial government is headed by a Governor who is appointed by the President. The Provincial Administration is headed by a Permanent Secretary, appointed by the Prime Minister, and



supported by provincial directors in charge of directorates (sector services) who, in turn, are appointed by their sector ministers. The main functions of the provincial government are the following:

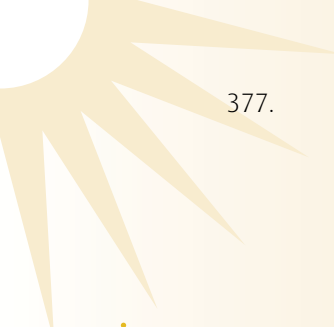
- Approval and monitoring of the implementation of provincial development plans and budgets;
- Supervision and support of district and local governments in accordance with government policies; and
- Management of natural disasters and emergencies.

373. Provincial revenues are derived from three main sources, namely, state budget allocation, provincial taxes, and fees and charges. The provincial government is accountable to the government through the visits various ministers conduct to monitor sector programmes and mandatory periodic reports. The Constitution provides for democratically elected provincial assemblies to supervise and monitor the provincial government, in order to ensure that its activities conform to government policies, and to approve and monitor implementation of the provincial budget. At the time of the CRM, however, no elections had been held to compose provincial assemblies.

374. The District Administration is headed by a District Administrator, who is complemented by a District Secretary and Directors of Services at the district. According to the UTRESP, the main duties of the district government are to formulate district development plans and implement them; identify district reserve land; ensure environmental protection; promote alternative energy use; promote local development initiatives; fix the rate of local taxes and other fiscal resources assigned to districts under the law; and ensure the human and food security of the district.

375. District revenues are derived from state revenue transfers and own taxes. A district investment fund of 7 million meticaïs (as high as 10 million meticaïs in exceptional circumstances) was instituted to support poverty reduction efforts through offering revolving loans to deserving applicants for food production and income-generating activities. The fund's administration has been fraught with challenges. In interactive sessions with stakeholders, the CRM heard repeated complaints at all the validation workshops that it was mainly the supporters of the ruling party who received the loans. The officials, on the other hand, revealed that loans were difficult to recover, as beneficiaries declined to make refunds. Consequently, rather than being a revolving loan, it is unavailable to go round to other potential beneficiaries. There is also an infrastructure grant (2 352 000 meticaïs in 2007) that is distributed to all the districts.

376. District administrators supervise administrative posts and localities under them. They are appointed by the Minister of Public Administration, in consultation with the Provincial Governor, while the Secretary is appointed by the Governor. Accountability is enforced by means of biannual reports and general financial inspections by government auditors and the Administrative Court.

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377. The scheme of deconcentration is complemented by the devolution of powers to local authorities. For this purpose, the Constitution empowers the government to designate municipalities (for towns) and administrative posts (for settlements) as local authorities that shall have assemblies with decision-making powers and executives accountable to their elected assembly. The Constitution stipulates that local authorities shall have their own revenue sources (property and tax assignments) and staff,<sup>23</sup> and shall enjoy decisional autonomy subject to the administrative supervision of the state. Law No. 3/94, which set up municipal districts, provided for elected municipal assemblies and was meant to apply nationwide, adopting existing administrative districts as units of the new municipalities.
378. Instead, a new law (Law No. 2/1997) split local authorities into municipalities and settlements, each to be established by a specific legal instrument and existing alongside the District Administrations' structures of deconcentration. The new law gave the government control over when, where and which type of local authorities were established. Eventually, 33 local authorities were established in 23 cities and only ten towns out of 60. In 2008, with the establishment of another ten local authorities, the number rose to 43.
379. Local governments have very little autonomy in practice and are totally dependent on the central government for most of their funds. Not only are transfers inadequate, but they are often delayed by bureaucratic processes. The poor state of the infrastructure also plays a part in weakening local administration. Only 48 out of 128 districts have a commercial bank, while the lack of electricity supply has prevented many of them from linking up to their provincial headquarters and centre by ICT.

### ***Traditional Rulers***

380. The CRM met with several traditional rulers in all the provinces where validation workshops were held. Until the GPA, traditional rulers were categorised together with the colonial government as representing the "ancient regime" that had to give way to the "new" Mozambique. Their rehabilitation came when the GPA guaranteed that the government would "respect and not antagonise the traditional structures and authorities where they [were] currently de facto exercising such authority, and to allow them to be replaced only in those cases where that is called for by the procedures of local tradition themselves".<sup>24</sup> However, it was not until 2004 that traditional authority received constitutional recognition with the provision that "the state shall recognise and esteem traditional authority that is legitimate according to the people and to

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<sup>23</sup> Article 279.

<sup>24</sup> Protocol V, III (e).



customary law”, and that the state shall also define its role in the economic, social and cultural affairs of Mozambique.<sup>25</sup>

381. The definition of the roles of traditional leaders is contained in Decree No. 15/2000 and 11/2005, which give recognition to pre-existing traditional rulers, but also enable most other communities to elect their own chiefs or secretaries who are on the same level with those who inherited their positions. Traditional rulers play a significant role in land administration by vetting and recommending the applications of those applying for the grant of right of use to the appropriate authorities. They also play an important role in maintaining law and order, resolving conflict and ensuring social mobilisation for national programmes, such as inoculations, elections and environmental protection.
382. The traditional rulers informed the CRM that their role is important for state penetration of rural areas through the facilitation of two-way communication between the government and people at the grassroots level. The main constraint to their participating in governance more effectively is their lack of formal enforcement capability. Moreover, as society rapidly modernises, they are tending to find it difficult to deal with problems of security and social indiscipline, and with the fact that their recommendations on land use rights may be ignored or reversed in favour of privileged people.

### ***Making the Public Service More Professional***

383. Among the recent achievements under Phase II of the PSR programme are, according to the UTRSP:
- Updating of the staff information system and verification of the nominal roll of all civil servants (e-CAF);
  - Exposure of 35 000 irregular names on the nominal roll, of which 16 738 cases have been regularised;
  - Issuance of 114 510 tax identity numbers to the central bodies, provincial capitals and Maputo city; and
  - The holding of several capacity-building workshops, seminars and in-service training events for various cadres of public servants at central, provincial and district levels.
384. Also, the government has established two institutions for training the public sector workforce: the Institute of Public Administration (ISAP) and the System of Training in Public Administration (SIFAP). ISAP and SIFAP are playing a major role in filling capacity gaps in the public administration. Nevertheless, they are overstretched trying to cope with the high demand to produce the high-calibre manpower the country needs. All the training institutions need more trainers, better infrastructure (classrooms and other facilities) and enhanced budgets if they are to perform optimally.

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<sup>25</sup> Article 118.

## ***Strengthening Systems of Good Governance and the Fight against Corruption***

385. The performance of the PSR programme, in so far as good governance and the fight against corruption are concerned, is appraised severally under Objective 6 in this chapter and Objectives 3 and 4 in the fourth chapter of this report.
386. Although wide-ranging, the nature of many of the reforms reflects how degraded the system of public administration has become. The massive destruction of the country's infrastructure is without a doubt the result of the many years of war that Mozambique experienced. Consequently, the government has had to begin rebuilding the administrative institutions from scratch, block upon block, one at a time, and literally from the ground up. The government's commitment, together with the sympathy and assistance of donors, is making an impact that is already reflected in the signs of improvement in service delivery and in the enhanced capacity of public servants.
387. Challenges persist, however. The first is the generally low level of educational attainment, as a result of which there is a shortage of highly skilled manpower. Total enrolment in institutions of higher education in Mozambique was reported to be 11 600 in 1999, while only 483 graduated in 1998.<sup>26</sup> With this level of output from the higher education system, it is clear that it will be difficult to find locals to fill many vital vacancies in the public service in the near future.
388. Recruitment into the public service is not merit based, despite the need for quality recruits and for all available local expertise to be harnessed to the task of nation building. Party affiliation, nepotism and cronyism predominate in recruitment into the public service. It is estimated that the proportion of public servants recruited on the basis of merit is as low as 13 per cent.<sup>27</sup>
389. Motivation in the public sector is adversely affected by poor remuneration of civil servants, not just in comparison with the remuneration paid by international agencies, but also in relation to the cost of living. Transportation, housing, electricity and water rates take a high proportion of the incomes of low-income earners. The public sector is still characterised by weak planning processes, poor management of human resources, and a weak financial management system that permits laxity, as well as diversion of the budget for other purposes.

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<sup>26</sup> United Nations (UN). 2004. Republic of Mozambique: Public Administration Country Profile. Division for Public Administration and Development Management (DPADM) and the Department of Economic and Social Affairs (DESA), page 11.

<sup>27</sup> UN (2004:10)

### III. Recommendations

390. The APR Panel recommends that Mozambique should:
- Establish merit-based recruitment into the public sector [Ministry of Public Administration];
  - Improve the capacity of ISAP, SIFAP and the Training Institute for Municipal and Public Administration (IFAPA) to train more public servants [Ministry of Public Administration; ISAP; IFAPA];
  - Increase significantly the LIIF and review the fund with a view to making access free from political influence [Ministry of Local Government]; and
  - Enhance the role of traditional rulers by providing them with enforcement capability [Ministry of Local Government].

#### **Objective 6: To fight corruption in the political sphere**

##### **I. Summary of the CSAR**

391. The CSAR affirms that corruption is endemic and is widely acknowledged as a national vice in Mozambique. Studies have described corruption as a “social cancer” that is capable of destroying the very fabric of society. Corruption occurs at all levels of the structure of governance, be it national government, provincial government, district administrations, municipalities or communities. The CSAR makes a distinction between “petty” corruption, which occurs at the point of contact between public service providers and citizens, and “grand” corruption, which involves higher-ranking government officials. Petty corruption is most prevalent in the social (education and healthcare), security (traffic police) and justice sectors, whereas grand corruption is perpetrated at higher levels of government where policies are made and approvals and licences are granted. At this level, corruption is mostly manifested in the awarding of contracts and procurements, and in the conversion of project funds for personal enrichment.
392. While corrupt junior public servants can be punished for offences, corruption involving high-ranking government officials is hardly ever effectively investigated, nor are the perpetrators prosecuted. As a result, the public has become sceptical about the government’s determination to fight corruption and bring perpetrators to justice. If corruption is difficult to fight in the public sector, it is even more so in the private sector, where there seems to be no appropriate legal framework for fighting corruption.
393. Petty corruption is rife, presumably because of the low wages of public servants. Citizens are usually afraid to accuse perpetrators and serve as witnesses, because they lack confidence in the judicial process, especially as there is no system of protecting whistleblowers or witnesses. The fight against corruption is thereby undermined. In addition, the institutions established to combat cor-



ruption have not been effective, despite the existence of many legal instruments (domestic, regional and international) adopted for that purpose.

## II. Findings of the CRM

394. The CRM confirms that corruption is of major concern in Mozambique. It is endemic throughout the economic and political spheres. Worse still, there is a sense of resignation and tolerance in society generally, because several high-profile cases of corruption that were reported have not yet been resolved satisfactorily. Participants in the validation workshops reported that, in the political sphere, corruption occurs in the awarding of large government contracts; among vendors who supply goods and services to the government; among public servants who collect bribes as a means of coping with the high cost of living due to low public sector wages; and in the delivery of most public services, especially education and healthcare. Corruption is also said to be rife in the execution of public works, due to the absence of sufficient legal frameworks for checking abuses by private sector operators.
395. Traffic police are notorious for requesting for “soft drinks” at checkpoints and the rest of the police force is accused of extorting accused persons, irrespective of the merits of their cases. Participants complained that police corruption weakens the administration of justice, as well as the fight against corruption, as very often accused persons are not properly investigated and prosecuted. After a short time in police detention, some of the accused reach a settlement with the police and are released to go back to terrorise their accusers.
396. Corruption affects the public sector’s capacity, as most recruitment is based on political party affiliation or nepotism. Recruitment into all public institutions is carefully regulated to ensure that FRELIMO members have an advantage and they also enjoy preferential treatment when it comes to promotions. In a time of mass unemployment, choice job vacancies in the public sector are the exclusive preserve of those sponsored by powerful people. The conflation of state, government and party means that the children, relations and friends of high-ranking government and party officials receive preferential access to public sector jobs, contracts and consultancy.
397. The CRM was informed that corruption thrives through the interpenetration of government, business and politics. High-ranking government officials are allegedly heavily involved in businesses, some of which they are officially required to regulate or which obtains contracts from the government. Businesspeople see partnership with government officials as an advantage, because it opens doors that would otherwise be shut, confers competitive advantage and safeguards against the prying eyes of government regulators and tax authorities. Members of the Chamber of Commerce were appreciative of the economic liberalisation policy that has opened up the economic space for them,

but also apprehensive that they could not do much business autonomously of high-ranking government and party officials.

398. Although the highest judicial authorities deny it, public presentations at the validation workshops suggested that the judicial process is steeped in corruption and favouritism and that this is partly because the President nominates all heads of the bench and thus has influence over them. However, the President of the Supreme Court, the President of the Constitutional Council and the President of the Administrative Court deny any interference in the judicial processes. Indeed, it was mentioned that direct interference in court cases had taken place on only five occasions since independence, and all during the period of one-party rule. Nevertheless, besides the Constitutional Court, which enjoys a rather good reputation for integrity, presumably because of the nature of the cases it handles, CSOs seriously contended that judicial processes are susceptible to corrupt inducements.
399. The public is cynical about the government's seriousness in combating corruption in the country. They point to the high-profile corruption cases that have been swept under the carpet, and to the high price that could result from being a whistleblower or a crusader against corruption (Box 3.6).
400. On the positive side, however, the government has put in place a comprehensive anticorruption strategy and instruments which, if applied vigorously, could drastically reduce the levels of corruption. Under the Anticorruption Strategy for 2006–10, the government's policies to combat corruption will focus on the following:
- Rationalisation and simplification of administrative procedures;
  - Reduction in the discretionary power of civil servants in the exercise of their duties;
  - Development in the public administration of a management culture oriented towards delivering concrete results;
  - Strengthening of accountability procedures and mechanisms in public financial, asset and procurement management;
  - Establishment of mechanisms for participation by civil society and the private sector in government action;
  - Prosecution of a greater number of corruption cases as a way of discouraging the development of a culture of impunity; and
  - Decentralisation of government action so as to bring government decisions closer to the citizens.

### BOX 3.6: HIGH PROFILE CASES OF CORRUPTION IN MOZAMBIQUE <sup>28</sup>

The case of Carlos Cardoso is a reference point in this regard. The privatisation of public enterprises in the 1980s was a bonanza to the government and party officials, who bought privatised companies cheaply and either kept them as investments or stripped them of their assets. Cardoso, publisher of *Metical*, investigated an apparent case of fraud in the Commercial Bank of Mozambique, the largest bank in the country, which was privatised in 1996. He uncovered an alleged fraud involving huge sums of money calculated at US\$150–300 million. His investigations linked high government and party officials to the fraud, leading to the dismissal of the Prosecutor-General and some of his staff in July 2000. Whilst still insisting on the trial of those linked with the fraud, Cardoso was murdered in November 2000. Subsequently, following much public disquiet, the trial of those associated with the murder commenced in 2002. During the trial, Anibal dos Santos, the main accused in the crime, escaped from prison to South Africa, but was rearrested and returned to prison just before judgement was given in January 2003. All six accused persons were convicted of Cardoso's murder and given jail sentences, but Dos Santos was able to escape again in May 2004. Rearrested in Canada, he was deported to Mozambique in 2005. The Supreme Court then ordered his retrial. Again, he was convicted and sentenced to a 30-year jail term. Powerful people named during the trial as having been behind the fraud and complicit in his various attempts to escape justice have, however, not been tried. This case remains a constant reminder of the impunity of high-level corruption and the high cost that high-minded crusaders could pay. The case of Siba-Siba Macuacua, who was assassinated in August 2001 while investigating fraud in the Austral Bank, a privatised institution, is no lesser evidence that the authorities lack commitment to fight corruption.

401. The CIRES, with the Prime Minister as its chair, drives the anticorruption strategy assisted by a technical committee composed of representatives from the public sector, private sector, media, NGOs, professional associations and trade unions. In 2007, the National Anticorruption Forum was instituted to broaden participation in the anticorruption campaign.
402. Among the legal instruments available to fight corruption are the Anticorruption Law No. 6/2004, which together with Decree No. 22/2005, provides sufficient legal teeth for fighting corruption; Decree No. 30/2001, which prescribes norms or operational values for the public service; Law No. 4/90 and No. 21/92, which make it mandatory for the President and other high-ranking government officials to declare their assets to the Constitutional Council no later than 30 days after assumption of office; Law No. 9/98, which defines a code of conduct for public officials; Law No. 9/2002 on Treasury management, as amplified by Decree No. 23/2004; Decree No. 19/2005 on tax inspection; Law No. 7/2002 and No. 14/2007 on money laundering; and Decree No. 54/2005 on public procurement. In addition, Mozambique ratified the SADC Protocol Against Corruption in July 2004. The government also ratified the AU Conven-

<sup>28</sup> Field notes, Mozambique, 7 February to 2 March 2009.



tion on Preventing and Combating Corruption in August 2006, followed by the ratification of the UN Convention Against Corruption in December 2006.

403. An anticorruption unit, the UAC, was established within the Public Prosecution Service Office in 2002, but was replaced by the Central Office for Combating Corruption (GCCC) when the Cabinet adopted the Anticorruption Strategy. Unfortunately, the UAC never really took off, a situation indicative of the government's benign attitude towards corruption at the time. It suffered a setback when the Supreme Court questioned its legal status to initiate prosecutions. Although the GCCC has been operational since 2006, it has not been any more effective than previous institutions dedicated to fighting corruption. The GCCC is weak, its summonses to suspects are ignored, and its operatives are subject to harassment by those being investigated. It is also poorly resourced, as it does not have an independent budget and lacks adequate numbers of suitable personnel.
404. There is no doubt that the battle against corruption in Mozambique faces formidable obstacles caused by, among other things, one-party dominance of the political space; the weakness of the political opposition; blanket association of CSOs working towards anticorruption with the political opposition; the weak legal and institutional framework; and lack of capacity of the Assembly of the Republic to carry out effective oversight. Because the struggle against corruption in Mozambique is against the established order, the road to success lies in a complete overhaul of attitudes at the highest levels of government and at the institutional machinery for confronting it.

### **III. Recommendations**

405. The APR Panel recommends that Mozambique should:
- Prosecute cases of grand corruption vigorously to serve as a deterrent to offenders [Minister of Justice/Public Prosecutor];
  - Publish high-level government officials' declaration of assets to discourage corruption and restore public confidence in the political leadership [Administrative Court];
  - Enhance the capacity of the Administrative Court to verify the declaration of assets by public officers [Administrative Court];
  - Adopt ethical guidelines to clarify the role of officials in business and strengthen the accountability of government officials to the people [Ministry of Public Administration; MO]; and
  - Adhere to the broad definition of corruption as provided for by the AU Convention on Combating and Preventing Corruption and the SADC Protocol Against Corruption as a matter of legal principle [MO].

### **I. Summary of the CSAR**

406. The CSAR notes that much progress has been made in recent years in terms of improving the situation of women in Mozambique. Despite having heavy family responsibilities, women are seen to be subordinate to men. This status is a product of the gender inequity that draws a social and cultural distinction between men and women. This situation puts women at a disadvantage in the country's development process. In most communities, women do not benefit from training courses for the development of small business enterprises and no specific programmes have been developed by the government to support income-generating activities for women, which is a necessity given the high number of women experiencing extreme poverty. The girl-child is likewise regarded as particularly vulnerable and faces difficulties similar to those of women.
407. The Constitution recognises the equality of men and women and guarantees both groups full participation in all spheres of Mozambican society. A gender policy and an implementation strategy are in place. The MMAS has activities geared at promoting women's role socially. At the provincial level, there are Provincial Councils for Women's Advancement. Other entities established to promote the progress of women include the Cabinet of General Assembly Women; the Commission for Social, Gender and Environmental Affairs of the Assembly of the Republic; an Operative Group for the Progress of Women; and a Women's Forum.
408. With regard to levels of decision making, women's positions are becoming more prominent. In the current government that emerged from the 2004 elections, there are seven women ministers and five vice-ministers. Of the total of 250 deputies in the Assembly of the Republic after the 1999 elections, 80 were women, which is an increase of 6 per cent in relation to the previous legislature of 1994-99. Currently, of the 250 deputies, 31.2 per cent are women, which represents a further growth in their number and proportion of the total. Their presence in other decision-making bodies is as follows: CNE (2); provincial governors (2); Presidents of Municipal Councils (3); and a considerable number of members of municipal assemblies, councillors and district administrators. Women also occupy leadership positions in several other directorates in the government machinery.
409. Women's movements campaign vigorously for access to education and literacy, which have recently been developed visibly. The Family Law provides a set of new guarantees and ensures several rights for women. Unfortunately, domestic violence persists and is aggravated by harmful traditional, religious and cultural beliefs that make it difficult to actualise all women's rights.

## II. Findings of the CRM

410. Women constitute approximately 52 per cent of the Mozambican population. According to PARPA II, 72.2 per cent of Mozambican women live in rural areas, and 23.2 per cent are heads of households. The female population is more concentrated in rural areas, where women form 55 per cent of the labour force and engage in subsistence farming.
411. Despite being a numerical majority and having major responsibilities as mothers, wives and daughters, the status of women is that of subordination. As a result, they are worse off than men, being poorer, illiterate and more affected by, and infected with, HIV/Aids. This has influenced the government's policies and guided it towards developing multifaceted strategies for uplifting the status of women in Mozambique. While a great deal of work has been done in the political public arena and impressive results have been achieved, it is in the social, cultural and economic arenas and in the private sphere that women suffer setbacks.

### Policy and Institutional Framework

412. Mozambique's Family Law is a progressive tool that provides an appropriate framework for eliminating discrimination against women in family relations, which tend to be bedrocks of the marginalisation of women. The Family Law covers important concepts of parental rights, child custody, cohabitation rights, separation and divorce, property rights and inheritance, to mention but a few.
413. Mozambique has both a National Gender Policy and a National Plan of Action for the Advancement of Women. This plan involves all sectors of society and is implemented by the Cabinet, the General Assembly and the Constitutional Council. Gender is a cross-cutting issue in the country's five-year socio-economic government plan. PARPA II has gender indicators for measuring the mainstreaming of gender equity in all sectors (e.g. the water and energy sectors). CEDAW, the Protocol on the Rights of Women in Africa, and the Solemn Declaration on Gender Equality in Africa have either been signed or ratified in order to facilitate an enabling policy environment.
414. Gender equality and empowerment are priorities in Mozambique, and are reflected in the number of women in leadership positions, especially at the central level, although to a lesser degree at the provincial and district levels (Box 3.7). Women have been appointed to executive positions from central to local council level (e.g. 50 per cent of those in the Gaza and Inhambane governments are women and they make significant decisions).

### BOX 3.7: GOOD PRACTICE IN GENDER REPRESENTATION IN PARLIAMENT <sup>29</sup>

In Africa, Mozambique has the second highest number of women in the General Assembly, at 38 per cent. This has been attributed to the high level of commitment to promote gender equality, even at party level, where quotas are set aside for women. In its governing statutes, FRELIMO has set aside a quota of 35 per cent for its female members.

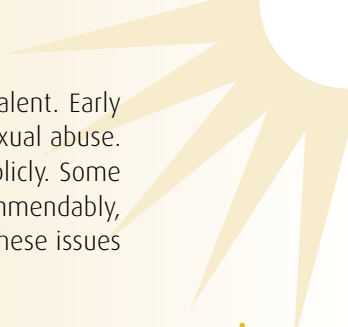
415. The MMAS is accountable to the Council of Ministers for the achievement of its set goals. There is a Cabinet of General Assembly Women and a General Assembly Women's Caucus. The MMAS is working towards increasing the number of women in decision-making roles and of programmes to empower women economically. Various projects to benefit women, such as income-generating activities, are being developed by the National Institute of Social Welfare, as well as adult literacy and education programmes in conjunction with the Ministry of Education and Culture (MEC).
416. The National Council for the Advancement of Women (CNAM) has been set up to guarantee that the National Gender Policy is fully implemented, and this is replicated at the provincial level. The CNAM's objective is to promote gender equality. It comprises women from diverse backgrounds in the private sector, the government and NGOs. It undertakes situational analyses of women's welfare in order to give assistance. In Beira, the CNAM has undertaken several activities, such as offering support to women inmates, orphans and vulnerable children and raising awareness of women's rights.
417. The women's movement is very vibrant in Mozambique. The African Protocol on the Rights of Women was debated by women's organisations and civil society in order to mobilise consensus. There is also a Women's Forum chaired by the Minister of the MMAS, which brings together a pressure group of women in academia, civil society and the private sector that works with the government to advance gender equity.

#### ***Challenges to the Realisation of Women's Rights***

418. Despite progress made in the promotion of women's rights and welfare, women remain highly discriminated against and marginalised, especially at community and family level. The further away from the urban centres, the fewer women there are who participate in effective governance mechanisms. This is aggravated by the poor development of communication and dissemination of information. Discrimination manifests in several forms of violence, as discussed below.

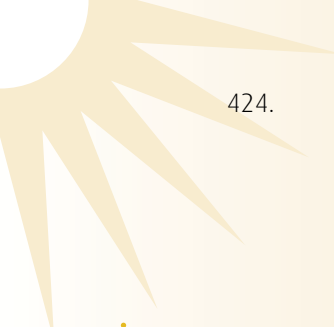
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<sup>29</sup> Field notes, Mozambique, 7 February to 2 March 2009.

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419. As noted in the CSAR, sexual harassment of the girl-child is prevalent. Early child marriages are usually seen as a way of handling issues of sexual abuse. Issues of domestic sexual abuse are taboo and not dealt with publicly. Some traditions emphasise that women have no voice or opinion. Commendably, some CSOs are attempting to raise awareness among women on these issues in an attempt to break the silence.
420. Stakeholders also reported that, in instances of divorce, especially in rural areas where customary norms are more strictly enforced, many women are left indigent, property is not divided equitably and they are sent away empty handed. Few are bold enough to report such cases to the Community Court.
421. Trafficking of women and children is a complex issue, because the women are deceived into trafficking for work purposes and are mistreated on arrival at their destination. Hence, as victims, they are harder to detect at border checkpoints and where corrupt customs agents are found, victims are that much more easily trafficked. Most victims are trafficked from rural to urban areas, or to South Africa or Zambia, where they are used as cheap forms of labour and for sexual gratification. According to customs officials, fewer adults than young persons are trafficked. Young girls are lured with promises of good jobs and scholarships. The government has passed the Law on the Trafficking of Persons, particularly women and girls. However, prosecution of this crime remains low, even where traffickers are apprehended.

### ***Domestic Violence***

422. Currently, domestic violence is dealt with by means of criminal laws pertaining to assault and rape, which are inadequate to address the sociocultural aspects of the offence. The Law on Domestic Violence is yet to be passed by the Assembly. The lack of an appropriate legal framework, specifically for perpetrators of domestic violence, limits the sanction's mechanisms. There is no compensation for victims of sexual violence.
423. The government's response to domestic violence has included setting up special units focusing on violence against women. At police level, there are units that focus on women's issues, including domestic violence. The CRM was informed that a proposal has been made to turn such units into separate and distinct police stations dealing with violence against women. However, the CRM also learnt that information dissemination about the work of these units is low, and that the units are under-resourced in terms of human and financial capacity. One female police officer reported to the CRM that their role is unappreciated by fellow officers, and that she is not getting promotion as a result of the low importance accorded to this unit.

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424. A concerted civil society initiative propelled by the Women's Forum resulted in a proposal on the contents of a draft Law on Domestic Violence, which was submitted to the Assembly. The Bill was not accepted due to various reasons. A member of the Assembly Committee on Social Affairs informed the CRM that there were some inconsistencies in the Bill. For example, the punishments were not commensurate with the crime, and were deemed to be either too heavy or too light; hence harmonisation was required. The Assembly also felt that violations should cover all forms of domestic violence, other than that committed solely against women, such as domestic violence against the elderly, disabled persons, children and pregnant women, hence the delay. The Bill is being redrafted to cover all social groups.

### ***Economic Rights***

425. The lack of microcredit schemes and the stringent conditions attached to credit facilities being granted by banks limit women's economic activities. Commercial banks rarely grant credit for agriculture and small enterprises in which women engage. In many cases, women are unaware of the rights and benefits for which they qualify. The CRM learnt that although some banks prioritise access to loans being given to women, most women are unaware of this. At district level, the committees determining the allocation of the 7 million meticaís comprise mostly men and the interests of women are overlooked. In an effort to build women's capacity to engage in income-generating activities, the provincial CNAM in Beira is lobbying for women's organisations to benefit from the fund of 7 million meticaís and is raising awareness among women's groups.
426. The CRM learnt that the level of commitment to paying back loans is higher among women and the results are encouraging. When seeking to access loans, women face challenging conditions, given their high levels of illiteracy. (For example, banks require registration documents for associations.) Microfinance is difficult to access, especially on account of the unusual collateral requirements. Applicants are asked for securities, such as household appliances, and in some instances they are also required to obtain permission from their husbands as guarantors. This violates the principle of equality. Consequently, some women's associations have organised themselves to raise credit among themselves.
427. Women's wellbeing and economic rights in Mozambique bear a nexus to access to land, as the majority are involved in subsistence farming and sell surplus products for income. The Land Law of 1997 gave women equal formal rights to own land. In practice, however, many men leave their spouses out of land titles in the titling process. In rural communities, most women are unaware of their user rights on communal land. They are usually then relegated to mere use of the land as an extension of a male relation by birth or by marriage, and these rights may be lost upon divorce or death.



## Health Rights

428. An area in which the government has invested substantially is healthcare, especially with regard to maternal health. As stated in Mozambique's report on the MDGs of 2008,<sup>30</sup> maternal mortality has gone down from 1 000 deaths per 100 000 births in the 1990s to 408 in 2003. The government has disseminated information to women, advising them to go to hospital rather than give birth through traditional modes. The rate of women going to hospital for their deliveries has consequently increased fivefold. There are several policies and programmes for maternal and child healthcare, with the General Assembly monitoring child mortality. Although the policies are being implemented, more work is needed in this regard. Access to reproductive health services, such as female contraceptives, is problematic, especially for women who lack the means to purchase them. Stakeholders in the formal sector also reported that the maternity rights of women are not given much consideration – breastfeeding employees in the police force, for example, have to work the same number of hours as their male counterparts.
429. Countrywide, efforts are being made to combat HIV/Aids, but the challenge is huge and the rates of infection are continuously increasing. Women are more infected and affected by HIV/Aids, as they are often illiterate, and the targets of violence and unemployment, which makes them especially vulnerable to the disease and gives the pandemic a female face. HIV/Aids is on the increase in pregnant women aged 15–24 years, increasing from 12.9 per cent in 2003 to 16 per cent in 2007.<sup>31</sup> The high incidence of the disease in women means that their families also suffer, as women are the caretakers in the homes.

### III. Recommendations

430. The APR Panel recommends that Mozambique should:
- Pass the Law on Domestic Violence expeditiously in order to create a conducive environment within which to address gender issues [General Assembly];
  - Launch a vigorous multi-sectoral awareness campaign on domestic violence and its forms and causes, and to undertake preventative mechanisms vigorously [MMAS; CSOs];
  - Equip police units dealing with violence against women with the capacity to handle victims who access their services [MAI; Police];
  - Incorporate gender issues into police training to ensure a gender-responsive police force [MAI; Police]; and
  - Strengthen surveillance mechanisms to combat trafficking in women, children and human organs, including stronger customs patrol and heightened vigilance in high-risk areas [MAI; Police; Customs; Immigration].

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<sup>30</sup> MPD (2008)

<sup>31</sup> Ibid.

## Objective 8: To promote and protect the rights of children

### I. Summary of the CSAR

431. Mozambique has ratified the UNCRC, its Optional Protocol, and the African Charter on the Rights and Welfare of the Child, and has adopted the Declaration of the Rights of Mozambican Children. Children's rights are also enshrined in the Constitution. A National Plan of Action for Children, as well as a National Plan of Action for Orphans and Vulnerable Children, has been instituted for the implementation of children's rights.
432. Despite the abundance of good intentions, children and young people in Mozambique face severe problems in the economic and social sphere, such as sexual abuse, low levels of education, child prostitution, child labour, early orphanage, lack of employment and lack of housing. Particularly vulnerable children, including children in the workforce, the girl-child, stateless children and children with disabilities, face multiple forms of marginalisation and abuse.

### II. Findings of the CRM

433. In 1994, the government ratified the UNCRC with no reservations and the country's initial report was considered by the CRC in January 2002. The ratification of the convention demonstrated the government's commitment to put in place institutional and social transformations to meet the challenges of the survival, development, protection and participation of children. In 2003 and 2004 respectively, the government acceded to the two Optional Protocols to the Convention on the Rights of the Child, on the sale of children, child prostitution and child pornography, and on the involvement of children in armed conflict.
434. Mozambique is also a party to the following conventions relating specifically to the rights of children:
- OAU African Charter on the Rights and Welfare of the Child, which came into force on 29 November 1999 and was ratified on 15 July 1998; and
  - ILO Convention Concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, which was ratified on 16 June 2003.
435. The Constitution provides for the rights of children, particularly in Article 47. The country also enacted the new Family Law No. 10/2004, which contributes to improving the legal and institutional framework for child protection. For example, Article 282 of the Law defines parents' duty of child custody as including the duty to protect, assist, educate and follow up their children's physical and emotional development, while Article 291 relates specifically to children with

physical or mental disability. To protect orphans or vulnerable children, the Law acknowledges adoption as a way of providing parents for such children.

436. The CRM held interactive sessions with the Ministry of Youth and Sport, which oversees youth affairs, and with representatives of the National Youth Council of Mozambique (CNJ), which defends the rights of the youth, initiates development projects and organises the youth to participate in the country's development programmes. The administrative structures and duties of the CNJ permeate through the provincial and district levels to the grassroots level. These vertical structures enable the top leadership to reach the rural youth with ease. The youth have organised a Children's General Assembly to air their views to the Assembly of the Republic. Though underfunded by the government, the objectives and aims of the CNJ are geared towards protecting and developing children and young people in general.
437. In spite of having ratified several international conventions and enacted various national laws and policies, together with the establishment of the Ministry of Youth and Sport and the CNJ, Mozambique still faces the following challenges.

### ***Child Labour***

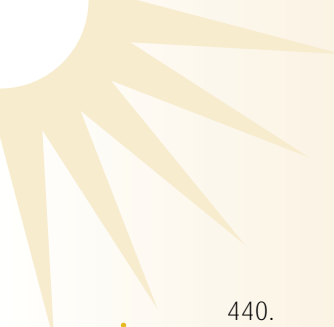
438. The CRM was told that, from the age of 7, children are generally engaged in some form of work, especially household chores, agricultural activities and cattle herding. A distinction should be made between child work (including household chores that are not detrimental to their wellbeing and education) and child labour for commercial purposes, which is considered detrimental to children. The CRM was informed that there are two categories of children engaged in labour: those who are given labour by their parents, and those who are forced into child labour through prevailing situations, such as the loss of a parent due to HIV/Aids. For the former category of children, work assigned by the parents is part of the child's home training and contribution to the family's livelihood. Children in the latter category seek work and are employed so that they can survive on their own and escape being destitute in society.

### ***Street Children***

439. According to 2002 estimates, the number of street children in Mozambique ranges between 3 500 and 4 500.<sup>32</sup> The phenomenon of street children is mainly a result of the civil war that ended in 1992, which displaced people into cities, without tangible work. When displaced people produce children, for whom they are unable to care, such children find their way onto the streets. Others have been orphaned due to HIV/Aids. The CRM was told that there are two categories of street children. The first is orphaned children and displaced

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<sup>32</sup> Consortium for Street Children (CSC). 2002. Report of the Civil Society Forum for East and Southern Africa on Promoting and Protecting the Rights of Street Children, 11–13 February 2002. Nairobi: CSC.



children, including those who have run away from home and choose to stay and sleep on the street, who then depend for survival entirely on the street. The second category consists of children who go onto the streets to work and then later go home. They often carry out illicit and petty businesses for survival.

440. The government is responding to this challenge by taking street children to social institutions, orphanages and schools for education. Complemented by the efforts of some CSOs, such as the Centre of Shelters, the government is indeed working hard to protect and shelter these street children.

### ***Unregistered Children***

441. In 2008, the United Nations Children's Fund (UNICEF) estimated the level of birth registration in Mozambique at less than 40 per cent and reported that 94 per cent of children under the age of four were not registered.<sup>33</sup> In some cases, particularly in rural areas, the lack of birth certificates prevented citizens from registering for school, accessing healthcare, being immunised and exercising their right to obtain public documents, such as identity cards or passports. With the assistance of UNICEF, the government is doubling its efforts to register previously unregistered children.

### ***Human Trafficking***

442. The CRM heard that children are being trafficked in the northern provinces of Mozambique, such as Cape Delgado, Nampula, Niassa and Zambézia, and then transited through Sofala province to Maputo. The traffickers are wealthy businessmen, who even give money to unsuspecting poor parents in order to entice them to release their children. With the consent of their parents, these children are promised a better education and work in Maputo and South Africa. They generally end up in prostitution and servitude in Maputo city, South Africa and some other countries. In response, the government has enacted a new Anti-Human Trafficking law, which will make human trafficking a crime punishable with long prison sentences. Mozambique is also liaising with other SADC countries in the fight against human trafficking, in view of its international and cross-border nature.

### ***Geographical Disparity***

443. Apart from rural and urban disparity, there is also regional disparity in the central government's allocation of resources to poor children. Studies by UNICEF have shown that the northern provinces of Nampula and Zambézia host about 40 per cent of all Mozambican children and have the highest levels of childhood

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<sup>33</sup> United States Department of State, Bureau of Democracy, Human Rights and Labour: 2008. 2008 Human Rights Report on Mozambique. <http://www.state.gov/g/drl/rls/hrrpt/2008/af/119015.htm>.

poverty, yet they receive lower allocations for sectors that are key to children's wellbeing, such as health and education, compared with provinces with lower levels of childhood poverty, such as Maputo city and Maputo province.<sup>34</sup>

### ***Access to Education***

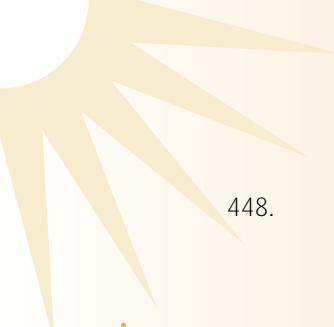
444. The CRM heard that increased numbers of children are attending primary school due to school fees for that level having been abolished. According to UNICEF, the number of primary school children in Mozambique has increased steadily from 1.7 million in 1997 to over 3.8 million in 2006, although some children are still missing out on education. Currently, an estimated 650 000 or more children remain out of school, and two-thirds of all primary school children leave school before completing Grade 5. About 70 per cent of the schools do not have adequate sanitation and the majority of schools do not offer comprehensive life skills-based education that promotes healthy behaviour. The government, with the assistance of UNICEF, has introduced child-friendly school programmes to address the challenge of inadequate sanitation and low-skilled teachers. Topics covered include a minimum quality package, such as for training teachers; good health, water and sanitation; child protection and social mobilisation.
445. The government has also established night schools to meet the demand of the increasing number of children who wish to attend school. This system enables children who cannot attend school during the day to do so at night. Although it is a good initiative for eradicating illiteracy, it faces several challenges due to insecurity at night. Having to walk long distances on unlit roads, with little or no police patrol, also deters children from attending these night schools.
446. Despite the government's efforts to overcome illiteracy, an estimated 1 million children still do not attend school, most of them from poor rural families. This can be attributed to a number of factors, ranging from cultural practices to parents' inability to meet school requirements, such as uniforms and stationery. That aside, the quality of education is poor, due to the large number of unqualified teachers, as well as inadequate school infrastructure and teaching materials.

### ***Violence, Sexual Exploitation and Abuse***

447. The CRM was informed that there is sexual abuse of children in schools and villages. When young girls are raped, and such cases are reported to the authorities, the accused are often asked for a small sum of money in the form of lobolo or "bride wealth" to be paid to the parents of the raped child. The accused is often let off the hook after having paid the lobolo. Male school teachers have also raped young girls, promising them promotion to the next

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<sup>34</sup> Pakkala, L. 2007. The role of elected representatives in ensuring adequate and equitable resource allocation and expenditure for children. Maputo: UNICEF.



level of education in exchange. Some of the raped girls have either contracted HIV/Aids or fallen pregnant.

448. Credit goes to the CSOs, which have responded by forming associations, such as Girls' Clubs for fighting rape; sensitising girls about their rights; and assisting rape victims to access justice. However, redoubled efforts by both the government and civil society are required to fight rape of the girl-child in Mozambique.

### ***Premature Marriages***

449. The CRM learnt that early marriages are commonplace in the northern provinces. Besides religions and traditions that permit child brides, absolute poverty among parents is forcing young girls into early marriages. Some parents even encourage their daughters to drop out of school and marry at a tender age because they can no longer afford to pay their school fees.
450. The CRM was also informed that, due to polygamous marriages, families are not coherent. This encourages divorce, whereby men abandon their families to take wives and leave their former wives and children stranded without fatherly care. These women, especially if poor, may encourage their daughters to get married in order to reduce the burden of childcare. These young girls are often married off to older men, who sometimes mistreat them.
451. However, with the assistance of the Human Rights League, the police and Children's Courts, the government is addressing the challenge of men who desert their families and take new wives. Men are being arrested and forced to pay alimony to their ex-spouses and families.

### **III. Recommendations**

452. The APR Panel recommends that Mozambique should:
- Devise ways and means of rehabilitating street children more effectively [MMAS];
  - Strengthen government capacity at the regional, national and sub-national levels to fight child trafficking [MAI; Police; CSOs]; and
  - Devise means of providing adequate education to children, including those living in camps for internally displaced persons [MEC; CSOs].

***Objective 9: To promote and protect the rights of vulnerable groups, including the disabled and the poor, internally displaced persons and refugees***



## I. Summary of the CSAR

453. The CSAR states that vulnerable groups in Mozambique comprise a sizeable proportion of the population. These include malnourished children (including those in difficult situations); malnourished pregnant women; old people; disabled people (including people disabled by the war); women heads of families with many dependants; victims of natural disasters; former exiles; refugees and displaced people; the unemployed; people with chronic diseases; people unable to work; demobilised ex-combatants; and child heads of families due to various causes, such as those orphaned by HIV/Aids. Such vulnerability has contributed to the high number of beggar children in cities, marginalised and delinquent children, and female prostitutes.
454. The Support Office for Vulnerable People (GAPVU) provides food subsidies. From 1990 to 1994, it included about 70 000 families from urban areas in its programme. For those affected by war and victims of natural disasters, there is an emergency programme in rural areas that distributes free food under the National Institute of Disaster Management (INGC). NGOs also aid in the distribution of food and clothes. The National Institute of Social Security (INSS), which assists workers in cases of disease or maternity, disability or old age, was established in 1988.
455. Although policies exist for the protection of vulnerable people, implementation is constrained by the financial limitations of the state and CSOs to respond adequately to people's needs. The INSS, for example, provides pensions for invalids and the elderly, as well as a survival pension, but it still does not cover the majority who find themselves in this situation. There is a Strategic Old Age Policy, as well as the recently approved National Plan of Action for the Elderly. It is, however, difficult to convince forsaken old people to live in the institutions created for them.
456. As far as refugees are concerned, Mozambique adheres to the OAU Convention on Refugees of 1969. A Consultative Committee for Refugees exists, which comprises representatives of different institutions: the National Emigration Services, the MAI and the Ministry of Foreign Affairs and Cooperation (MINEC), with permanent participation by the United Nations High Commission for Refugees (UNHCR), which is responsible for monitoring the rights of refugees. Refugees receive a monthly support grant from the government. Unfortunately, not all provinces have representation on the National Institute for Refugee Support (INAR). Refugees are now concentrated at Maratane Centre in Nam-pula, as all previous centres have closed down. Refugees face problems, such as sexual abuse, lack of education, prostitution, orphanage, child labour, lack of employment and lack of housing.

## II. Findings of the CRM

### *Legal and Policy Environment*

457. Among the broad category of vulnerable groups in the country, the Constitution only specifically recognises the rights of the disabled and the elderly. The Constitution provides that disabled citizens shall enjoy the same rights as all other citizens, and all citizens have the right to assistance in the case of disability or old age. The Constitution also states that political refugee status may be granted by the state.
458. Mozambique has signed, but not yet ratified, the Convention on the Rights of Persons with Disabilities, although not the Optional Protocol. There is also a National Policy and National Plan of Action for the Elderly. An intersectoral group comprising the MMAS, and the Ministries of Health, Education and Culture, and Labour has been established to monitor the implementation of the National Plan of Action for Disability (PNAD). A National Council on Disability is in the offing.

### *The Rights of Persons with Disabilities*

459. The Constitution obliges the state to ensure special protection for those who were disabled during the armed conflict that ended with the signing of the GPA in 1992, as well as orphans and other direct dependants. This provision extends to those who have been disabled in the performance of public service or a humanitarian act. A national directory has been developed to document this target group. The government has put measures in place to meet their basic needs, which include access to housing and health, schooling for their children, and other means of compensation, such as wheelchairs and access to pension.
460. The MMAS is mandated to handle the concerns and welfare of elderly people and people with disabilities (PWDs), as well as to oversee the implementation of the Disability Policy of 1990 and the National Action Plan. The National Institute of Employment and Professional Training within the Ministry of Labour has also put in place programmes for the vocational training of PWDs.
461. PWDs face systemic discrimination at all levels of society, be it public, community or family. The enjoyment of their human rights is severely curtailed by structural barriers, including the physical environment in which they live. This happens despite the Constitution providing that the disabled shall have a right to special protection by the family, the society and the state, with the latter being obliged to promote the creation of conditions necessary for the economic and social integration of the disabled. PWDs are not included in several processes at the public and private sector levels. They lack basic facilitating

devices to compensate for their disabilities and limit their disadvantages, thus making life easier to live. As a result of their vulnerability, they have become poorer and are viewed as being non-productive.

### ***Right to Education***

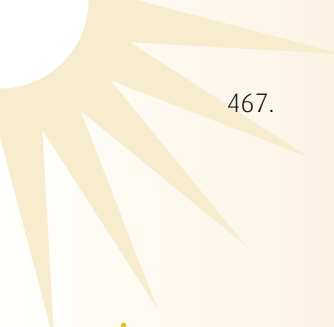
462. Most PWDs have a lower level of education compared with other citizens, because they lack access to good educational institutions that would cater for their needs. Even though primary education has been made available to all children, the reality for young PWDs is that conventional education does not meet their special learning needs, and there are few schools catering for such needs.

### ***Employment***

463. Access to formal employment is harder for PWDs, given their low literacy levels. Even those who are reasonably or well educated are discriminated against in the employment sector. Most employees are reluctant to employ PWDs, even when they have the capacity to work, which leads to their poor social welfare. Most disabled employees occupy lowly positions and receive the minimum wage.
464. Those disabled by the war, who previously made a living from agriculture, are now unable to do so. There are few training centres where PWDs can engage in alternative gainful forms of economic employment. PWDs reported to the CRM that they lack a structural space for engaging in dialogue over their problems, and that the MMAS does not consult them on their priorities in order to include these in its budgets or strategic plans.

### ***Accessibility***

465. There are several limitations to PWDs' mobility and communication. The physical infrastructure does not allow them to access public institutions and in most buildings structures such as elevators and washrooms are not PWD friendly. Freedom of movement for PWDs is severely limited for those with mobility disabilities. According to the Constitution, sign language development is to be spearheaded by the state, but has not been well developed, nor has awareness of its value been raised in the media. This limits the ability of PWDs with hearing disabilities to receive and impart communication.
466. The private sector in Mozambique has not invested much towards improving facilities for PWD. Public transport is not disability friendly and the public road system in most areas does not have even basic markers, such as zebra crossings, to allow PWDs using wheelchairs to cross roads safely. Even the placement of ATM machines restricts access by PWDs.

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467. The vibrant discourse on inclusiveness is unfortunately not translated into practice. Wheelchairs are not manufactured locally, but are imported at great cost. The government and the Red Cross Society have set up orthopaedic and prosthetics centres, but these are not enough to meet the needs of PWDs in the whole country. Often, the distance from orthopaedic centres in Maputo means that few PWDs can have their prosthetic devices repaired.
468. Women with disabilities have formed an association to fight for their rights. While formal law prohibits discrimination against women and PWDs, in reality it is widespread. Women with multiple disabilities are worse off, as they are often sexually exploited and their children abandoned. They are rarely educated and have limited access to information that can help them with their reproductive needs. There is a stigma attached to children with disabilities, who are usually hidden from public view.
469. The involvement of PWDs in governance and decision making is very minimal. PWDs do not have representation in the General Assembly as an interest group and the few existing PWD representatives are there as party representatives only. The PWDs informed the CRM that the state policy on disability and most government programmes on disability are not being implemented. The Disability Plan adopted by Cabinet in 2006 remains relatively unknown and largely unimplemented.
470. PWDs perceive the MMAS as focusing more on women and children while not giving the problems of the disabled due weight. This ministry has a very wide mandate, is not specifically geared towards serving PWDs and has not performed well in promoting their rights. The CRM was informed that the location of the ministry itself poses a problem as it is on the second floor and thus physically inaccessible to PWDs.
471. CSOs are contributing in terms of advocacy and would like to participate in planning, monitoring and evaluation. Most of the time, however, they are not invited to such processes, despite the fact that an intersectoral committee that includes civil society has been established to oversee implementation of the National Action Plan. However, FAMOD – the forum of disability organisations and the umbrella organisation covering a number of NGOs for PWDs – informed the CRM that there is goodwill from the government to work with CSOs. The MMSA has, for example, developed a plan to guide joint action with CSO stakeholders. FAMOD links up with the government as a lobby for PWDs, advocating improvement in their welfare.
472. During the civil war, several infrastructures were destroyed and the family as a social unit was undermined. Consequently, although the government is working to address the plight of vulnerable groups, the magnitude of the problem is daunting and the rebuilding process is a great challenge. The MMAS is seen

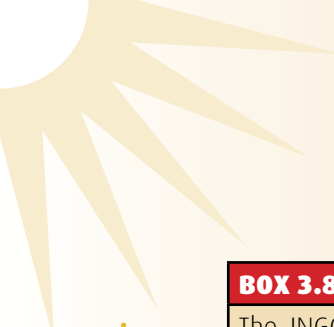
as having too wide a mandate and it is also underfunded, with its budget of 0.9 per cent being one of the lowest. The role of social action is taken by some sectors, such as healthcare, when it comes to issues like landmine victims. The MMAS supplied 23 455 people with food in 2008. There are also disabled people who receive food, equipment and aids, such as crutches. Support is also extended to those receiving antiretroviral therapy, and 758 physically disabled people are catered for in this way. However, it is a challenge to extend these programmes to people living far from the centre of the provincial capital.

### ***Refugees***

473. The only functioning refugee centre in Nampula has over 4 000 refugees who hail from the Democratic Republic of the Congo, Rwanda and Burundi. The CRM learnt that these refugees move freely from their camp to the town, have their own farms and have been able to build permanent houses. They have access to social services, such as schools and hospitals, within the camp. Learners in the refugee camp have access to institutions for higher learning, such as universities. They also have a government representative who links them to the UNHCR.
474. Immigrants who enter the country illegally through certain entry points, and who have found their way to Nampula, pose a problem. Some illegal immigrants take advantage of the liberties granted to refugees by claiming such status. Some of these immigrants commit crimes and are then sometimes mistaken for refugees by the communities, which causes resentment against the refugees generally.

### ***Internally Displaced Persons***

475. Mozambique is vulnerable to cyclones, droughts, floods, earthquakes, wildfires and tsunamis and, recently, landslides. Cyclones and tsunamis occur mostly in the north; floods occur frequently in the centre, while droughts are more prevalent in the south. In 2008, a new source of internally displaced persons (IDPs) arose when over 40 000 Mozambicans fled back to the country after the highly publicised incidents of xenophobic attacks in South Africa.
476. The INGC is a mechanism for dealing with the high incidence of victims of natural disasters. In the past, the institute mostly provided emergency relief, but currently its mandate extends to the prevention and mitigation of disasters, as well as the coordination of the 30 districts located in arid and semi-arid regions. Its interventions include assisting populations at risk, emergency responses, and relocation and rebuilding.
477. A plan for the next ten years is in place to prevent and reduce vulnerabilities due to natural disasters (Box 3.8). A contingency plan for the rainy and cyclone season has been made annually since 2000, in which scenarios for dealing



with the effects of the rainy season are enacted with a view to assessing risks and identifying appropriate responses. The INGC has a crosscutting plan for the prevention and mitigation of natural calamities for all areas, and contains some important collaborations with civil society.

### **BOX 3.8: MOZAMBIQUE'S STRATEGY FOR NATURAL DISASTER MANAGEMENT**

The INGC has developed a highly effective multifaceted and intersectoral monitoring system for addressing disasters through risk management and coordinating structures at community and institutional level. There are also well-developed and efficient mechanisms for preventing, mitigating and monitoring natural calamities. This includes a system for early warning signals, such as detection of potential risk patterns and areas, and adequacy of response.

#### ***The Extreme Poor***

478. As noted in the CSAR, there are people living in situations of abject poverty, who comprise a vulnerable group. These may be women-headed households, orphans or any of the several marginalised groups identified in the CSAR. The MMAS has put in place programmes to ensure that people in situations of absolute poverty are catered for through the transfer of incomes. They are coordinated by the National Institute of Social Action (INAS). The INGC has implemented the following specific programmes.

#### ***Food Subsidies and Work Social Benefits***

479. There is a programme that identifies people in extreme poverty situations in coordination with other agencies, such as schools and hospitals. These people are employed and paid by the institute for about 12 months. A portion of their salary is discounted and saved for them, to enable them start a business of some kind.

#### ***Income-generating Activities***

480. People are given an initial amount based on identified projects, and this money must be repaid in due course. These associations are trained in bookkeeping and other business skills. Direct social emergency support is also given to those who lose a house due to fire or death, homeless people living in extreme situations of poverty, or those affected by HIV/Aids.

### **III. Recommendations**

481. The APR Panel recommends that Mozambique should:
- Ratify the Convention on the Rights and Dignity of PWDs and pass a law on the rights of PWDs expeditiously [Government; General Assembly; CSOs];
  - Establish a National Council on Disability to coordinate disability issues



- [Ministry of Tourism; General Assembly; CSOs];
- Pass a law regulating the design of public buildings or infrastructure to make them more accessible to PWDs [Ministry of Local Government; municipalities]; and
  - Establish an early warning system for detecting natural disasters to mitigate their harmful effects [Ministry for the Coordination of Environmental Action].



# CHAPTER FOUR

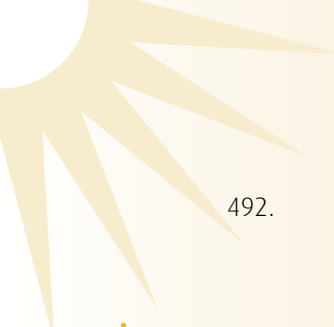
## 4. ECONOMIC GOVERNANCE AND MANAGEMENT

### 4.1 Overview

482. African heads of state and governments have recognised that good economic governance, including transparency in financial management, is an essential prerequisite for promoting sustainable socioeconomic development and poverty reduction. It is against this backdrop that, after experimenting with a system of highly centralised economic management, the present Mozambican government has been pursuing an economic strategy based on the market and public-private partnership with a view to accelerating growth, reducing poverty and improving living conditions for all Mozambicans.
483. As noted in Chapter Two, following the cessation of hostilities in 1992, the government that emerged in 1994 embarked on a series of macroeconomic reform policies and programmes designed to stabilise the economy and bring about a stable political and economic environment within the framework of the Economic and Social Rehabilitation Programme (ESRP). The ESRP policies, coupled with strengthened donor assistance, dramatic increases in the inflow of foreign direct investment (FDI), particularly from South Africa, and a stable polity since the multiparty elections in 1994, have led to significant improvements in the country's economic performance.
484. The reforms introduced under the ESRP included the liberalisation of the economy; removal of controls; significant reduction in the direct role of the state in the economy; restructuring and privatisation of public enterprises; and establishment of a free and open exchange rate. The state marketing board monopolies for coffee, lint and other produce were liquidated with the removal of price controls.
485. In addition, fundamental and far-reaching reforms were implemented in the areas of tax policy and administration, public expenditure management, fiscal and monetary policy, and foreign trade. Interest rate control, commercial banks' credit ceilings and administrative credit allocations were abolished. Thus, a number of macroeconomic and sectoral policies were introduced to create stability and an enabling environment for private sector-led development, while simultaneously redefining the role of the government in the economy.
486. The economic policies of the Mozambican government have largely succeed-

ed in reversing the macroeconomic disequilibria which the economy suffered from during the 16-year civil war. Sustained sound macroeconomic policies have ensured remarkable economic growth rates, averaging 8.1 per cent per annum from 1998 to 2006.

487. Data from the Ministry of Planning and Development (MPD) indicates that inflation has fallen sharply, having declined from 60 per cent in 1989 to an average of 8–10 per cent in recent years. Inflation is projected to decline to 5 per cent by the end of 2010.
488. Fiscal deficits have been kept within the threshold of 5 per cent of the gross domestic product (GDP) set by the Southern African Development Community (SADC), averaging around 2–4 per cent of the GDP. On the back of strong economic growth and a significant reduction in inflation, the sectoral composition of the Mozambican economy has started to show discernible positive changes.
489. In the financial sector, Mozambique has made substantial progress in promoting financial liberalisation and restructuring its banking sector over the past ten years. The country is now deepening these reforms by strengthening the institutional regulatory architecture for financial sector development within the framework of the strategy developed to this end after the financial sector assessment in 2003. Specifically, measures have been taken to strengthen monetary and public finance management (PFM).
490. The implementation of broad macroeconomic reforms; increased investment and capital formation; improved trade flows; privatisation; and enhanced global competitiveness have all contributed to improved economic performance. However, despite a high growth rate over the past ten years, Mozambique remains one of the poorest countries in the region, with a per capita GDP well below the average for Africa. This is due in part to the devastation of the economy by decades of conflict. Thus, the high growth rate over the past decade has been from a very low base, and has been greatly dependent on capital-intensive investment by the private sector and on the strong South African economy. Recent figures for Mozambique's growth rate and level of poverty demonstrate that the country's growth strategy and process continue to face significant challenges. Addressing these challenges will require a strategy of broad-based development; increased investment in the social sectors (health, education and physical infrastructure); and a more effective partnership between the government and the private sector.
491. A key challenge facing Mozambique is its high donor dependency. This has been caused, among other things, by the expansion of government public expenditure, which has not been matched by a corresponding increase in domestic revenues. The donor-funded component of the national budget stood at over one half of the budget in the 2007/08 financial year. The economy is




therefore vulnerable to any sharp or sudden cutback in donor aid; hence, there is a compelling need to step up the mobilisation of domestic revenue.

492. The private sector-led economic growth strategy is being constrained by limited and unaffordable credit, as well as other factors. Studies reported in the World Economic Forum's Global Competitiveness Report of 2004/05 and 2005/06 indicate that the most problematic factors to doing business in Mozambique are limited access to finance, corruption, underdeveloped infrastructure, high tax rates and poor work ethics, in that order. Also, the World Bank's Diagnostic Trade Integration Study (DTIS) and its Mozambique Country Economic Memorandum of 2006 identified the supply of electricity to be the most severe impediment to industrial development, followed by limited infrastructure and finance. Other challenges facing the Mozambican economy are corruption, insecurity in some parts of the country, and exogenous shocks, both internal and external.
493. Over the past five years, the budget preparation process has increasingly been participatory, involving key stakeholders, such as government ministries, local governments, Parliament, donors, private sector and civil society organisations (CSOs). This has helped to increase the focus of the government on issues of concern to the citizens, and to enhance the transparency of the process. However, the challenge of improving the predictability of the budget through a regular flow of funds, including donor grants, remains. Significant progress has been made in strengthening and updating the legal framework and regulatory environment for PFM. Also, authorities and programmes tasked with ensuring good public financial management are in place. However, performance levels appear to be affected by capacity issues.
494. A number of important steps have been taken to ensure sound, transparent and predictable economic policies. Notable among these is the establishment of the Interministerial Commission on Public Sector Reform (CIRESP) and the Technical Unit for Public Sector Reform (UTRESP). These two institutions have taken a number of steps to make the public sector more efficient and effective.
495. With respect to PFM, the establishment of the e-SISTAFE and the Mozambican Tax Authority (ATM) represents significant steps in accelerating and making the expenditure process more transparent. The establishment of the national tax authority has already had a positive impact on resource mobilisation.
496. The planning process in Mozambique has become more systematic and rigorous, with the emphasis being on coordination among the various ministries; internal consistency among the national, provincial and district plans; and conformity between the various national economic plans and basic strategic documents, such as the Plan of Action for the Reduction of Absolute Poverty (PARPA), the Five-Year Government Programme (PQG), the Medium-Term Fiscal Scenario (CFMP) and the Economic and Social Plan (PES). In this regard, the

shift from an incremental budget to a programme-based budget represents a significant development in the planning and budget preparation process.

497. Mozambique has also made determined efforts to broaden public participation in the formulation of economic policies. This participation takes place largely within the framework of the Confederation of Economic Associations of Mozambique (CTA), the Joint Assessment Programme, and the various consultative councils. However, a major challenge facing the country is to make these consultation processes more meaningful and effective. In this regard, the urgent need is to increase the capacity of the private sector and CSOs, and to ensure that relevant information is more widely disseminated, especially in rural areas.
498. The government is on record as being committed to decentralising authority and responsibility for economic development to local authorities and communities. Progress towards this goal, however, has been slow. A major obstacle appears to be the lack of capability of local authorities and communities to own their economic development process, and failure of the central government to implement vigorously a policy of fiscal decentralisation. This remains one of the challenges facing the country.
499. There are a number of institutions that exercise oversight and hold the government accountable in its PFM. The most important of these are the General Inspectorate of Finance (IGF), responsible for internal audits, and the Administrative Court, Parliament and the Programme Aid Partners, constituted by 19 donor countries, which largely undertake the external audits. The most effective of these bodies is the Programme Aid Partners, which is a reflection of the government's dependence on external financing. Parliamentary oversight seems to be the weakest, due to Parliament's weak capabilities and the dominance of the Executive over Parliament. The strengthening of oversight and accountability is thus another area requiring greater attention in Mozambique.
500. Corruption remains a major scourge in Mozambique, despite the number of measures the government has taken to address the problem. These include Phase II of the Public Sector Reform (PSR) programme (2006–10), the Anticorruption Strategy (2006–10) and the establishment of the Central Office for Combating Corruption (GCCC). The problem, however, is not the lack of legislation or institutions to fight corruption, but rather the non-enforcement of relevant legislation and the limited capacities of these institutions. This is compounded by the population's cynicism with respect to how strongly the government is committed to fighting against corruption. This cynicism receives some credence from high-ranking officials' apparent impunity from prosecution for corruption, and the lack of effective protection for whistleblowers.
501. Another area of concern to many in the public sector is the actual or perceived conflict of interest inherent in business activities in which senior government





officials and/or their colleagues, relatives and friends engage. It has been asserted that this is frequently the case and could result in abuse of office, giving these officials an unfair advantage. This concern has been expressed often, not only by individuals, but also by donors. Allegations of this type are notoriously difficult to document, and the CRM was not presented with tangible evidence as confirmation. Still, as the perception of wrongdoing is often just as damaging as the reality, the government should take these concerns seriously – the more so since the rules and regulations for the declaration of assets by public officials are widely perceived to have been largely ineffective as a barrier to corruption.

502. It is essential for the government to demonstrate tangibly its political commitment to addressing the problem of corruption. The media and CSOs also have an important role to play in this regard.
503. Mozambique is committed to regional integration, especially within the framework of the SADC, which it joined in 1980. Mozambique has also entered into the Growth Triangle initiative with Malawi and Zimbabwe, and has signed bilateral agreements with Swaziland and South Africa. However, the country does not seem to be gaining much from its membership of the SADC. This is, firstly, because its entrepreneurs are not strong enough to face competition from other SADC members, especially South Africa, and secondly, because its entrepreneurs and public are not sufficiently well informed of the SADC's activities and how they could stand to benefit from these. Both the government and the CTA, which share responsibility in this area, are to blame for the situation. The launch of the SADC Free Trade Area in August 2008 offers a good opportunity for addressing these shortcomings.
504. In sum, while Mozambique has made impressive progress in its economic governance and management during the past decade, a significant number of challenges still remain. Mozambique will have to continue with its sound macroeconomic policies, but must complement these with a broad-based pro-growth strategy of development and poverty reduction, in which the private sector plays an important role. The reforms introduced to manage public finances more efficiently and in a more accountable and transparent manner must be expanded, deepened and implemented vigorously. In this regard, particular attention must be given to more efficient and effective domestic resource mobilisation, if for no other reason than that of reducing the existing high degree of dependence on donor funding. The success of these efforts requires vigorous measures to build the capacity of both the government and society, placed within the framework of accelerated regional and continental economic cooperation and integration. These issues are elaborated upon in the rest of this chapter.



## 4.2 Codes and Standards

505. The APRM Base Document requires a country undergoing peer review to indicate the extent to which it has signed, ratified, domesticated and implemented international standards and codes. The section below ascertains the extent to which Mozambique has complied with this requirement in the field of economic governance and management. The existence of these instruments bears testimony to a general awareness that development issues concern the entire international community. They are also a powerful indicator of the resources that developing countries, such as Mozambique, can mobilise in order to master the development challenge.

### I. Summary of the CSAR

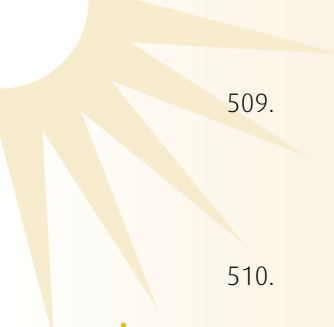
506. In the APRM Questionnaire on Economic Governance and Management, countries are assessed on the basis of at least 15 codes and standards. The Country Self-Assessment Report (CSAR) notes that, on the whole, Mozambique has complied with international codes and standards on economic governance and management.

507. The following are the codes or standards to which Mozambique subscribes and which, in some cases, are domesticated or streamlined into its national legislation:

- Code of Good Practices on Transparency in Fiscal Policy;
- Guidelines for Public Debt Management;
- International Standards on Auditing (ISA);
- International Accounting Standards (IAS);
- Code of Good Practices on Transparency in Monetary and Financial Policies;
- Guidelines for Payment Systems;
- Core Principles for Security and Insurance Supervision and Regulations;
- Core Principles for Effective Banking Supervision;
- African Union (AU) Convention on Preventing and Combating Corruption;
- Abuja Treaty Establishing the African Economic Community;
- Best Practices for Budget Transparency; and
- Guidelines on Corporate Governance (national and international).

508. Apart from these instruments, Mozambique has ratified and is implementing other regional treaties, conventions and protocols that apply to economic governance in regional economic communities, notably the:

- SADC Protocol Against Corruption;
- SADC Protocol on Education and Training;
- SADC Trade Protocol; and
- SADC Protocol on the Facilitation of Movement of Persons.

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509. Other measures taken to enhance economic governance and soundness in the financial sector include the drafting of the Anticorruption and Money Laundering Bill, which proposes the establishment of a financial intelligence authority to coordinate policies and efforts in the fight against money laundering.
510. In the area of money laundering and corruption, Mozambique has ratified the following agreements and instruments:
- United Nations Convention Against Transnational Organised Crime (the Palermo Convention);
  - United Nations Convention Against Corruption (the Mérida Convention);
  - International Convention for the Suppression of the Financing of Terrorism; and
  - AU Convention on Preventing and Combating Corruption.
511. Significantly, the CSAR notes that Mozambique has ratified and domesticated all the major international and regional codes and standards pertaining to the financial sector. The national legislation seeks to conform to the best practices, standards and principles in the supervision of financial institutions.
512. In the case of money laundering, Mozambique has incorporated provisions from the international codes and standards into the following pieces of national legislation:
- Law No. 7/2007 of 5 February: Law on Money Laundering, ruled by Decree No. 37/2004 of 8 September; and
  - Law No. 14/2007 of 27 July: Law governing the Creation of the Financial Information Office of Mozambique (GIFIM), ruled by Decree No. 62/2007 of 4 December.
513. Mozambique has also made major efforts to implement international codes and standards on fiscal transparency, especially in line with the Code of Good Practices on Transparency in Fiscal Policy of the International Monetary Fund (IMF). Specifically, Mozambique has come up with the following policies and programmes to operationalise the provisions in the codes and standards on economic governance:
- Simplification of bureaucratic procedures;
  - Introduction of the electronic component of the State Financial Management System (e-SISTAFE);
  - Introduction of the Treasury Single Account (CUT);
  - Creation of a government website;
  - Creation of the Ministry of Public Service (MFP);
  - Institutionalisation of the OP; and
  - Creation of the ATM.
514. The initiation of these measures is intended to strengthen the economic and financial sectors in Mozambique, which are seen as critical to rapid growth and

poverty reduction. The CSAR notes that, where implementation challenges exist, it is mainly because of capacity constraints in terms of human resources, as well as a lack of information on the codes and standards.

515. The CSAR also discusses some notable reforms that have been put in place to promote sound PFM in Mozambique. These reforms have brought about significant advances in terms of increasing the level of credibility in PFM, especially in the fiscal administration and management of revenues in the context of the national budget. Legal reforms in this respect include the introduction of the Law on Autarchic Finance and the Law on Local State Bodies. Other reforms include the introduction of the Medium-Term Fiscal Framework (MTFF), which allows for a budgeting process that is strongly based on policies and projects aligned with the PQG or PARPA II, as currently is the case.
516. In addition, the law in Mozambique requires that the national budget be tabled in Parliament, deliberated upon and approved, thereby increasing transparency and accountability. In order to further increase accountability and oversight, the government is required to publish quarterly, half-yearly and annual reports on the execution of the state's plans and budget, and to provide annual accounts to Parliament through the IGF. The government has also developed an effective system of fiscal decentralisation and administration through the SISTAFE and its electronic component, e-SISTAFE.
517. The CSAR also notes some important institutional arrangements are in place to ensure sound PFM, such as the IGF and the Administrative Court, as internal and external control bodies, respectively.

## **II. Findings of the CRM**

518. The Country Review Mission (CRM) strongly commends Mozambique for taking serious efforts to domesticate the ratified international codes and standards. In particular, the country appears to have made significant progress in implementing those codes and standards aimed at strengthening its financial sector, as most of the practices specified therein have been mainstreamed through various pieces of legislation, policies and programmes.
519. Particularly noteworthy are the codes and standards relating to Mozambique's fiscal and financial sector. According to the CSAR, the country has performed well in the implementation of the Code of Good Practices on Transparency in Fiscal Policy; the Guidelines for Payment Systems; the Core Principles for Effective Banking Supervision; national and international Guidelines on Corporative Governance; Guidelines for Public Debt Management; the ISA; and the IAS.
520. Additionally, institutions such as the Ministry of Finance (MF) and the central bank, which implement most of the agreements in the fiscal and financial sec-

tors, are making significant efforts towards increasing the necessary capacity for full implementation of the same.

521. However, the CRM is concerned that no detailed or further information was made available to the team on the following:
- Dates for the ratification and domestication of the treaties to validate the current status of implementation or performance of the ratified codes and standards, as stated in the CSAR;
  - Mechanisms for monitoring the implementation of the ratified codes and standards; and
  - The central depository of ratified and domesticated codes and standards.
522. In particular, the CRM is concerned that, except for the implementation of financial codes and standards, there has been not much to show in terms of implementing other standards on economic management and governance. At the time of the CRM's visit, the government appeared to be doing little to close this gap, apart from enrolling the international financial institutions for technical assistance.
523. The CSAR acknowledges that the weaknesses in the implementation of many codes and standards are caused by a lack of human and financial resources in most government departments, especially in rural decentralised structures. This should be taken seriously.

### III. Recommendations

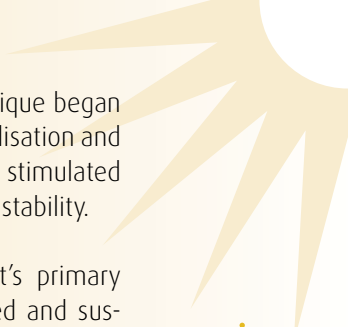
524. The APR Panel recommends that Mozambique should:
- Direct each ministry and agency to keep proper records of the codes, standards and practices that have been adopted, and have been (or are being) implemented, to serve as a basis for monitoring their status adequately [Ministry of Foreign Affairs and Cooperation (MINEC); Parliament]; and
  - Establish a depository centre at the Ministry of Foreign Affairs and Cooperation for centralised documentation of the codes, standards and practices that have been adopted, and have been (or are being) implemented, to serve as a basis for monitoring their status adequately [MINEC].

## 4.3 Assessment of the Performance of APRM Objectives

### ***Objective 1: To promote macroeconomic policies that support sustainable development***

#### I. Summary of the CSAR

525. Against the background of serious macroeconomic disequilibria during the civil



war era, and following the cessation of hostilities in 1994, Mozambique began to implement a comprehensive programme of macroeconomic stabilisation and structural adjustment. The CSAR observes that these policies have stimulated economic growth and contributed to high levels of macroeconomic stability.

526. Under the Economic Rehabilitation Programme, the government's primary macroeconomic objective has been to promote rapid, broad-based and sustainable private sector-led economic growth geared towards the eradication of poverty. This plan is the foremost framework for accelerating growth, reducing poverty and promoting sustainable development in the country.
527. The CSAR stresses that the performance of macroeconomic variables in the past has been remarkable, despite the prevalence of internal and external shocks to the economy. Significant achievements have been made in the areas of economic growth, inflation control, poverty reduction, and decline in fiscal deficits, domestic savings mobilisation and investment, among other things.
528. The focus of the government's sectoral policies and programmes has been on fostering sustainable development by enhancing production; improving the incomes of the poor; and ensuring sustainable sectoral development. To this end, key policy initiatives and strategies have been implemented in agriculture, tourism and mining.
529. According to the CSAR, the government is committed to structural reforms aimed at improving the investment climate and increasing productivity, in particular, the reform and privatisation of state-owned enterprises (SOEs) or parastatals. By the end of 2006, over 1 400 divestitures had been made, using various methods of privatisation. However, the privatisation exercise has elicited debates on various aspects of the programme's implementation.
530. The CSAR acknowledges the substantial role of donor support in the government's effort to achieve its ambitious poverty reduction targets under PARPA. Yet, the government appears determined to develop its internal capacity for mobilising resources. Key reforms have been undertaken in tax policy and administration, two of which are the formation of the ATM in 2006 and the broadening of the tax base in 2008. This has yielded positive results in terms of enhancing revenue performance. However, a number of challenges to revenue mobilisation remain, such as the large size of the informal sector; the lack of reliable data; an uneven distribution of income; the formation of the SADC Free Trade Area; a narrow tax base; corruption; and limited human capacity for supervision.
531. The CSAR concludes that the government has made considerable achievements with regard to its objective of pursuing macroeconomic policies supportive of sustainable economic development. However, it is acknowledged that despite the positive trends, macroeconomic management and poverty

reduction still face significant challenges, among which are the high cost of borrowing (as reflected in the high interest rates) and poor infrastructure.

532. Other challenges are related to the high level of unemployment, especially youth unemployment, donor dependency, and vulnerability to internal and external shocks. In the light of the above, the government acknowledges the need to further boost economic growth; give extra emphasis to agriculture; provide support to private sector investment; carry out further educational and financial sector reforms; scale up affordable access to credit in rural and hard-to-reach areas; increase revenue mobilisation; and maintain a cap on external borrowings, among others.

## II. Findings of the CRM

### *Macroeconomic Policy, Stabilisation and Growth*

533. As noted in the CSAR and Chapter Two of the present report, the government has consistently pursued prudent monetary, fiscal, exchange rate, trade and debt management policy measures in an attempt to promote rapid, broad-based and sustainable private sector-led economic growth.
534. From the low base of the post-war situation, Mozambique has witnessed impressive economic performance in terms of real GDP growth rates in recent years. Similarly, the GDP per capita has been increasing consistently (Table 4.1).

<b>TABLE 4.1: TRENDS IN REAL GDP AND GNP PER CAPITA GROWTH IN MOZAMBIQUE (%)<sup>1</sup></b>					
<b>Annual average growth</b>	<b>1987–97</b>	<b>1997–2007</b>	<b>2006</b>	<b>2007</b>	<b>2007–11<sup>*</sup></b>
GDP	4.2	7.7	8.5	7.3	7.0
GDP per capita	1.6	5.2	6.3	5.3	5.9
* Projections					

535. Mozambique's strong economic performance means that, since the mid-1990s, the targets of high growth rates, low inflation and currency stability have all been met (Box 4.1). The government has won praise from its international partners for its tight control over public finance.

<sup>1</sup> World Bank. 2008. World Development Indicators. [http://publications.worldbank.org/ecommerce/catalog/product?item\\_id=8045447](http://publications.worldbank.org/ecommerce/catalog/product?item_id=8045447).



#### BOX 4.1: BEST PRACTICE IN MACROECONOMIC PERFORMANCE <sup>2</sup>

Mozambique is an example of successful post-conflict transition, having had an impressive economic growth averaging 8 per cent from 2000 to 2006, as well as sustained macroeconomic stability. Economic growth has been over 10 per cent a year up to 2001, except for the flood year of 2000. It peaked at 11.3 per cent in 1997 and since then has been at around 8 per cent. In 2007, the economy grew by 7.3 per cent. This is one of the highest rates in the world, although from an admittedly low starting point. Similarly, the rate of per capita GDP growth has been increasing consistently, with an annual average of 1.4 per cent between 1986 and 1996. It more than quadrupled to 5.9 per cent between 1996 and 2006. Strong economic growth continues to be driven primarily by foreign-financed megaprojects and large aid inflows. Inflation was also reduced to single-digit figures during the late 1990s, and although it returned to double-digit figures in 2000–04, between 2005 and 2007 inflation averaged about 7 per cent. The inflation rate currently stands at 8.16 per cent, lower than the 13 per cent for 2006.

536. The careful sequencing of reforms has played a critical role in the attainment of this success (Box 4.2). The economic and political reforms have been implemented carefully in a manner intended to address the consequences of civil war and its internal causes, as well as the problems of promoting the development and re-legitimisation of the Mozambican state; reconcile and accommodate the interests of both FRELIMO and RENAMO in the Mozambican political system; democratise the country; and consolidate and sustain sociopolitical and economic development.



<sup>2</sup> APRM CRM, 7 February to 2 March 2009.

#### **BOX 4.2: BEST PRACTICE IN THE SEQUENCING OF REFORMS IN MOZAMBIQUE AND ITS RATIONALE <sup>3</sup>**

A major contributing factor to Mozambique's successful implementation of reforms is the sequence in which they were implemented. The sequencing of reforms was predicated on the assumption that achieving sustainable development requires an appropriate interaction between economic and political reforms, starting from those perceived to be relatively easy to implement and progressing to the most difficult ones. The strategy was to implement certain reforms on which other reforms could be built, namely, "zero generation" reforms on which other reforms could be implemented incrementally. Thus, Mozambique first addressed economic reforms in preparation for the more difficult process of peace negotiations and other political and economic reforms. Achieving macroeconomic stability and restoring high economic growth could create the conditions for sustaining the costs of war; generating revenue to feed people who were internally displaced due to the violence; attracting FDI; and paving the way for the implementation of other economic and political reforms.

Economic reforms were then followed by political reforms, starting with the approval of the 1990 Constitution, which enshrined liberal and multiparty democracy. This was followed by peace negotiations that led to the signing of the General Peace Agreement (GPA) in 1992; the demobilisation of FRELIMO and RENAMO soldiers; the repatriation of millions of refugees living in neighbouring countries; and the democratisation of Mozambican society through multiparty elections and public sector reforms. Decentralisation and other public sector reforms have therefore been implemented to fulfil democratic principles; to widen broad-based political networks; and to respond to the inability of the overcentralised and top-down system of governance, in order to satisfy effectively the increasing needs of local communities across Mozambique. The leadership has been showing a strong commitment to implementing economic and political reforms, as it has relatively capable technocrats who have been spearheading the reform process with the support of, and technical advice from, donors.

537. The determinants of growth in Mozambique since the end of the civil war include the restoration of macroeconomic stability; improved security; the removal of economic distortions; and improvement in the terms of trade due to the coffee boom of the mid-1990s. In recent years, economic growth has been driven by the services and industrial sectors (Table 4.2). Consequent upon these, gross domestic savings as a percentage of the GDP have been on the increase, from a negative growth rate of 2.5 per cent in 1986 to a positive growth rate of 20.2 per cent in 2006. This will no doubt improve domestic investment and, ultimately, the national output of Mozambique in coming years.

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<sup>3</sup> Taken from PARPA II and the PES.

**TABLE 4.2: STRUCTURE OF THE GDP IN MOZAMBIQUE, 1996–2007 (% OF GDP) <sup>4</sup>**

Key sector	1996	1998	2000	2002	2004	2005	2006
Agriculture	30	27	22	20	23	17.7	19.7
Fishing	4	3	2	2	2	2.0	2.0
Industry	16	22	24	30	27	26.2	29.0
Services	50	48	52	48	48	54.1	49.3
Total	100	100	100	100	100	100	100

538. More importantly, Table 4.2 seems to suggest a change in the structural composition of the Mozambican economy – in particular, a decline in the agricultural sector’s contribution to the GDP. In 2005/06, the structural shift away from agriculture to services, which slowly began to manifest itself from the early 1990s on, had become very prominent. The services sector remained dominant in the 2000s, culminating in a share of 45.4 per cent of the GDP in 2005/06. Partly as a result of the prolonged drought, the agricultural sector’s share in the GDP declined to 33.8 per cent in 2005/06, down from 51.1 per cent in 1990/91.
539. The declining trend in the agricultural sector’s share in the GDP suggests two things: first, innovations are taking place primarily in the industrial sector, which is capable of guaranteeing sustainable development, and second, the decline also signifies a fall in crop production, which is a cause for concern.
540. The government is currently implementing a financial and economic programme consistent with its medium-term PARPA II, with support from the IMF through its Policy Support Instrument (PSI). According to the IMF, implementation of the PSI has been satisfactory and Mozambique had met all the quantitative and structural assessment criteria and benchmarks by September 2008. The policies set out in the PSI-supported programme, as summarised in the Memorandum of Economic and Financial Policies (MEFP), are aimed at consolidating macroeconomic stability and sustaining broad-based growth through a second wave of reforms towards the achievement of the Millennium Development Goals (MDGs).

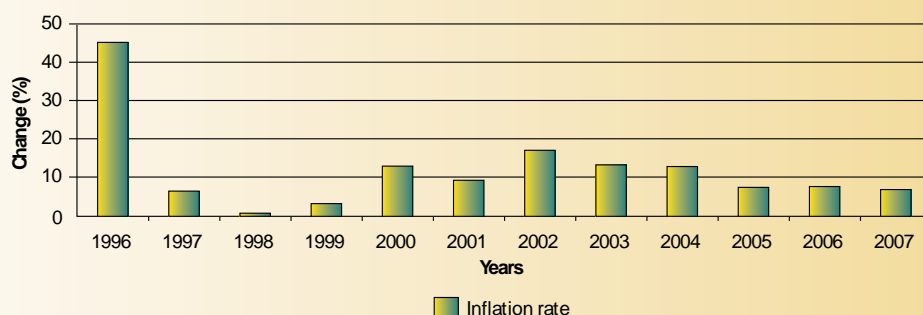
### ***Inflation***

541. The CRM is satisfied with the manner in which Mozambique has controlled its inflation. Using monetary targeting, the Bank of Mozambique (BM) has suc-

<sup>4</sup> Southern African Development Community (SADC). 2006. 2006 SADC Trade, industry and investment review. Gaborone: Southern African Marketing Company; African Development Bank (AfDB). 2007. African economic outlook. France: Organisation for Economic Cooperation and Development (OECD) Development Centre.

cessfully contained undesirable inflation rates since 1997, following periods of hyperinflation in the early 1990s, by, among other things, restraining broad money growth. Inflation was reduced to single-digit figures during the late 1990s, and although it returned to double-digit figures in 2000–04, inflation averaged about 7 per cent between 2005 and 2007 (Figure 4.1). The inflation rate currently stands at 8.16 per cent, which is lower than the 13 per cent recorded for 2006.

**Figure 4.1: The Inflation Rate in Mozambique <sup>5</sup>**



### ***Exchange Rate***

542. The CRM noted that the Mozambican currency – the metical – is relatively stable. In 1992, the BM stopped fixing the exchange rate of the country’s currency and let it float according to supply and demand. This was achieved in part due to tight credit ceilings and control over the money supply, although it has posed difficulties for Mozambican businesses. The Coordination Committee for Interbank Markets (CCMI) is responsible for coordinating the interventions of the BM in money markets.

543. Although the CRM was informed that the current global financial crisis has had a minimum impact on foreign exchange flows into Mozambique, it is necessary for the country to take some precautionary measures against any possible fallout from the crisis. The effective utilisation of Mozambique’s relatively healthy reserve, enough to cover five months’ imports, can help to mitigate the impact of sudden withdrawals of foreign investment and, therefore, provide a tool for managing exchange volatility.

### ***Fiscal Deficit***

544. The CRM observed that Mozambique has made significant progress in reducing its fiscal deficit, which is a central objective of the government’s macroeco-

<sup>5</sup> Bank of Mozambique (BM), 2007. Mozambique: Inflation falls, but interest rates remain high. <http://allafrica.com/stories/200706111144.html>.

conomic strategy. The aim of the government is to reduce the fiscal deficit to below 5 per cent of the GDP by 2010, by restraining the growth of expenditure to less than the growth of domestic revenue.

### **Poverty**

545. The National Institute of Statistics (INE), using the cost of a basket of goods and services by which to quantify poverty, recorded a substantial decrease in the incidence of poverty, from 69.4 per cent in 1996/97 to 54.1 per cent in 2002/03. While there are no recent estimates on the incidence of poverty, there is a widespread assumption that the incidence of poverty may, in fact, have increased since then. Yet, the experience of Mozambique has shown that high growth alone is not sufficient for poverty reduction. Moreover, further progress in poverty reduction is proving difficult to achieve, as it requires vigorous structural reforms and significant investment, for example, to increase agricultural productivity; to promote labour-intensive industry; and to facilitate new and innovative small and medium-sized enterprises (SMEs).
546. As will be discussed in detail in Chapter Six, another source of concern is the sharply rising income inequality. This has led some stakeholders to express concern about the high growth rates, arguing that they seem not to be broad-based enough, as they are associated with rising inequality and are inconsistent with the magnitude of poverty seen visibly on the ground.
547. Mozambique's heavy dependency on donors for its budget is a cause for serious concern. The IMF's most recent estimate set the level of dependency at 54.3 per cent in 2008. Another likely source of volatility in the country's finances is climatic catastrophes, such as floods, droughts, earthquakes and other natural disasters.
548. The government's plan to meet its fiscal challenges, including reducing its donor dependency, entails more efforts towards domestic resource mobilisation by expanding the tax base rather than deepening it, in order to raise an additional 0.5 per cent of the total budget per year. This means that donor dependency must decline by 0.5 per cent each year. It is commendable that, as a percentage of the GDP, total revenues have gone up from 11 per cent to the current 17 per cent.

### **III. Recommendations**

549. The APR Panel recommends that Mozambique should:
- Step up efforts aimed at targeting broad-based economic growth that reduces poverty and inequality through adequate empowerment of people to participate in the growth process in terms of employment and the possession of skills and productive assets [MPD; MF; other sectoral ministries];

- and
- Explore means to reduce dependence on aid by stepping up domestic revenue mobilisation and rationalising non-priority expenditures [MPD; MF].

### ***Monetary and Financial Sector Policies***


550. The CRM is impressed with the measures that the BM has taken to strengthen its monetary and exchange rate policy. These measures are in line with the current financial and economic reforms that Mozambique is implementing (see also Chapter Five) to consolidate macroeconomic stability and sustain broad-based growth (Box 4.3).

#### **BOX 4.3: BEST PRACTICE IN STRENGTHENING MONETARY POLICY IN MOZAMBIQUE**

Following the initiation of economic reforms and the subsequent liberalisation of the financial sector, the BM assumed the central bank role of coordinating monetary management and serving as banker to the government. In this regard, the BM has striven to maintain a judicious monetary policy stance, supported by close coordination with the fiscal authorities, as well as a comprehensive liquidity management framework that helps to maintain stability in the financial markets. The CRM was informed by BM officials that there has been strong political commitment to macroeconomic stability and this has aided the prudent implementation of monetary policy significantly. In order to strengthen the formulation of policy, the BM has intensified its monitoring, analysing and forecasting of macroeconomic and monetary indicators, thanks in part to the introduction of quarterly reports on the GDP by the INE. In an interview, the central bank governor informed the CRM that the BM uses monetary targeting as its instrument for monetary policy. The governor expressed caution in using inflation targeting as the main instrument for monetary policy, arguing that current conditions in Mozambique do not justify the use of this approach.

551. The CRM learnt that, in 1997, the BM introduced monetary interbank market operations based on two instruments – Treasury bills and monetary authority securities. However, the use of these instruments turned out to be quite complex, because the central bank had to deal with different interest rates and maturities simultaneously. In response to this, the BM rationalised the use of these instruments both to mop up liquidity and raise money for the Treasury. Since then, Treasury bills have been used for two purposes: monetary policy and fiscal policy.
552. In operational terms, the BM decides on the number of Treasury bills to be issued in order to mop up excess liquidity and credit the collected amount into a special deposit state account. In the case of Treasury needs, the BM transfers an appropriate amount to the government, which then has to pay the same interest rate the BM is paying the commercial banks. Evaluations made thus far indicate that the system is working well.

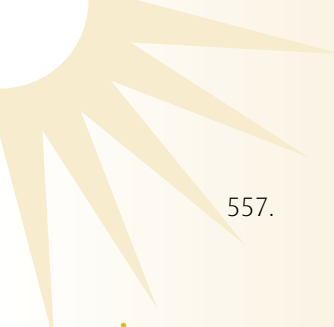


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553. The BM has also taken satisfactory measures to strengthen operations in the financial market. In order to reduce volatility in the exchange rate, especially from short-term liquidity inflows, the BM introduced repo operations in 2007. In 2008, the use of reverse operations was introduced on a daily basis. In June of the same year, the MeticalNet was adapted to allow for outright operations for the secondary market, with a structural benchmark set for June 2008.
554. In order to strengthen liquidity management, the MF is now providing cash flow projections to the BM on a weekly basis. In its foreign exchange operations, the BM has made a sharper delineation between the use of direct bilateral transactions for regular sales of aid inflows and the use of auctions for controlling liquidity.<sup>6</sup> According to the BM, short-term liquidity forecasting is based on a number of stages.<sup>7</sup>
555. The CRM observed that the main limitation in using this approach is the difficulty associated with predicting the amount to be transferred by the e-SISTAFE. In response to this concern, BM officials stated that, in order to minimise this gap and do forecasting, the central bank uses information about the main events, as well as historical values with seasonal adjustment. This approach has proved adequate, taking into account that the reserve money target is generally under control. There is an obvious need for the BM to strengthen its forecasting models and work in this regard is already in progress. The BM's governor has called for increased coordination between the monetary and fiscal authorities.
556. In order to be in line with international best practices, and to strengthen information dissemination on monetary policy decisions, the Monetary Policy Committee of the Bank of Mozambique (CPMO) was restructured in June 2007. This restructuring included selecting participants and adjusting the committee's format and content to international standards and best practices, which include, among other things, publishing its decisions in a press release immediately after each meeting. The central bank also disseminates information through a

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<sup>6</sup> Auctions are used to deal with liquidity problems or to smooth out the process of establishing a price, while bilateral operations serve to deal with the volatility issue on a daily basis. Each member of the market (commercial banks) has to quote its price daily, from 08:30 to 15:30, by using an electronic process on screen. Dealers from the BM supervise the quotation during the day and, in the case of high volatility, they intervene more or less to prevent volatility.

<sup>7</sup> The first stage consists of identifying all factors that can increase reserve money, such as reimbursement of Treasury bills and bond bills, repos, payment made by e-SISTAFE, and commercial bank operations (including the government's operations and those of the BM). The amount of all these factors is added up, with the stock of the reserve money of the previous period, which gives the projected reserve money for the next period. This amount is then compared with the indicative target of the reserve money for next period, and the difference between these two amounts is the value that has to be sterilised, using both interbank foreign and money market instruments.

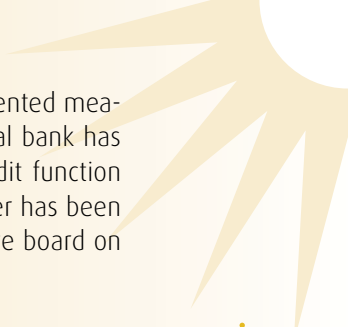


press conference held by the BM's governor or the central bank spokesperson, thus ensuring greater transparency of monetary policy.

557. The BM also publishes a number of documents, such as the Fortnightly Release, the Monthly Committee Release, the Monthly Economic Bulletin, and the quarterly Prices and Financial Economics. Others are the Statistics Bulletin, the Balance of Payments, and the Annual Report, as well as staff papers and working documents.
558. The CRM was informed that the BM enjoys operational autonomy in line with international standards. The existence of the BM is provided for in Article 132 of the Constitution of the Republic and is regulated by Law No. 1/1992, which establishes that the BM must implement the government's monetary, credit, exchange rate and bank supervision policies. This establishes the centrality of the BM's independence in achieving the primary goal of price stability.
559. The BM's chief officers include a governor and a vice-governor appointed by the President of the Republic for a five-year term. The technical side of the BM's operations has benefited from its autonomy in administrative, financial and asset management matters, and the fact that its senior management posts have been held by staff drawn from the BM's own technical career structure.
560. The central bank governor informed the CRM team that the BM is more autonomous than what is contained in the current legislation, which requires the central bank of the country to monetarise fiscal deficits up to 10 per cent of the government's total revenue. However, this is not used in practice. The Treasury's cash flow needs have been satisfied by the issuance of Treasury bills, on which the Treasury makes interest and principal payments.<sup>8</sup> In implementing monetary policy, however, the BM will continue to rely more heavily on sales of foreign exchange reserves rather than government securities to sterilise liquidity, in order to make room for credit to the private sector to rise by about 28 per cent. Commendably, the government stated unequivocally that it will not resort to printing more money to pay its bills.
561. The CRM also learnt that, over the past few years, major progress has been made in clarifying relations between the BM and the Treasury, including the transfer of the latter's external debt from the BM balance sheet to the Treasury itself, and the implementation of a recapitalisation programme for the BM. Nonetheless, an arrangement still needs to be made to deal with the CUT's remuneration and operating costs, interest on its daily positive balances, and inclusion of the costs of monetary policy in the state budget. This is an issue of concern in the sense that, although it does not carry out any quasi-fiscal activities of relevance, the BM bears major costs in implementing monetary policy.

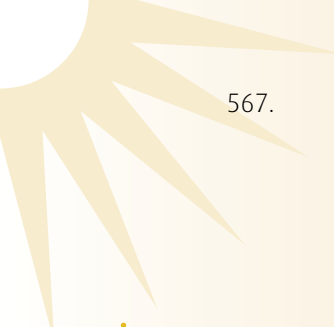
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<sup>8</sup> With uniformity of SADC central bank laws in the pipeline, the new central bank law will *de jure* strengthen the BM's autonomy further.

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562. In order to enhance internal financial controls, the BM has implemented measures for strengthening its internal audit. In this regard, the central bank has conducted an external quality assurance review of its internal audit function in accordance with international standards. An internal audit charter has been adopted and the BM has initiated periodic reporting to its executive board on the implementation of audit recommendations.
563. Given its strong commitment to reform, there is no doubt that, in the short to medium term, the BM will, with technical support from the IMF, continue to pursue a prudent monetary policy in the context of a flexible exchange rate regime.<sup>9</sup> Similarly, monetary policy will remain geared towards price stability, with the objective of reducing inflation to single-digit figures. In this regard, the BM will continue to focus on strengthening liquidity management. There are plans to help strengthen the interbank market and liquidity management by broadening the BM's use of repos to build a flexible and more realistic corridor that better reflects market conditions. To further strengthen the interbank market, the BM also intends to stimulate the market's use of repos by improving confidence between the market players as a result of the increase in the volume and frequency of transactions.
564. It is hoped that the soundness, robustness and strength of the financial sector will significantly improve following the completion of the current financial sector reforms. However, stakeholders have expressed concerns about aspects of the consequences of financial sector policy, particularly relating to high interest rates and the challenge of deepening the financial sector.
565. Notwithstanding certain challenges, the liberalisation programme in Mozambique has opened up opportunities for foreign banks. Before 1992, there was only one private bank operating in the country, but since then, additional private banks have entered the market. The BM's governor informed the CRM that there were currently a total of 14 banks, including five major foreign-owned banks, operating in Mozambique. Notably, there is currently no publicly owned bank or financial institution in Mozambique.
566. Nonetheless, the CRM observed that Mozambique's banking system is still highly concentrated and the geographical spread of bank branches largely limited. Of the 207 BM branches in Mozambique, only 95 are outside of Maputo province. Even those located outside of Maputo essentially serve main towns, with little or no presence in rural areas. As a result, the vast majority of Mozambicans have no access to banking services.

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<sup>9</sup> According to the letter of intent between the BM and the IMF, dated 29 October 2008, the BM, with technical assistance and support of the IMF, will design a plan for strengthening the monetary policy framework, comprising all intermediate steps, including agreement on a core inflation indicator, with a structural benchmark for the end of December 2009. The BM will also follow up on plans to strengthen policy implementation.



567. On the other hand, the CRM learnt that non-bank financial institutions are poorly developed, and even supplier credits are not commonly available. Thus, most Mozambicans depend on internal funds or traditional informal financial transactions. Also, the spread between lending rates and deposit rates is extremely high. In 2003, the lending rate was 13 percentage points higher than the deposit rate.

### ***Access to Credit***

568. The lack of access to credit was confirmed as a major problem in all the provinces visited. In its interactions with stakeholders, the CRM was informed that commercial banks by their nature are not oriented towards rural financing.

569. Since normal commercial banks are reluctant to extend loans to small enterprises, this credit gap is largely filled by microlenders, who charge exorbitant interest rates. According to the BM, the number of microcredit institutions increased by 14, to a total of 71 by the end of 2007, as nine new institutions were authorised to operate in Maputo city and province, one each in the provinces of Sofala, Tete and Zambézia, and two in Nampula.


570. The BM's governor informed the CRM that another category of microfinance institutions – microbanks that are licensed and supervised by the central bank – are allowed to accept deposits and finance SMEs. These are inadequate, however, and there have been increasing calls for the government to initiate the establishment of a development bank that will cater for the needs of the domestic private sector, as the existing commercial banks do not do so.

571. In the CRM's interactions with stakeholders, it was widely acknowledged that microfinance loans are very costly due to their high operational costs and the high risk factors, which make their cost-to-income ratios very high. Although there is legislation that regulates the operations of microfinance institutions, this law is subsumed under the general banking law. It is recommended that Mozambique should come up with new laws and regulations that specifically address the needs of microfinance institutions.

572. Another area of concern is the issue of high interest rates. Despite an inflation rate that currently stands at about 7 per cent, the interest rates commercial banks charge on their loans remain rather prohibitive. The central bank has cut its own key interest rate from 17.5 to 15.5 per cent, in the hope that this would encourage commercial banks to reduce their rates. In the main, the high interest rates could be attributed to the absence of competition and alleged collusion by banks.<sup>10</sup>

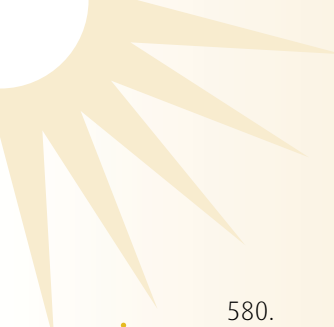
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<sup>10</sup> Other factors include the rather small size of the financial sector against the ever-increasing demands for credit in the economy, the high operating costs of banks and high fiscal deficits which, through the cost of sterilisation, push up interest rates.

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573. The government is aware of the difficulties facing Mozambicans in accessing capital and the high cost of borrowing. In interactions with government officials, the CRM was informed that they were taking measures to encourage commercial banks to open branches in rural areas. In a plenary session in Maputo city, for instance, a government official claimed that fiscal decentralisation was among the measures taken intended to encourage banks to open rural branches.
574. Given the above situation, a key challenge in the banking sector in Mozambique is financial deepening. The CSAR document acknowledges that the country's financial markets are both shallow and poorly developed, being dominated by commercial banks. Non-bank financial institutions, which serve as alternatives to commercial banks, are also small relative to the latter. Even so, the government is a major competitor with the private sector for commercial bank resources.
575. The indicators of financial deepening, which refer to the increase in the holding of financial assets by economic agents relative to the GDP, have not shown steady growth since the 1990s. According to the BM's annual report for 2005/06, all measures of financial depth suggested slow financial deepening of the economy in 2005/06 relative to 2004/05. The BM's governor informed the CRM that, among measures taken to promote financial deepening in Mozambique, are incentives offered to banks allowing them to incorporate the upcountry branches' cash holdings into their overall liquid reserve ration requirement and to import needed equipment duty free.
576. High interest rates have tended to deter private sector borrowing, particularly for production purposes. This was confirmed in the interactive sessions held with stakeholders, especially private sector and non-state role-players. The challenge, therefore, is how to bring interest rates down to the levels that will not be a deterrent to productive private investment. Credit should not only be available, but should also be affordable.

### ***Impact of the Global Financial Crisis***

577. Mozambique's outlook for 2009 and the medium term remains positive. However, there are considerable risks arising from the prevailing volatility, as well as uncertainties concerning the impact of the global financial crisis.
578. In response to a question on the impact of the global financial crisis, the BM's governor allayed fears that this would significantly affect the country negatively. He informed the CRM that banks in Mozambique were well capitalised at 14 per cent of core assets and that non-performing loans were low, at 2 per cent of outstanding credit.
579. Despite this assurance, the CRM is of the opinion that the measures taken



to insulate Mozambique seem inadequate for dealing with the full impact of the fallout from the current global financial crisis, which has mutated into a global economic crisis. This is particularly so, given that Mozambique is highly dependent on primary export commodities, many of whose prices have fallen sharply in recent months.

580. Significantly, there is currently little clarity on how severe the current global crisis will become and how long it will last. For this reason, it is difficult to say exactly what the adequate policy responses are for dealing with the situation. There are, however, a number of policy considerations that the government and the BM may want to start exploring.
581. Large variations in international prices and the recent substantial declines in commodity prices, including those of oil, gas and aluminium, are likely to have a substantial impact on Mozambique's external trade balance. A deeper slow-down in global demand will also affect export volumes. Moreover, the global financial crisis may adversely affect private capital inflows, with the turbulence spreading to the Mozambican financial system. In addition, the economy will remain heavily dependent on inflows from the international donor community for many years to come.
582. With the expected reduction in external sources of finance due to the global economic crisis in 2009, the CRM further cautions that more effort should be directed towards harnessing domestic drivers of growth. Promoting domestic resource mobilisation through encouraging enhanced domestic savings is one way in which financial resources for supporting growth and investment can be raised.
583. On the basis of the current global outlook and notwithstanding the above risks, an IMF projection for 2009 <sup>11</sup> indicates that the economic prospects remain strong. However, the outlook for real GDP growth has been reduced from 7.0 to 6.7 per cent to accommodate the impact of exogenous shocks (increases in oil and food prices). An analysis of the impact of the international financial crisis points to a growth of 6.2 per cent of the GDP. Lower commodity prices will help to headline inflation decline to around 7 per cent by the end of 2009. Lower import prices will also help to mitigate the impact of lower exports on the current account deficit. However, the weaker global environment could also deter capital investment inflows, so that external reserves are expected to decline during the year.

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<sup>11</sup> International Monetary Fund (IMF). 2009. IMF Country Report No. 09/49, February. Republic of Mozambique: Third review under the policy support instrument. Staff report; staff supplement and press release. Washington DC: IMF.

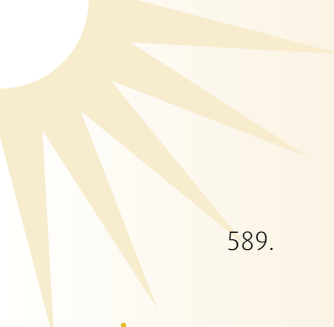


## ***Recommendations***

584. The APR Panel recommends that Mozambique should:
- Strengthen the capacity for analytical work that underlies monetary policy decisions and management [MF; MPD; BM];
  - Introduce further measures to broaden and deepen financial markets and reduce interest rates [BM];
  - Initiate the process of establishing a development bank to ensure access to credit for local entrepreneurs [MPD; MF]; and
  - Introduce further measures to cushion the economy against the adverse impact of the current global economic crisis [MPD; MF; BM].

## ***Fiscal Policy***

585. Resource mobilisation is one area of macroeconomic management in which the government has faced significant challenges. With donors funding over 50 per cent of the national budget, there is a pressing need to strengthen the country's capacity to mobilise domestic resources in order to fund economic and social development programmes. This makes a well-designed tax policy and system highly desirable, especially as gross domestic revenues depend on tax collection.
586. The CRM noted that the country has a relatively narrow tax base, which poses a challenge to the government's efforts to meet its objectives for domestic resource mobilisation. Although changes are currently under way, the strategy has been to deepen the tax base by overtaxing entities and individuals that are already in the tax net. It is, therefore, commendable that the government is now trying to find more innovative ways of broadening the tax base and encouraging compliance through a review of the tax structure and rates in order to increase domestic revenues and reduce the national budget's dependency on donor aid.
587. There is a perceived lack of a level playing field, whereby some individuals or companies, specifically megaprojects, are exempt from certain taxes or where their taxes are reduced, while others, especially local businesses, do not enjoy such privileges. Significantly, fiscal authorities need to confront the challenge of how to balance the need to raise revenue through higher tax rates and the need of the private sector for low tax rates to improve its competitiveness and exports.
588. There is also the challenge that has emanated from the structure of the Mozambican economy, in which about 80 per cent of the population operates in the informal sector. This makes it difficult to obtain a good tax policy outturn and reduces the possibility of efficiency gains from taxes, such as personal income tax and value added tax, as well as undermining the possibility of



achieving a high growth in domestic revenues. Other constraints to tax revenue generation include a lack of reliable data and information, an uneven distribution of income, limited latitude in tax handles, and corruption.


589. Some of these constraining features of the economy make the case for rapid industrialisation of the country very compelling. They also suggest the need for active promotional measures to absorb a large number of informal sector operators into the formal sector fold. More taxes can be collected if the industrial base is expanded through development of the private sector; more employment is generated; and the tax base is broadened.

### ***Private Sector-led Growth Strategy***

590. Mozambique has identified the private sector as the country's "engine of growth". In this respect, the government has taken two basic approaches to the promotion of the private sector: privatisation of SOEs and creation of an enabling environment for private sector development.

### ***Privatisation***

591. Mozambique has drawn ample praise for the way in which it has demonstrated its orientation towards private sector-led economic growth and stability. In liberalising the economy, the country has pressed forward with the privatisation of SOEs. From the mid-1980s to the 1990s, more than 1 400 privatisation transactions took place.
592. The programme, which was carried out fairly rapidly, comprised a range of enterprises – from sizeable industries and utilities down to small rural shops. Following several years of this intensive privatisation activity, the state's participation in private enterprises is now small, although it has grown over the past few years, especially in the natural resource sector.
593. Mozambique's privatisation process has, however, not been flawless and the performance of a number of privatised enterprises has not been encouraging. There have been cases of "privatisation disasters", as more than 250 companies were, by as early as mid-1998, sold in a critical condition, paralysed by debts and owing back payments of wages. Reforms in the financial sector, for instance, have not been as extensive. Due to the lack of sufficient financial depth (with the M2/GDP ratio remaining below 25 per cent), the banking system is incapable of extending adequate credit to the private sector. Consequently, business transactions are mostly cash based – thus, according to the World Bank in 2003, increasing the cost to local firms and decreasing the overall efficiency of the payments system.

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594. There are also serious concerns about labour market policies that impinge on competitiveness in the country through unreasonable labour liabilities. Mozambican entrepreneurs' ingenuity is further inhibited by poor infrastructure, emaciated capital markets, high borrowing costs, and an inadequate supply of skills, which hamper their ability to compete with international competitors entering the country's new, liberal economy.
595. Competition usually leads to productive and allocable efficiency gains and innovation. However, in Mozambique, results have been mixed. With only a few sectors comprising enough scope for a significant degree of competition, privatisation has not engendered the promotion of an efficient competitive market environment. This is a concern, especially as the country was given an overall ranking of fifth lowest out of 125 countries in the World Economic Forum's Global Competitiveness Report for 2006–07.

### ***An Enabling Environment***

596. The private sector in Mozambique is still small. Although it covers a broad range of areas, the operators are predominantly SMMEs. Most of what can be described as large enterprises are either multinationals or subsidiaries of multinationals, with a few indigenously owned companies. In this regard, the government has come up with incentives intended to encourage the development of the private sector.
597. As the private sector in Mozambique is just emerging, the government should carefully nurture its growth and development, which does not appear to be the case at present. A major concern is that, despite recent improvements, laws and regulatory and administrative processes in Mozambique generally remain complex (e.g. excessive bureaucracy in registering and obtaining licences for economic activities, in customs inspection processes, etc.). Recent progress that has been made, such as the creation of "one-stop shopping" and microenterprise legislation, has done more to facilitate procedures than to simplify them, while compliance costs remain high.
598. Moreover, the civil service still enjoys considerable discretion in applying the rules, which causes a great deal of uncertainty for the private sector. In addition, the various public utility regulatory bodies that exist are not operational and have little impact because their opinions are neither binding on the government nor are they published.
599. Commendably, the government regards increased privatisation and competition as essential components in the reform programme due to their potentially instrumental role in breaking the vicious cycle of slow growth, low investment and low productivity.

## ***State Participation in Commercial Activities***

600. Although state officials informed the CRM that the government's role is that of "regulator and facilitator, and not producer", the government, as previously noted, still engages in commercial activities. State participation in these private enterprises takes two key forms. Firstly, the state holds a stake in a large group of private enterprises, many of which are not currently operating and have reverted to state ownership following unsuccessful privatisation processes. Secondly, and more recently, the state holds stakes in private enterprises or resource projects, either directly or through a public enterprise or a publicly owned corporation involved in the natural resource sector, as well as in large-scale projects (e.g. Mozal, in the production of aluminium, or Cahora Bassa, in the electricity sector).

### ***Megaprojects***

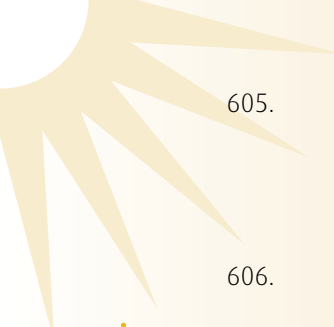
601. As noted in the CSAR, the sectoral composition of the GDP shows that the manufacturing sector's contribution to the GDP has been rising since 2000. The most spectacular gains were made in the mid-1990s. After a deep crisis in the 1980s and early 1990s, manufacturing output grew by almost 50 per cent in 1997, and a further 16 per cent in 1998.
602. However, a careful scrutiny of the contribution of industry to the GDP shows that it mostly derives from "megaprojects", which are a small number of projects that dominate what some stakeholders see as an otherwise small and slow-moving economy. Two very large projects dominated the economic data from the 1990s through to the early 2000s, namely, the Mozal aluminium smelter and the Sasol gas pipeline.
603. There have also been large project investments in agriculture (e.g. 60 per cent of land under sugar is on large-scale farms), which makes up around 20 per cent of the GDP. While some sectors, such as cotton and sugarcane, are expanding, others (notably cashews) are not, as prices collapsed in 2000.
604. It is quite difficult to obtain statistics on Mozambique's megaprojects, but there is no doubt that projects such as the Mozal aluminium smelter have received very generous fiscal incentives from the Mozambican government, "the most generous in Africa", as one government official put it (Box 4.4). The Mozambican authorities argue that this is because the megaprojects operate in special economic zones that enjoy certain tax incentives.

#### BOX 4.4: THE MOZAL ALUMINIUM SMELTER

The Mozal aluminium smelter is touted as a symbol of the investor-friendly environment that led the Wall Street Journal to declare the country “an African success story”. Mozal was built in the late 1990s on the outskirts of Maputo city at a cost of about US\$2.4 billion. Its production capacity is 512 000 tons of aluminium per year. It is owned by BHP Billiton (66 per cent), the South African Industrial Development Corporation (20 per cent), Mitsubishi (12 per cent) and the Mozambican government (2 per cent). It started producing in 2000 and its primary markets are the European Union and Asia. Mozal alone contributes 3.3 per cent to Mozambique’s GDP, a huge amount for a single firm. Even more impressive, it accounts for 75 per cent of Mozambique’s manufacturing exports, 60 per cent of its exports of goods and 42 per cent of its total export revenue. Mozal’s exports have increased Mozambique’s GDP by between 3.2 and 5 per cent. Contributing to Mozal’s financial success is the free industrial zone status granted to it by the government. This status grants Mozal exemption from paying duties on all imports for the company, including materials, equipment and parts. It also does not pay value-added tax (VAT), and corporate taxes are limited to 1 per cent of sales. Its output represents almost half the country’s growth in manufacturing.

Despite its impressive performance, and the substantial incentives provided to it, Mozal’s impact on the development of Mozambique’s economy has not met expectations. Initial investment in the project amounted to about 40 per cent of the GDP, but only created around 1 500 jobs, of which nearly a third are held by foreigners. It was argued that up to 3 000 indirect jobs could be created through linkages with the local economy, but these have not materialised and they would also require further investment to become a reality. Only about 10 per cent of Mozal’s revenues remain within the Mozambican economy, including wages to Mozambican workers and purchases from the domestic economy. The smelters use more electricity than the rest of Mozambique combined. The company imports most of its raw material and equipment duty free, and enjoys an extensive list of incentives ranging from discounted electricity to a prolonged tax holiday. It also has the right to repatriate profits. Thus, while Mozal’s contribution to Mozambique’s economy as a whole is important, and it makes an important contribution to the country’s GDP, its impact is limited. The result is an isolated economic enclave that uses large quantities of scarce resources without returning revenue or jobs to the economy.

<sup>12</sup> Castel-Branco, C.N. & Goldin, N. 2003. Impacts of the Mozal aluminium smelter on the Mozambican economy. Final report presented to Mozal; Castel-Branco, C.N. 2004. What is the experience and impact of South African trade and investment on growth and development of host economies? A view from Mozambique. Paper presented at the Conference on “Stability, poverty reduction and South African trade and investment in southern Africa”. Pretoria, 29–30 March; Lockwood, M. 2006. The state they are in: An agenda for international action on poverty in Africa. London: ITDG Publications; Bucuane, A. & Mulder, P. 2007. Exploiting natural resources in Mozambique: Will it be a blessing or a curse? Discussion Paper No. 54E, June. Mozambican Ministry of Planning and Development (MPD): National Directorate of Studies and Policy Analysis.

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605. In interactive discussions with government officials, they reported that Mozal has been granted tax exemptions for a period of 50 years, Sasol for 35 years and Vale do Rio Doce for 25 years. This was confirmed with the appropriate government departments.
606. The dominance of capital-intensive megaprojects in the Mozambican economy is becoming a cause for concern to both local and foreign observers. Similar concern has been expressed by international financial institutions, such as the IMF and World Bank. While the megaprojects seem impressive, their net benefits to the rest of the economy have been questioned.
607. As Box 4.4 indicates, the linkage of megaprojects to the rest of the Mozambican economy is minimal and there is almost no spillover effect that would be evidenced by, for example, significant job creation in related industries or the blossoming of a range of associated SMEs. Even tax revenues have not increased, because the megaprojects are the beneficiaries of generous tax holidays. Their contribution to employment creation is minimal. As the World Bank noted in 2003,<sup>13</sup> projects such as Mozal will not produce the 3.7 million jobs needed to lift 20 per cent of the Mozambican population out of poverty. Based on present trends, US\$10 billion of such investment would only create 20 000 jobs.
608. The issue of transparency is also paramount in the case of megaprojects. In order to strengthen the management and transparency of mineral resources, Law No. 11/2007 and No. 12/2007 for specific taxation in the mining and petroleum sectors, respectively, were approved in June 2007. Also in June 2007, Law No. 13/2007, which defines the incentives and benefits applicable to the mining and petroleum sector, was approved. The complementary regulations for both laws (No. 11/2007 and No. 12/2007) were approved by Decree No. 4/2008 and No. 5/2008. In addition, the government has expressed its intention to accede to the Extractive Industries Transparency Initiative (EITI).<sup>14</sup>
609. These measures only apply to new investments. The authorities appear fearful of the existing megaprojects and, as a result, have bent over backwards not

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<sup>13</sup> World Bank. 2003. Memorandum of the President of the Development Association, International Finance Corporation and the Multilateral Investment Guarantee Agency to the executive directors on a country assistance strategy for the Republic of Mozambique. Report No. 26747-MOZ, October. Washington DC: World Bank.

<sup>14</sup> According to the letter of intent between the Mozambican government and the IMF, dated 29 October 2008, the government will formally submit a request to start the process to become a member of the EITI by the end of June 2009. In order to sign onto the EITI, several processes need to be followed. The head of state must first announce interest, which he has done. The government must then formally announce its intention and, for a two-year period, there should be a committee of tripartite consultation (the government, the private sector and CSOs) in which disclosure is done. Currently, non-state role-players are calling for the expansion of the disclosure requirement to include the forestry and fishing industries.



to tax them. Negotiating with multinational corporations is a challenge and Mozambique does not appear to secure the most favourable terms in its dealings with such projects. The country owns only a small fraction of shares in the current schemes and has taken on considerable debt to fund them.

610. The counterargument to this situation, especially from government officials, is that, without the tax concessions, Mozal would not have been built, and that Mozal was needed as a beacon to attract other investors. This view was strongly expressed by MF officials in meetings held with the CRM.
611. The CRM maintains, however, that some megaprojects in Mozambique are not “footloose”. As several stakeholders have observed, some investors chose to locate in the country for strategic reasons and did not need tax incentives to attract them. Despite this, they enjoy a wide range of tax breaks and benefits that limit their impact on the Mozambican economy, in some cases for up to 50 years.
612. The wisdom of granting a company a tax holiday for up to 50 years is questionable. The CRM believes that the government should, and could, collect more taxes from the megaprojects. More should, therefore, be done to mobilise tax revenues from megaprojects in order to reduce the country’s dependence on foreign aid, which currently finances more than 50 per cent of the national budget. The CRM was informed that, if Mozambique were to tax megaprojects at discounted rates instead of offering tax holidays, the government could reduce its budget dependency on foreign aid to almost zero. Alternatively, it could continue the flow of aid, but expand its expenditure on social or industrial development.
613. Commendably, the government has, as previously noted, taken criticisms of the megaproject strategy seriously and seems to be setting tougher conditions for new foreign investment projects. This is particularly important in the light of the number of large investment projects and concessions in the pipeline.
614. Furthermore, foreign aid is expected to decline in 2009, as some donors cut back on their aid budgets as a consequence of both the failure of the government to meet their conditions and the global financial crisis. Additional tax revenue is, therefore, crucial to compensate for the expected decline in aid.
615. Another source of concern is the country’s apparent failure to come up with a strategic approach to the role of megaprojects in the economy. While the government has developed an industrial and policy strategy, the document is silent on how megaprojects can be used to create dynamic productive capacities through strong linkages with SMEs. As a result, while Mozambique’s GDP and manufacturing value added (MVA) have been growing in real terms, the sources of growth have become increasingly narrower. Outside the dynamics of megaprojects and large projects, especially Mozal, industrial outputs and exports are

stagnant. Manufacturing output has been declining over the years, and the MVA share of GDP, without Mozal, has fallen to levels last seen in 1971.<sup>15</sup>

616. Outside of the megaprojects, manufacturing growth more generally has been somewhat lower, at around 5 per cent per year in the early 2000s. These trends have led to what some analysts call “two economies” in Mozambique (Box 4.5). This is mainly because the pattern of investment flows in Mozambique has led to economic dominance by a few very large projects, in a few industries controlled by a few large foreign corporations. These industries include sands and natural gas in the minerals sector, and aluminium, energy, sugar, beer, soft drinks and cereal milling in the manufacturing sector.

**BOX 4.5: THE EMERGING CURSE OF “TWO ECONOMIES” IN MOZAMBIQUE<sup>16</sup>**

The dominance of the megaprojects has led to the view that there are “two economies” in Mozambique. The first is a formal, modern economy that is based on the megaprojects, controlled by South African capital and found mainly in the minerals and energy complex. Almost 75 per cent of investment is in the form of FDI and is heavily concentrated in large projects in the minerals and energy complex. Nearly half of all FDI is from South Africa. Between 1990 and 2003, South African corporations were the driving force in 18 per cent of investment projects, which absorbed 85 per cent of FDI, 75 per cent of private investment and around 45 per cent of total gross investment. Secondly, there are indigenous firms that use mainly old production techniques. This duality remains in many sectors and regions, and is being reinforced by the ongoing privatisation process that relies on foreign capital and FDI. Indigenous entrepreneurs lack managerial knowhow and training in financial management, marketing, business organisation, cost assessment, and so on. Furthermore, most small firms do not have access to formal financial institutions.

617. A final impact of the two economies path is regional inequality. With the exception of tourism, all large-scale industrial projects in Mozambique are concentrated in, or near, Maputo. The capital city and its region are the major contributors to the GDP in some sectors.
618. This situation suggests that much economic development in Mozambique is of an “enclave” nature. This contrasts with industrialisation processes in development states, especially in Asia, where there has been great focus on technology transfers from FDI, domestic linkages and joint ventures. Above all, many development states have prioritised small business development, which has been a major source of growth and job creation. The CRM is convinced that Mozambique can enhance its capacity to maximise benefits from megaprojects’ FDI.
619. The Mozal economy contrasts with the small-scale sector, including the informal sector. The World Bank notes the shortage of investment in the small-scale sector, which has contributed to low productivity and weak employment

<sup>15</sup> Castel-Branco (2003).

<sup>16</sup> Lockwood (2006).

growth. While stakeholders acknowledged that the government has designed strategies, policies, measures and incentives for nurturing the private sector, there does not appear to be a strong political will to develop SMEs as the core sector in the country's industrialisation strategy. There are also gaps in the implementation of policies and programmes targeted at SMEs. Especially negatively affected is the informal sector, which employs the majority of the labour force in Mozambique (Box 4.6).

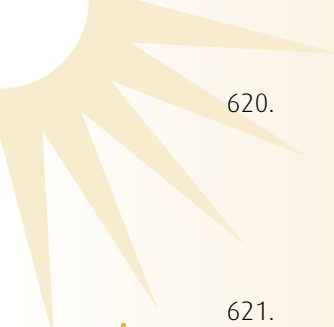
#### **BOX 4.6: THE IMPORTANCE OF SMALL BUSINESSES AND THE INFORMAL SECTOR FOR JOB CREATION**

Studies from various countries show that small and newly founded firms create most new jobs, or at least that small firms' share of job creation is substantially larger than that of large businesses. A vast proportion of small businesses operate in the so-called informal sector. Available evidence suggests that the informal sector in Africa has been expanding rapidly. In countries torn by civil strife, where the formal sector has more or less ceased to function, there has been a strong tendency towards informalisation. The informal sector in Africa contributes more to the GDP than the formal manufacturing sector. The sector also accounts for the majority of the urban labour force and a growing proportion of the rural labour force in most African countries.

In Mozambique, most small businesses are informal, unregistered, have no bank account and are usually temporary activities. It is estimated that the informal sector accounts for at least 33 per cent of the Mozambican gross national product (GNP). In Beira, the second largest city in Mozambique, at least 60 per cent of the firms are informal businesses. Informal businesses help to diversify the family income and are organised in local circuits. One of the main problems of Mozambican small businesses is that they have some characteristics on which, on the one hand, they depend to survive, but which, on the other hand, make it impossible – or at least difficult – for them to prosper and grow. This means that small businesses, especially those in the informal sector, need support in order to survive and grow.

Three policy interventions towards the informal sector can be identified: negative intrusion, passive indifference and positive intervention. The approach currently adopted towards the informal sector in Mozambique can be characterised as "passive indifference" – where the state merely tolerates it, but does not offer any support. There is need for a policy shift from passive indifference to positive intervention. The latter requires a reasonable infrastructure of service institutions in the financial, administrative, legal and educational fields, targeting both entrepreneurial and survivalist activities. In interactions with stakeholders, especially private sector operators, the CRM was informed that the following were the major challenges faced by SMEs in Mozambique: high production costs attributable to high transport and energy costs and interest rates; land constraints on industrialists due to the politicisation of land; constrained access to credit; infrastructural deficiencies; liberalisation of foreign trade; and endemic corruption.

<sup>17</sup> Kaufmann, F. 2000. The dilemma of small business in Mozambique: The reason to be is the reason to prosper. Lisbon: CESA; APRM field notes, Mozambique, 7 February to 2 March 2009.



620. The CRM noted that there is an absence of a coherent industrial policy and strategy in Mozambique. In interactive sessions with stakeholders, the CRM was informed that there were probably over 300 strategies at various levels of the government and its ministries. This incoherence is further reflected in the disarticulation of industrialisation in Mozambique's national development plan.

621. It is, however, noted that steps have been taken by the government to create a more enabling environment for the development of the private sector, especially SMEs. Thus, in February 2008, the government approved a strategic plan that transferred authority to issue licences to one-stop shops at the district and provincial levels, simplified licensing procedures for SMEs, and established an electronic one-step window integrating the customs and tax systems in order to facilitate cross-border trade. Other measures already taken, or being contemplated, are the creation by the Council of Ministers of the SME Institute; the proposal submitted to Parliament to eliminate the minimum capital requirement to start a business; and the plan to introduce a simplified insolvency procedure by the end of 2009.

### ***Recommendations***

622. The APR Panel recommends that Mozambique should:
- Accelerate the process of adhering to the EITI, which is aimed at ensuring that cost and revenue information provided by the megaprojects is open to public scrutiny and verification [MPD; MF; Ministry of Mines; the Investment Promotion Centre (CPI); ATM];
  - Review the regulatory and fiscal regime for the megaprojects to encourage and facilitate investment; to promote exploration activities; and to remove unnecessary impediments and excessive regulatory burdens [MPD; MF; CPI]; and
  - Consolidate and streamline the existing economic and industrial strategies in order to sharpen their focus [Ministry of Industry and Trade (MIC)].

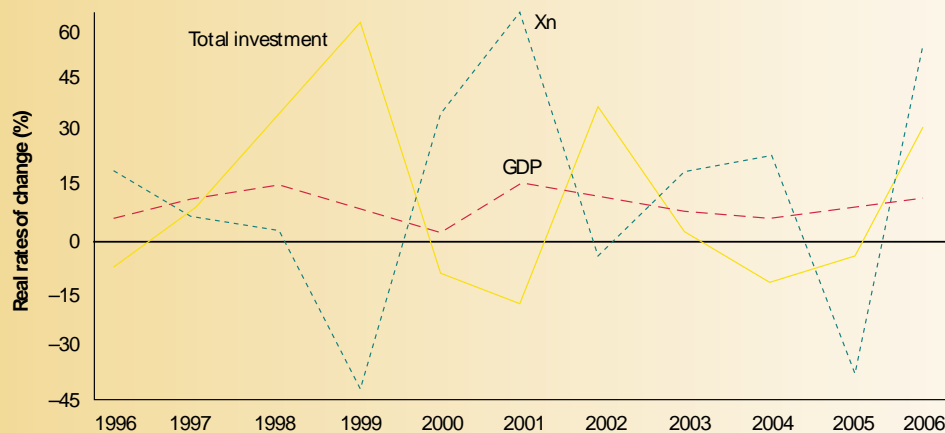
### ***Investment Promotion***

623. Investment, especially FDI, is perceived to generate development. In this regard, the government has pursued a policy of promoting both foreign and domestic private investment. Barriers to FDI have been lowered, and fiscal and financial incentives to attract FDI have been established.

624. Specifically, the government has put in place an appropriate institutional framework and incentives for encouraging private investment. Part of this institutional framework includes the establishment of the CPI, whose mandate is to promote and attract investment, both domestic and foreign; to engage in policy advocacy; and to facilitate investment.

625. Given these incentives and promotional measures, Mozambique has managed to attract reasonable private investment. Over the period 1996–2006, total investment in Mozambique grew at an average rate of 11.6 per cent (Figure 4.2). This was 3.1 per cent higher than the country’s average real GDP growth rate<sup>18</sup> for this period and 1 per cent lower than the growth of net exports. Making the growth in total investment look quite serrated since 1996, FDI experienced sharp increases in 1999 and 2002 (8.5 per cent of the GDP), while gross capital formation experienced intense volatile phases.

**Figure 4.2: Real Rates of Change in the GDP, Total Investment and Net Exports in Mozambique, 1996–2006**<sup>19</sup>



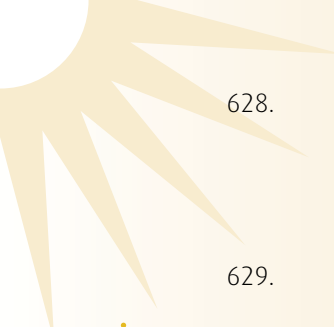
626. The sharp increases in 2006 were mainly due to strong growth in public investment (51 per cent), which over the years has been the hallmark of the government in its efforts to invest in programmes and projects with the potential to contribute to poverty reduction.<sup>20</sup>

627. Some stakeholders expressed concern about the application of investment incentives, alleging discrimination in favour of foreign investors. In meetings, stakeholders informed the CRM that local investors have been discriminated against by the government. In a meeting at Xai-Xai, one stakeholder described the perceived discrimination against domestic investors as an “injustice”.

<sup>18</sup> Between 1989 and 2006, real GDP growth averaged 7.5 percent, almost twice the comparable figure in SSA.

<sup>19</sup> Adapted from Van Niekerk, A.J. 2008. Post-conflict reconstruction and the Millennium Development Goals: Lessons from the Mozambican case. In Wohlmuth, K., Alabi, R.A., Burger, P. et al. (Eds), African Development Perspectives Yearbook, Vol. X111. Berlin: LIT Verlag. Data from the following sources: International Monetary Fund (IMF), 2005. Republic of Mozambique: Selected issues and statistical appendix. IMF Country Report No. 5(311), page 7. Washington DC: IMF; World Bank. n.d. Povcalnet at <http://iresearch.worldbank.org>, pages 222–248. Accessed May 2008; International Monetary Fund (IMF). 2007. Regional Economic Outlook: Sub-Saharan Africa. World economic and financial surveys, April. Washington DC: IMF, page 83.

<sup>20</sup> World Bank (2008:242)

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628. The foregoing suggests that it is important for Mozambique to ensure that the playing field is level for both local and foreign investors.

### ***Recommendations***

629. The APR Panel recommends that Mozambique should:
- Formulate explicit and comprehensive strategies for strengthening SMEs, especially by facilitating access to credit and providing infrastructure and training for these enterprises [MIC; CPI];
  - Increase the effectiveness and efficiency of the state in providing services, rather than mere fiscal incentives, to the private sector [MF; MPD]; and
  - Improve and strengthen the one-stop shops by reducing requirements and bureaucratic delays [MF; MPD].

### ***External Position***

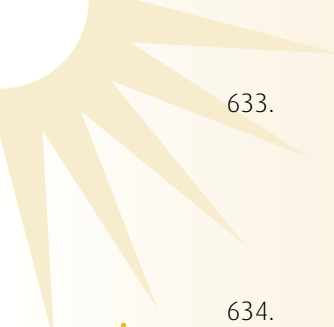
630. One of the government's overall macroeconomic targets in Mozambique is the accumulation of gross international reserves. So, for example, gross reserves increased from 4.6 months of import of goods and services in December 2005, to 5.1 months at the end of June 2006. These reserves are for the purpose of guaranteeing stable import levels or, better still, for smoothing out consumption of goods and services in the short to medium term.
631. In meetings with the government and BM officials, the CRM was informed that Mozambique's total exports, given a boost by enhanced exports of aluminium products, have been on the increase since the successful implementation of much of the country's reform objectives in the mid-1990s, growing at average rate of 29 per cent between 1996 and 2004. The country achieved a record growth rate of 53.67 per cent in exports in 2003, but the rate fluctuated widely between 2004 and 2007. In 2006, it was 36.43 per cent. Since 2001, Mozal aluminium products have been driving export behaviour in Mozambique, accounting for more than 55 per cent of exports in 2001, 44 per cent in 2002 and 54.1 per cent in 2003. A similar trend was sustained in 2006 and 2007 (Table 4.3).
632. However, significant growth in import levels that were not matched by a proportional expansion in exports meant that deficits in the merchandise trade balance were recorded for most of the period between 1996 and 2007.



**TABLE 4.3: EXPORTS, IMPORTS AND TRADE BALANCE IN MOZAMBIQUE<sup>21</sup>**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Exports (FOB US\$ millions)	226.1	230.1	244.6	283.8	364	703.1	679.3	1 043.9	1 503.9	1 745.3	2 381.1	1 843.6
Growth rate of exports (%)	..	1.769	6.30	16.03	28.26	93.16	-3.39	53.67	44.07	16.05	36.43	-22.57
Imports (FOB US\$ millions)	704.3	684	735.5	1 090	1 046.1	957.1	1 215.7	1 648.1	1849.7	2 242.3	2 648.8	2 040.5
Growth rate of imports (%)	..	-2.88	7.53	48.20	-4.03	-8.51	27.02	35.57	12.23	21.23	18.13	-22.97
Trade balance	-478.2	-453.9	-490.9	-806.2	-682.1	-254	-536.4	-604.2	-345.8	-497	-267.7	-196.9
FDI, net BOP, current US\$ millions	72.50	64.40	212.70	381.70	139.20	255.42	347.58	336.70	244.70	108.00	154.13	..
FDI net inflow as a % of the GDP	2.28	1.71	5.01	8.58	3.27	6.27	8.27	7.22	4.29	1.64	2.50	..

<sup>21</sup> Bank of Mozambique (BM). 2008. Bank of Mozambique Annual Report of 2008. Maputo: BM; World Bank (2008). Accessed June 2008.



633. The CRM evaluated the external reserve position of Mozambique in terms of months of imports. This is justified on the grounds that the country has recently benefited from debt forgiveness. For this reason, an evaluation of Mozambique's external position in terms of foreign reserves as a percentage of external debt was not done.

634. Although Mozambique's reserves position can support about five months of imports, the CRM expressed concern about the country's vulnerability in international markets in meetings with the government and BM officials. The officials generally acknowledged the dangers of this vulnerability. Some of them informed the CRM that Mozambique was embarking on economic diversification in order to lessen the country's vulnerability in international markets.

### ***Economic Diversification***

635. There is a need for Mozambique to embark on accelerated diversification of the economy. The key sectors with growth potential are agriculture, mining and tourism.

### ***Agriculture***

636. The agricultural sector is a major contributor to the GDP (27.6 per cent in 2007) and continues to improve its performance, due largely to foreign investment in sugar and tobacco. Output in this sector grew by 2.6 per cent between 1987 and 1997, and by 5.3 per cent between 1997 and 2007. The agricultural sector recorded a growth rate of 10.9 per cent in 2006 and 6.6 per cent in 2007. However, its performance varies considerably across the country due to variability in rainfall. The southern regions have experienced sustained drought, leading to a 43 per cent reduction in cereal production in those regions. Thanks to good harvests in the north, the overall decline was only 4 per cent, but some 800 000 people in the south required food aid, and this situation was exacerbated by Mozambique's poor transportation infrastructure.

### ***Mining***

637. The mining sector has grown dramatically (by 230 per cent in 2004 and 40 per cent in 2005). Highlights in this sector include the Sasol gas pipeline that runs from Inhambane to South Africa, and investments in titanium mining, including a US\$450 million titanium mine and smelter in Moma. Like much of Mozambique's extractive industry, the decades-long civil war resulted in large-scale damage to the country's infrastructure and its mineral wealth was all but ignored. The potential for growth in mining remains huge, however. Since the end of the war, numerous foreign companies have expressed interest in prospecting for minerals in Mozambique. However, it is cautioned that Mozambique should take great care to avoid the so-called "natural resource curse"

– the negative effects of mineral wealth on a country’s economy. As previously noted, it has been observed that this can inflate the local currency, making other enterprises less competitive in the international market. In addition, fluctuations in the price of oil, gas and minerals create a volatile exchange rate, which often discourages FDI. Moreover, mineral revenue windfalls also have a tendency to encourage poor government policy and to increase foreign debt.

### ***Tourism***

638. It is observed that there is currently no comprehensive strategy for developing the tourism sector. While there are strategies for related sectors, the CRM was informed that legislation is in progress that focuses explicitly on the tourist industry. The industry has a “matrix”, in which the government touches on issues of transport, energy, communications and others. The Ministry of Tourism is the focal point of this sector, although other ministries are also involved. The PQG contains a chapter on the promotion of the tourism industry. An annual report on compliance is compiled regarding implementation issues outlined in the plan and the “matrix”.
639. This form of diversification is, however, still weak. The CRM is particularly concerned that much of the production of traditional exports (essentially agricultural) is weather sensitive and subject to terms of trade shocks. This may complicate sustained long-term growth, which could cause the country’s export growth to become precariously volatile. To guard against potentially catastrophic volatility, greater attention should be paid to industrialisation than has been the case in the past.

### ***The Need for Industrialisation***

640. The role of industrialisation in enhancing a country’s capacities to participate meaningfully and profitably in modern globalisation is generally acknowledged. Industrial development enables countries to raise their growth rates, reduce poverty, generate employment, diversify the economies and foster linkages. Box 4.7 strongly suggests that industrial development has a tremendous transformative potential.



#### BOX 4.7: INDUSTRIALISATION AND GROWTH <sup>22</sup>

Hardly any country has grown without some form of industrialisation. Fast-growing countries have rapidly growing manufacturing sectors and, given the significance of trade in manufactures, the direction of change most likely runs from manufacturing growth to economy-wide growth, and not the other way around. This is because structural change – the shift of resources from low-productivity to higher-productivity sectors – is a key driver of economic growth. Industry is most often the leading high-productivity sector. Growth has lagged where countries have failed to shift capital and labour from low- to high-productivity sectors – that is, from raw commodities to manufactured goods. Manufactured exports are likely to offer more scope for long-term productivity growth than either agriculture or natural resources.

641. The pattern of industrial development in Mozambique has been highly uneven. The CRM observed that, although a policy framework containing policies and specific strategies has been designed to promote industrialisation in the country, there are a number of challenges that have tended to be worrisome to investors. These relate to the macroeconomic policies of full trade liberalisation. The government's trade policy stance supports the export sector by minimising domestic and international barriers to trade. Government officials claim that despite not giving special protection to domestic industries, the government has pursued a policy that creates a level playing field for all investors. Herein, in fact, lies the problem.
642. A major complaint of private sector operators is that, while trade liberalisation and market determination of exchange rates could benefit agricultural exports, they tend to hurt the growth of manufacturing and manufactured exports. In some of the interactive sessions with the CRM, some civil society stakeholders and private sector operators stressed the phenomenon of unfair competition from imported goods, notably fake products. Thus, with the opening up of markets, small-scale industrialists and producers or farmers have been subjected to unfair competition and they therefore urge the government to revise the policy. Full trade liberalisation will be more beneficial if the enabling environment becomes more conducive to local operators.
643. A fundamental question is whether Mozambique has, by embracing the megaprojects, closed off opportunities for sustainable, broad-based growth, SME development and job creation. The long tax holidays extended to megaprojects create the real danger that Mozambique could miss the growth boat.
644. The CRM takes the view that Mozambique needs a new growth and development model that meets the following criteria: links macroeconomic and pro-

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<sup>22</sup> United Nations Industrial Development Organisation (UNIDO). 2009. Industrial Development Report 2009. Breaking in and moving up: New industrial challenges for the bottom billion and the middle-income countries. Vienna: UNIDO.

ductive capacity development; fosters resource mobilisation and investment for productive capacity development and trade; is consistent with sustainable poverty eradication, not only by reducing the number of people whose income is below the poverty line, but also by eliminating the structural causes of poverty; and is broad-based, diversified and properly articulated. (Chapter Six discusses this issue in more detail.)

645. Another critical issue is the need to increase private capital. Mozambique needs much private capital to drive the process of growth through industrialisation. The country's heavy dependence on donors means that there is more public capital than private capital in the country. Public capital is supplying much of the infrastructure which the country is in need of, but cannot supply the equipment and other inputs that Mozambique requires in order to be more productive – those can only be supplied by the private sector.

### ***Recommendations***

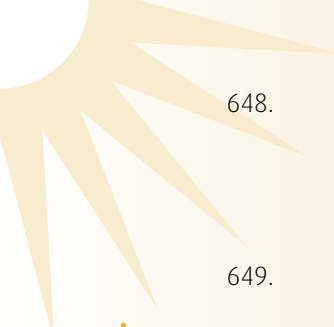
646. The APR Panel recommends that Mozambique should:
- Create an incentive structure aimed at linking the industrialisation process with the country's resource base in order to create strong forward and backward linkages [MIC]; and
  - Implement the recommendations of the AU Heads of State Summit of February 2007 that governments should make a budgetary allocation of at least 1.0 per cent of their total GDP to the industrial sector [MIC; MF].

## ***Objective 2: To implement sound, transparent and predictable government economic policies***

### **I. Summary of the CSAR**

#### ***Public Sector Reform***

647. The institutions responsible for public sector reform in Mozambique are the CIRESP, established by presidential decree on 20 March 2000, supported by the UTRESP created by the Council of Ministers on 4 April 2000. The efforts of these two organs are guided by the Global Strategy for Public Reform of 2001–11, whose objective is to create a public sector that is transparent, efficient, effective, decentralised and democratic, staffed with qualified and professional staff, and free from corruption. Accordingly, the reform process is intended to rationalise and decentralise the institutions and processes of providing services; to manage public policies more effectively and efficiently through greater use of information technology; to professionalise the public service; to improve financial management and accountability; to promote good governance; and to fight against corruption.

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648. With a view to rationalising and decentralising service delivery, one-stop shops have been created for citizens and businesspeople, resulting in a sharp reduction in the time it takes to establish a business and obtain business licensing. The rules on border trade have also been simplified and made less cumbersome.
649. The CSAR notes that planning is currently under way to improve the process of formulating and monitoring public policies by mapping the public sector through functional analysis, and identifying areas of overlap and tasks to be decentralised. Phase 1 of the Electronic Government Strategy has also been developed.
650. According to the CSAR, a survey has been conducted on the system of personnel information so as to provide the government with an integrated database on its public servants. In addition, a draft policy on salaries in the public sector has been prepared, the statutes for civil servants have been revised, and the System of Training in Public Administration (SIFAP) is being implemented.
651. In order to improve fiscal management and accountability, the Technical Unit for State Financial Administration (UTRAFE) has been created, together with the SISTAFE, to promote coordination and monitoring of financial management. Additional measures taken include the launching of the CUT, backed up by its electronic component, e-CUT.
652. Finally, in the area of good governance and anticorruption, the CSAR lists a number of initiatives that have been taken, such as the National Survey on Governance and Corruption in 2004; approval of the Anticorruption Act by Parliament in 2004; approval by the government of the anticorruption strategy in April 2006; formulation of the draft on norms and ethics for civil servants in leadership positions; and adoption of various measures for strengthening Parliament and the Judiciary.
653. The CSAR notes a number of challenges that have been faced in the area of public sector reform and identifies remedial measures to be taken. Among these are to strengthen the PSR programme by making it an integral part of the PQG; to identify four priorities for public sector reform in Phase II; to focus on results and impact; to include issues of gender and HIV/Aids in the reform process; to improve coordination of the reform process; and to decentralise the implementation of the reform process.

### ***Public Finance Management***

654. The CSAR lists a number of laws and decrees that have been adopted to improve PFM. These include establishment of a modern and all-inclusive PFM system, new procedures for procurement and simplification of bureaucratic procedures. Significant measures introduced are new tools, such as e-SISTAFE and e-CUT. The CSAR concludes that these measures have led to improvements

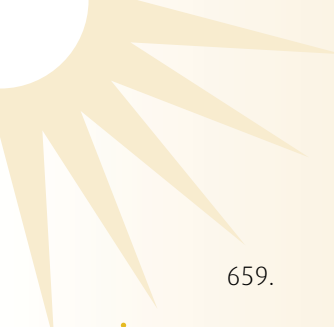


in processes and procedures, a structured mechanism for planning and budgeting, and coordination of activities with donors.

655. Arrangements are in place for an internal audit to supervise the use of public resources and the accuracy of accounting dates; to guarantee standardisation in the application of rules and accounting methods; and to verify respect for legal norms and procedures. This task will be undertaken by the Internal Monitoring Office.
656. The CSAR states that steps have also been taken to ensure transparency in, and accountability of, public resource management by undertaking external audits. Thus, in March 2006 and August 2007, the Overseas Development Institute (ODI) of the United Kingdom conducted an external audit of public resource management based on the Public Expenditure and Financial Accountability (PEFA) system. Other instruments of external audit employed are the Reports on the Observance of Standards and Codes (ROSCs) based on the IMF's norms and codes on tax transparency; the Performance Assessment Framework (QAD) based on the agreement between the government and the group of 19 external donors that provide budgetary and balance of payments support, and which provides an assessment of how donor funds have been used; and the system of PFM that examines transparency in tax payments and effectiveness in tax collection. According to the CSAR, the assessment for 2006/07 is expected to show improvements in all measures, compared with the findings of the 2004/05 assessment. A major aspect of public finance reform has been the reform of the tax system.

### ***Tax Reform***

657. The CSAR states that a number of reforms have been introduced with a view to improving the tax system. Among these are the approval of legislation on tax system bases; the establishment of individual and company income taxes; regulation of the tax on vehicles; rationalisation of tax benefits; the introduction of a single tax identification number; and the adoption of the General Tax Act. These reforms, in turn, have led to a number of new laws designed to ensure that legislation on taxes conforms to reforms in these areas. The goal of these reforms and legislation has been to adjust the tax system to a competitive market economy; to encourage domestic and foreign investments; to replace the many indirect taxes by VAT; and to harmonise the tax system with the provisions of the SADC and bring them in line with international best practices.
658. A very important initiative in the area of tax reform was the establishment of the ATM in March 2006, with the goal of ensuring efficiency in revenue collection; increasing tax and customs revenue; and enhancing professionalism and integrity in the administration of the tax system. Measures already taken to achieve these objectives include an extension of the tax base; the adoption of more



adequate tax regimes; the rationalisation of tax benefits; a progressive increase in revenue collection; the control of invoicing; the combating of tax evasion and fraud; an improvement in the quality of services rendered to the public; and a reduction in the time required to pay taxes and collect merchandise.

659. In addition, the Institute of Public Finance and Tax Training (IFPFT) has been established to make the service more professional and expand the scope of training to cover specific areas that will enhance capacity building in the MF. In order to separate the administration of the tax system from the adjudication of tax issues, the 2004 Constitution provided for the establishment of a tax court of first instance. Fourteen magistrates have already been recruited to serve in these courts, some of which will start functioning in Maputo province, Maputo city, Beira, Nampula and Tete. With a view to enhancing transparency in the administration of the tax system, the Administrative Court will undertake external audits of the activities of the ATM and other state agencies. Finally, reception branches of the ATM have been created and mobile tax collection is done to facilitate payment of taxes by people in remote areas.
660. Another very important initiative is the creation of an office tasked with disseminating information on the tax system and its administration, and educating the public in this regard. The office releases an information bulletin; publishes a magazine and a tax education handbook; organises chats to publicise tax and customs legislation; and offers tax education. However, according to the CSAR, challenges in the form of a lack of coordination with other government agencies and failure to respect provisions regarding exemptions from custom duties still exist in the Customs Department.

## **II. Findings of the CRM**

661. It is evident that Mozambique has made significant progress in instituting sound, transparent and predictable state economic policies. A great deal of effort has been expended in reforming the public sector and strengthening PFM; ensuring predictability in government policies by improving policy planning and budgetary processes; disseminating information on economic issues; facilitating the participation of stakeholders in economic decision making; and reinforcing policy coordination. The success of these efforts is reflected in the impressive growth rates recorded by the country and the confidence it inspires in donors and private investors. The challenge facing Mozambique is not only to continue with these reforms, but also to ensure that they are deepened; that legislation and decrees are fully and energetically enforced; and that institutions are provided with the required resources to make them effective. These points are elaborated on below.

## ***Public Sector Reform***

662. Public sector reform is an essential element in building a capable state and improving the provision of public goods and services. As described above, key measures taken in this regard have been improving the training of public officials through the establishment of the Institute of Public Administration (ISAP); greater use of information technology; reducing bureaucratic procedures, especially by creating one-stop shops for granting approvals for starting new businesses; and simplifying procedures for cross-border trade.
663. The work of the CIRESP and the UTRESP has been quite impressive. The activities of these two institutions should be reinforced, especially with respect to linking public sector reform with an assessment of the capacity needs of the country's medium and long-term plans. In this regard, a thorough capacity assessment and plan for the public service would be essential.
664. Steps have also been taken to improve the conditions of service in the public sector. In September 2008, the government approved a medium-term civil service pay policy that has been phased in throughout 2009. A draft report has been prepared by the National Institute of Social Security (INSS), which is to serve as the basis for making the pension and social security systems financially sustainable.
665. An integral part of introducing medium and long-term planning in the process of public sector reform is planning for the training needs of the country at the national, provincial and district levels. This should also be a part of a larger process of human resource development in the country, both public and private, and should ideally cover all educational and training institutions. There is no evidence that something of this kind has been done yet. Moreover, even with respect to the training of public officials, the CRM was informed in several provinces that the activities of the ISAP, even where local offices do exist, are not well known and do not cater for the training needs of the province or district. More effort is, therefore, required to make the work of the Institute better known and more relevant to the training needs of local areas.
666. By all accounts, the creation of one-stop shops and the simplification of formalities for cross-border trade have been successful. As previously noted, however, there have been reports of some delays in starting new businesses, due mainly to the documentation required. Due to these remaining problems, some entrepreneurs prefer to remain in the informal sector rather than move into the formal sector. Similarly, some traders avoid formal border crossings because of the complexities of the tax process. Even though these challenges may be few, the government may wish to look into them with a view to deepening the reform process.

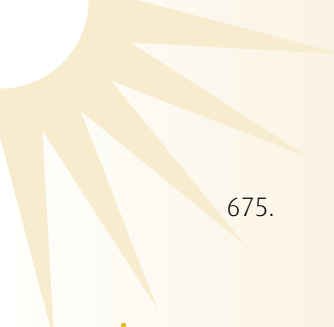
## **Public Finance Management**

667. Mozambique is making significant progress with the second phase of the e-SISTAFE, which was introduced in 2006 and rolled out to all ministries at the central government level in 2007. This reform will improve expenditure execution and efficiency, and reduce the scope for corruption. Further measures that are being planned in this area are to extend the system to all decentralised units in the districts and provinces, and to include all externally financed expenditures in the e-SISTAFE. Steps are being taken to encourage all donors to transfer project aid through the multicurrency CUT established by decree in April 2008. The list of e-SISTAFE operators is also being updated.
668. The CRM noted that a central question facing Mozambique in the area of PFM has been how to ensure transparency and accountability in resource utilisation. As noted above, a number of laws and decrees have been adopted in this area. Significant measures taken in this regard have been instituting the e-SISTAFE and e-Cut; making arrangements for internal auditing by the Office for Internal Monitoring and the Administrative Tribunal; and conducting external audits by donors and on the basis of internationally approved codes, norms and practices. The work of the internal office in the National Directorate of Budget and the National Directorate of Public Accounts responsible for internal audits has been impressive.
669. The CRM observed that arrangements to facilitate payments and disbursements have improved considerably. A notable example of this improvement is the regularity with which officials' salaries are transferred to the provincial and district levels. Delays in making these transfers have been virtually eliminated, except for remote rural areas that do not have telecommunication facilities. However, there have been reports of delays in the transfer to local authorities of a portion of the taxes collected by the central government in those areas. This has led to demands by local authorities for a reversal of the process, with the local authorities collecting the taxes and retaining their portion, and then transferring the rest to the central government. The proposal has thus far been rejected by the central government, but the idea may be revisited as part of the process of decentralisation and local empowerment.
670. The situation with respect to internal auditing is somewhat unclear. The effectiveness of the process has not been clearly established, and there is also uncertainty about the quality of the Administrative Tribunal's work of controlling and auditing public expenditures, as well as the follow-up action taken on its reports by the executive and the legislative branches of the government. Questions also remain as to the credibility and effectiveness of Parliament in exercising oversight over the management of public finance, due to a lack of capacity, one-party domination and the emphasis on party discipline. In order to enhance its reputation and image of transparency and accountability, the

government may wish to consider how to strengthen the process of internal audit and control, especially by Parliament.

### ***Tax Reform***

671. The CRM noted that tax reform is another area in which progress has been made, thanks to the numerous measures taken to reform the tax system, as well as the establishment of the ATM, the IFPFT and the tax courts. These measures have increased resource mobilisation and introduced greater transparency in the tax system. A significant achievement in this regard is that tax revenue as a percentage of the GDP has been increasing, amounting to 12.9 per cent in 2006, 14 per cent in 2007, and 14.4 per cent in 2008. However, the increase in 2008 was below the target of a 0.5 per cent increase in domestic revenue to the GDP. This was due to various tax exemptions granted to mitigate the impact of the rise in food and oil prices, which had triggered social unrest. These increases in tax revenue have resulted in a drop in the budget deficit from 9–10 per cent of the GDP, to the present 5–7 per cent. Revenue as a percentage of the GDP is projected to increase to 15 per cent in 2009 and 15.7 per cent in 2010. Revenue collection is projected to increase to 18.6 per cent of the GDP in 2011, due to the planned phasing out of some tax exemptions and to improvements in tax policy and administration.
672. A major challenge is how to simplify the number of taxes, which are reported to be around 36 at present. In this regard, the government has submitted a Bill to Parliament that will simplify taxes for small taxpayers by replacing several existing taxes with a direct tax on petty traders and small-scale agricultural and industrial activities. Some areas in the tax system that require improvement are measures to facilitate the payment of taxes by expanding the creation of tax collection facilities in rural areas and reducing the number and timing of the payment of taxes.
673. Despite efforts to make tax administration more professional through training and by making it more transparent, there are perceptions that the tax system is not fully transparent and equitable. Greater and more widespread dissemination of information in this regard may help, and efforts to train more staff and magistrates for the tax courts should be accelerated and expanded.
674. Despite the progress being made in tax reform, a number of challenges still remain. The tax base needs to be expanded considerably so as to increase the efficiency of revenue collection and to reduce dependence on external aid, which still hovers around 52 per cent. As noted in Chapter Six, this can only be accomplished by pursuing an economic strategy based on broad-based development. Rather than relying on a few megaprojects, as seems to be the case at present, more effort needs to be expended on the development of SMMEs. The government may wish to formulate explicit and comprehensive strategies



for strengthening these types of enterprises, especially by facilitating their access to credit and providing them with infrastructure and training.

675. A related initiative that may be considered is the tax incentive granted to mega-enterprises. As previously noted, the CRM was informed that tax holidays granted to mega-enterprises range from 25, 35 to 50 years. The wisdom of such incentives should be reconsidered and possibly renegotiated, especially given the wealth of evidence that such concessions attract FDI only at the margins, and that most of the investments would still have been made without such incentives.
676. In this regard, the CRM noted the adoption of incentives and benefits for the mining and petroleum sectors in June 2007. All new agreements in mining, petroleum and gas concessions are to be based on this new framework. The government is also in the process of acceding to the EITI. These measures are expected to facilitate resource mobilisation and should increase revenue from mining, petroleum and gas.
677. In contrast to the tax incentives granted to megaprojects, SMEs are taxed at 5 per cent of their gross sales, which is equivalent to 20 per cent of their profits. This is considered too high by SME entrepreneurs, with the result that many of them prefer to remain in the informal sector. In addition, many SMEs cannot afford to hire accountants, thus making compliance with the tax legislation both difficult and costly. The payment of taxes would also be facilitated by expanding the creation of tax collection facilities in rural areas and reducing the number of, and timing for, tax payments.
678. The CRM noted with satisfaction that the government has taken a number of measures to improve resource mobilisation. Among these are the new computerised revenue collection system, e-TRIBUTACAO; the tax code adopted in 2008 to streamline income taxes and eliminate some VAT exemptions; and the new excise tax code that has been submitted to Parliament.
679. The national tax authority is also taking steps to enhance its efficiency and effectiveness. With assistance from donors, the ATM formulated a strategy for 2009–10 that was approved in October 2008. Key elements of this strategy include having indicators of overall performance and a framework for assessing staff, and strengthening the audit capacity by recruiting more staff, which has led to an increase in tax audits. Additionally, the ATM is elaborating on a strategy for managing and controlling revenues from megaprojects; introducing a master plan for information technology; integrating revenue collection into the e-SISTAFE; strengthening the auditing of megaprojects; and enabling revenue payments to be made through banks. Efforts have also been made to make tax administration more professional by offering training and making processes more transparent.



680. Despite these encouraging reform measures, the CRM is of the view that more needs to be done in the area of domestic resource mobilisation. This is especially important, given the fact that, according to the IMF, Mozambique is one of the most aid-dependent countries in Africa, with 54.3 per cent of its public finances in 2008 coming from donors. The government also needs to do more with a view to changing the public's perception that the tax system is not fully transparent and equitable.

### **III. Recommendations**

681. The APR Panel recommends that Mozambique should:
- Reinforce the capacities of the CIRESF and the UTRESF, and link the public sector reform process to the medium and long-term capacity needs of the country [Council of Ministers; MPD];
  - Decentralise more authority for resource mobilisation to the provincial and district levels as part of the process of decentralisation and giving local communities ownership of their economic development [Ministry of Local Government; MF];
  - Broaden the tax base, increase efficiency in tax collection, and introduce greater transparency and equity in the tax system [MF; ATM]; and
  - In conducting internal audits, examine not only financial issues, but also questions of delays in implementation, cost overruns and the impact of projects [MF; MPD; Auditor-General].

### ***Predictability of Government Economic Policies***

#### **I. Summary of the CSAR**

682. Planning in Mozambique originates at the strategic level and is based on the PARPA and the PQG. These plans are complemented by the CFMP, which establishes budget limits for the elaboration on sectoral plans. Strategic direction is provided at the provincial and local levels by the PES. The next step in the planning and budget process is the preparation of annual sectoral plans and the allocation of resources to the various sectors. The last level of planning is at the municipal level.

683. Economic policies are formulated on the basis of various mid-term and long-term planning tools. These are the PQG, PARPA, the CFMP and the sectoral strategic plans. These, in turn, serve as guides in the elaboration of the PES, the State Budget and the annual sectoral plans.

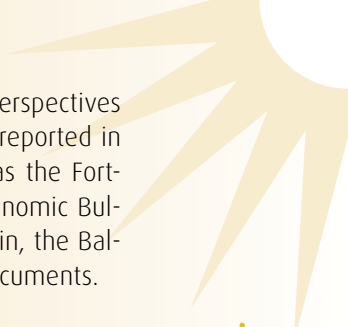
684. As previously noted, the BM plays a central role in the supervision of monetary policies through the CPMO and the CCMI, with the latter being responsible for coordinating the BM's interventions in money markets.

## ***Participation and Consultations in Economic Decision Making***

685. According to the CSAR, in formulating its economic policies, the government engages in broad consultation with stakeholders and the public at large. One such mechanism for consultation and participation is the meetings held regularly between representatives of the private sector, through the CTA, and the President of the Republic, ministers and other government officials. Consultations with the public also take place during visits by the President to the provinces and districts, and during visits by provincial governors and district administrators. Other arrangements for consultations with CSOs and the public are the Joint Assessment Programme, Poverty Observatory (OP), Parliamentary consultations, and the Institutions for Participation and Community Consultation (IPCC).
686. For its part, the BM organises periodic meetings with financial institutions, where information is provided on the main policy measures undertaken by the government and trends in the major macroeconomic indicators. Information is gathered on the environment and sentiments in the financial market, and views are exchanged on changes in norms in the financial market.
687. Despite these efforts to promote broad participation and influence government economic decision making, the CSAR notes that 87 per cent of the respondents in a government survey stated that they had never participated in a direct manner in influencing government policies and programmes. It was also noted that even Members of Parliament (MPs) are not influencing government policies and programmes directly. Unfortunately, information is not available on the participation of Community Consultative Councils (CCCs) in decision making on local development programmes. Another interesting finding was that 79 per cent of the respondents identified public debate; 29 per cent indicated specialised forums; and 25 per cent other avenues as the most frequent mode of participation in debates on government programmes.

## ***Dissemination of Information and Awareness of National Economic Policies***

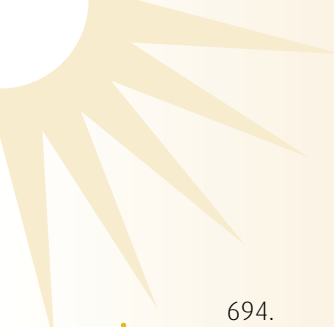
688. In addition to the institutions and processes for facilitating stakeholders and the public's consultations with, and participation in economic policy making, the government has undertaken a number of measures to disseminate information and to enhance public awareness of economic policies. These include the development and maintenance of government and sectoral websites to disseminate information on government activities, as well as the publication of legislation and other legal measures by the National Press and the Office of Public Information.

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689. The BM hosts frequent meetings at which financial and economic perspectives for the following year are presented to banks and the media. As reported in the CSAR, the BM also publishes a number of documents, such as the Fortnightly Release, the Monthly Committee Release, the Monthly Economic Bulletin, Quarterly Prices and Financial Economics, the Statistics Bulletin, the Balance of Payments, the Annual Report, staff papers and working documents.
690. The CSAR, however, notes several challenges that remain in the area of disseminating information and strengthening public awareness. These include:
- Inadequate dissemination of information on licensing rules, regulations and procedures;
  - Failure of information concerning government policies to reach people in rural areas; and
  - Greater reliance on external websites and less on the government's website.

## **II. Findings of the CRM**

### ***Planning, Budgeting and the Formulation and Supervision of Economic Policies***

691. The CRM notes that the government is making a serious effort to integrate long-term plans (PARPA and PQS) with medium-term (CFMP) and annual sectoral plans, as well as national plans and those at the provincial and district levels (PES). Emphasis is also given to improving coordination among the various sectoral plans.
692. Two important challenges face the government in ensuring that plans, budgets and economic policies are more predictable and yield the desired results. The first is to ensure that these plans and policies are based on sound analytical work. Efforts in this area are still new and inadequate, due to the absence of comprehensive and reliable data and the availability of trained staff. These constraints are being addressed by measures to strengthen the statistical office and by efforts over the past five years to expand higher education and improve the quality of training. These measures must be continued and accelerated.
693. A key challenge is to enhance the impact of, and results from, plans and budgets. For this purpose, the entire planning process must be more results oriented. The CRM learnt that, until recently, budget allocation occurred on an incremental basis. Staff salaries were also allocated on an incremental basis but, about three years ago, programme budgeting was introduced in a few ministries on an experimental basis. While programme budgeting represents an improvement over the incremental approach, further improvements are necessary. In this regard, the government may wish to consider shifting to a zero-based integrated resource base management system. This approach will facilitate the prioritisation of goals and outcomes; the clear specification of



outputs and activities; and matching resources according to desired results. In this way, resources are allocated more efficiently and effectively, and monitoring and evaluation are facilitated.

### ***Participation and Consultations in Economic Decision Making***

694. One of the impressive measures noted by the CRM in Mozambique is the arrangement for consultations and participation in economic policy making. The CRM confirmed that the most important vehicles for these consultations and participation are the regular meetings held between the President, ministers and the private sector represented by the CTA, and between officials, CSOs and individuals through the Joint Assessment Programme and consultative councils. In addition, Mozambique prides itself in following a bottom-up approach to economic planning and decision making, with national plans and policies resulting from extensive consultations with local officials and individuals. Final approval of these plans and policies rests with Parliament.
695. The challenge facing Mozambique is how to make the institutions and processes that are in place function effectively and in keeping with the spirit behind their establishment. On several occasions it was reported that these consultations exist more as a formality and that even Parliament has very little influence over government policies, because of the dominance of the governing party and the strength of party discipline. Significant in this respect is the finding referred to earlier that 87 per cent of the respondents in a survey quoted by the CSAR indicated that they had never participated in a direct manner in influencing government policies and programmes.
696. It would seem that the challenge in this area is to ensure that CSOs, private sector organisations, community-based organisations (CBOs), and community representatives serve as effective channels of communication between the people they represent and the government. There is some indication that these organisations do not inform and consult their members sufficiently, and that their leaders end up speaking for and representing themselves rather than their constituencies.
697. The solution to these deficiencies is to strengthen democracy and broad-based participation and accountability within these organisations, and to promote attitudinal changes among their leaders. The leaders also need training in their role and responsibilities. The overall capacity of these organisations for advocacy and representation must be built. This is a task that the organisations themselves must shoulder, with some encouragement and support from the government.

## ***Dissemination of Information and Awareness of National Economic Policies***

698. Closely related to the above, and a prerequisite for effective public consultation and participation in economic policy making, is the wide dissemination of information. As noted in the CSAR, the government has taken a number of steps to publicise relevant economic information on its website, in its publications and through the media, official meetings and gatherings.
699. It was, however, evident to the CRM that information on economic policies is not made available to many individuals, notably those in remote and rural areas. This is not surprising, given the size of the country; transport and communication difficulties in reaching rural and remote areas; the multiplicity of languages; the low level of literacy; and the fact that the media, even radio, are not readily accessible to many people in the villages. Nonetheless, these challenges should be addressed as a matter of urgency. The measure for ensuring that students are competent in at least two languages is an important step in addressing the challenge of channels of communicating with the public, especially the rural population. See, too, the recommendations made above to strengthen CSOs, CBOs and private sector organisations so that they can become effective instruments of communication between the public and the government.
700. The government should also reinforce its own efforts in this regard. Effective communication with the public holds enormous gains, such as providing the government with the information it requires to be responsive to public needs and demands, and to gain legitimacy in the eyes of the public.


### **III. Recommendations**

701. The APR Panel recommends that Mozambique should:
- Continue to reinforce the system for popular consultation and participation in economic decision making [MPD; MF; sectoral ministries];
  - Strengthen the capacity for analytical work that underlies economic planning and decisions [MF; MPD; BM]; and
  - Ensure that MPs and constituency representatives are able to liaise with their constituencies, and are informed of government policies and activities [Office of the President; Parliament].

### ***Policy Coordination***

#### **I. Summary of the CSAR**

702. According to the CSAR, significant progress has been made in policy coordination among the various ministries at the national level and among the



national, provincial and district levels. The mechanisms for this coordination are the MF and the MPD, the committee of ministers that reviews all plans to be submitted to the Council of Ministers, and the Council of Ministers that gives final approval. Policy coordination and harmonisation also exist within the framework of the regular meetings held between the government and the group of 19 Programme Aid Partners. The CSAR refers to a number of remaining challenges in this area, but these are not addressed clearly or in detail.

### ***Punctuality in Resource Transfers***

703. The introduction of the SISTAFE in 2002 has greatly facilitated the transfer of resources from the national to other state institutions, organs and levels of government. Recipients of transfers now submit their requests directly through the e-SISTAFE, and the transfers are made if the requests are in order and funds for the purpose have been budgeted for. This has resulted in transfers being made punctually. In particular, salaries are now transferred regularly and on time, except in districts that lack access to communication systems.
704. Improvements have also been made in the distribution of the more than 7 million meticaís available for food production and employment generation at the district level. Changes were made in the allocation of this fund among districts and, from 2007, distribution was based on the number of inhabitants in the district. Questions remain as to the CCCs' ability to select and design the most appropriate projects to be financed under this programme.

### ***Abandonment of Public Projects and Programmes***

705. According to the CSAR, improvements in the arrangements for budget and PFM have minimised the abandonment of government projects, presumably due to a lack of resources or delays in resource transfers. A survey conducted for the review exercise indicated that 91 per cent of the respondents knew of no case in which government projects had been abandoned. However, an important issue that is not addressed are the delays in project completion and cost overruns.

### ***Absorptive Capacity***

706. The absorptive capacity of the various levels of government is measured by their level of execution of the current and investment budget for 2007. These show that, for current expenditures, the percentages of utilisation of allocations were as follows: central government (67.3 per cent); provincial governments (78.6 per cent); and district authorities (63.2 per cent). For the capital budget, the comparative figures were 31.9, 24.1 and 63.6 per cent respectively. The low level of budget execution, especially for the investment budget, is striking. It is especially noteworthy that utilisation of the external component of the investment budget stood at 23.8 per cent for the central government;



16.7 per cent for the provincial governments; and 2.6 per cent for the district authorities, forming a grand total of 22.25 per cent.

## **II. Findings of the CRM**

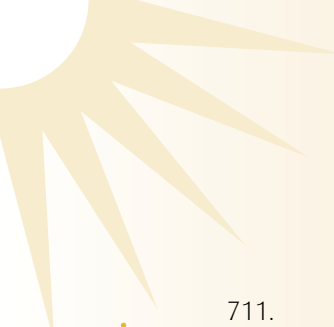
707. The CRM observed that the government has made considerable progress in coordinating development plans at the national level, and between the national and local levels. The task ahead is to continue with these efforts. The shift to programme budgeting is especially welcome. As suggested earlier, the government may wish to advance the coordination process by adopting and implementing the integrated resource-based management system so as to enhance effectiveness, monitoring and evaluation.

### ***Punctuality in Resource Transfers***

708. Transfers of resources from the central to the provincial and district levels have improved as a result of the e-SISTAFE introduced in 2002. Still, there are reports that in some districts and provinces, transfers for investment activities are bunched towards the end of the fiscal year. This may explain the low level of utilisation of budget allocations noted earlier. This problem needs to be addressed.
709. The most important issue related to resource transfers relates to the more than 7 million meticaís granted to districts for food production and employment creation. Questions have been raised about the criteria for allocating these funds to the districts, and the shift towards allocating the funds according to the number of residents in a district is an improvement. Remaining challenges are to disseminate information on the availability of these funds more widely, and to increase the transparency and equity with which they are distributed to individuals. In this regard, energetic measures are required to increase the level of repayment of these funds, which currently stands at 1.8 per cent because many recipients are unaware that repayment is required and because of the impact of political considerations in the distribution of the funds. In addition, the amount made available should be increased. Very importantly, too, the ability of district authorities to manage these funds should be enhanced. Failing that, consideration should be given to entrusting the funds to private banks that have experience and a good track record in providing this type of assistance.

### ***Abandonment of Public Projects and Programmes***

710. The findings of the CRM confirm the CSAR's conclusion that the cancellation of projects and programmes is exceedingly rare and does not constitute a problem in Mozambique. However, there is no data reflecting delays in project implementation and the resultant additional costs. Equally important is the fact that the audit process merely looks at the use of financial resources and does not evaluate the impact or achievements of these expenditures. The



government is aware of this shortcoming and is looking into ways and means of addressing it. As suggested earlier, a solution would be to implement the integrated resource-based management system.

### ***Absorptive Capacity***

711. Although progress in enhancing capacity for planning and project implementation at the national level has been enormous, it is the opinion of the CRM that capacity in this regard at the provincial and district levels needs to be reinforced considerably. Again, the government is aware of this gap and is attempting to address it, especially by developing human resources at the provincial and district levels through the establishment of institutions of higher education and branches of the ISAP in all provinces.

### **III. Recommendations**

712. The APR Panel recommends that Mozambique should:
- Undertake a comprehensive review of the system for distributing funds to various districts for food production and employment creation, with a view to making it more transparent, equitable, effective and sustainable [MF; Ministry of Local Government]; and
  - Build the capacity of consultative councils in project planning, especially in the identification and preparation of projects [MPD; Ministry of Local Government; Ministry of Education; district and provincial authorities].

## ***Objective 3: To promote sound public finance management***

### ***Policy Framework***

#### **I. Summary of the CSAR**

#### ***Reports on Public Finance***

713. The CSAR describes the major reforms introduced by the government in the area of PFM. Among these are the Report on Budget Execution (REO) and the General State Account (CGE). These measures have enabled politicians to analyse how the government generates public finances. They have also improved the quality of services; increased the level of credibility with respect to fiscal administration and the management of revenues; and promoted trust between the government and the programme support partners. On accountability issues, the government has clear lines of reporting to Parliament, including quarterly and annual reports on the execution of budgets.

## ***Elimination of Extra-budgetary (Off-budget) Resources***

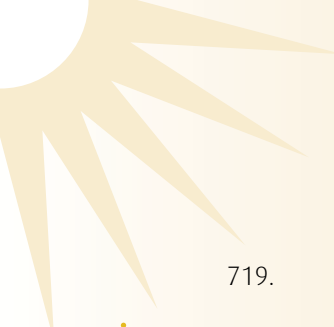
714. Through its reforms, the government has attempted to eliminate expenditures that fall outside the national budget, in order to help the government to plan better and account for all the available resources. This includes the supply side of the budget (that is, external aid funds that are now included in the state budget). The CSAR creates the impression that, although challenges remain, this problem has been reduced significantly.

## ***Medium-term Fiscal Framework***

715. The introduction of the MTFF has made it possible for the government to follow a budgeting process based on policies and projects that are strongly aligned with the PQG. This measure, together with resorting to the e-SISTAFE, has enhanced the degree of predictability and control of budget execution. Thus, between 2002 and 2006, actual revenues collected increased from 87.4 per cent to 102.9 per cent of the forecast. On the other hand, expenditures increased from 86.21 per cent to 92.35 per cent of the allocations. The CSAR notes, however, that several challenges still remain in adopting and implementing a predictable MTFF, because of fluctuations and unpredictability in fiscal receipts.

## **II. Findings of the CRM**

716. The CRM observed that, overall, PFM is going in the right direction in Mozambique. In an interactive session, officials from the MF revealed that the aim of domestic revenue collection is to reach 24–25 per cent of the GDP, as is the norm in other countries. As noted elsewhere, the total revenue from external sources is 52 per cent, which is contributed by the 19 Programme Aid Partners with which that the country has signed a joint cooperation agreement.
717. The CRM was informed that, in trying to increase the level of revenues, the government would review the tax exemptions currently enjoyed by megaprojects (such as Mozal) once the period of exemption expires. A meeting with non-governmental organisations (NGOs) revealed that, of the 100 top companies in the country, the top six are megaprojects and the top ten are exempt from taxation. MF representatives explained that, at the time, the government did not have much choice in granting these generous incentives, as the country was still engaged in, or emerging from, the civil war. The government now intends to demonstrate that the country enjoys economic and political stability, thus obviating the need for overly generous tax incentives.
718. In a bid to enhance its efforts to mobilise domestic resources, the government stated its intentions to promote private sector development, especially SMEs. The strategy of SME development seeks to ensure broad-based economic de-



velopment by empowering local people. The CRM was told that megaprojects have limited reach to the local populace, hence the need for greater government efforts to encourage SMEs. In this strategy, the industrialisation process entailing the activities of SMEs will be tax exempt.

719. As previously noted, the government is exerting more efforts to ensure a strong partnership with the private sector. Nonetheless, the latter's growth trajectory is hindered by a lack of finance. Moreover, women entrepreneurs' access to loans is further frustrated by the fact that there is no private ownership of land that could be used as collateral. As normal commercial banks are reluctant to extend loans to small enterprises, this credit gap is largely filled by microlenders who charge high and often usurious interest rates. There have been increasing calls for the government to initiate the establishment of a development bank that will cater to the needs of the domestic private sector.
720. The CRM observed that there is a glut of policy intentions but few indications of measures actually being implemented to promote the private sector. Indeed, in several meetings, participants expressed the view that the government is focusing on attracting FDI, particularly through the megaprojects, rather than encouraging domestic investments.
721. Moreover, on the issue of the constitutional provision on the ownership of land, the legal fraternity with which the CRM met noted that changing the Constitution is a political decision that can take a long time to implement, even after receiving parliamentary approval. At present, only improvements on land can be used as a loan guarantee, not the land itself.
722. On the positive side, there is a commercial code that is currently being debated by Parliament. The code seeks to improve the business environment by, for example, reducing the lead time for starting a business to six months instead of one year. Another positive development is that the commercial justice system is being reformed and the number of courts and prosecutors has been increased. There is now a commercial justice section that deals with commercial contracts. The length of time required to hear a case has declined from one year to six months, although the appeal process can still be very lengthy due to the shortage of judges.
723. Other policies and strategies for promoting the private sector include discussions by stakeholders with the central bank to ensure that it creates an environment conducive to private sector growth. This interaction has led to the lowering of interest rates from 24 per cent to the current level of 13 per cent.
724. With respect to the integration of extra budgetary sources into the regular state budget, the CRM noticed that huge sums of funds continue to fall outside the budget despite the government's efforts in this regard. There has been a vast

improvement in multiyear budgeting processes. The adoption of the MTFF has also seen changes in budgetary allocation. Up to three years ago, funds were allocated on an incremental basis, but are now based on required project performance. Starting in 2008, the process is now largely programme budget based.

### **III. Recommendations**

725. The APR Panel recommends that Mozambique should:
- Guide the process of elaborating on investment and SME plans and programmes in order to guarantee their consistency with the country's objectives for industrialisation [MF; MPD; MIC];
  - Continue to strengthen and consolidate the expansion of the implementation of the SISTAFE [ATM];
  - Harmonise and implement rules and proceedings for the programming, execution and evaluation of public resources [MF];
  - Continue to consolidate and improve the reforms introduced in the tax system [ATM]; and
  - Continue to improve the structure of the tax administration with a view to making it more efficient [ATM].

### **Monitoring and Reporting on Revenue and Expenditures**

#### **I. Summary of the CSAR**

726. According to the CSAR, publications designed to render the government accountable and to inform the public of its fiscal management are quarterly, semi-annual and annual reports on the execution of the state budget; semi-annual and annual reports on the balance of the PES; and the annual CGE.
727. Individual ministries also report to the Council of Ministers, and the government submits an annual report on the CGE to Parliament at the end of each economic exercise. Other reports include quarterly REOs that are submitted to Parliament and cooperating partners. The government also submits the CGE to Parliament and to the Administrative Court annually.

#### **II. Findings of the CRM**

728. The CRM noted that the government is making an effort to report state revenues and expenditures to statutory bodies. These reports do not, however, filter through to the rest of society, especially to provincial and district authorities and the public at large. This is part and parcel of the larger problem of informing the public about government policies, as mentioned previously.

### III. Recommendations

729. The APR Panel recommends that Mozambique should:
- Develop and implement subsystems that provide timely and credible information on budgets and assets of state bodies and institutions [MPD; MF]; and
  - Make a greater effort to ensure that the government's financial reports are accessible to the general public, especially those in rural areas [MF; Ministry of Local Government].

#### *Oversight over the Government's Fiscal Operations*

##### I. Summary of the CSAR

730. According to the CSAR, there is an internal control body within every state institution that exercises oversight over administrative and financial matters in that institution. At the level of the government as a whole, the IGF is responsible for oversight over the execution of the state budget, and audits the accounts of all state institutions. External oversight, which is the responsibility of the Administrative Court, is done by either refusing or giving the go-ahead to planned expenditures; verifying the legality of, and conformity to, procedures for resource utilisation; and verifying budget execution. The Administrative Court also receives and reports on the state budget to Parliament by the end of November of the following year.
731. The government is required to submit the state budget to Parliament by 30 September of each year, which then has to deliberate on and approve these plans by 31 December. It is noted that "overall, Parliament does not usually make corrections or amendments to the proposal of the state budget". The reason given is that about 60 per cent of the state budget comes from external sources, which leaves only a small margin in which Parliament can make changes to the budget. The CSAR further notes that Parliament made one alteration to the budget in 2002 and another in 2007. In addition, the government submits to Parliament a report on the execution of the PES, 45 days after the end of the semester, and the state budget every six months. A quarterly report on the execution of the budget is also submitted to Parliament.

##### II. Findings of the CRM

732. The CRM was told that the Parliament can legally amend budgets, although this has not yet been done. In practice, the government interacts extensively with the Parliamentary Committee on Finance, thus ensuring a meeting of the minds throughout the process. The Administrative Court is first to study budget proposals and then submits its recommendations to Parliament, which can also make recommendations to the Executive. In this regard, Parliament has



requested the Executive to furnish it with the balance sheets of SOEs as well. Parliament can call on civil society to share its views on public accounts and the execution of budgets.

733. The findings of the CRM suggest that parliamentary oversight over the budget is poor in practice. MPs who met the CRM team stressed the strong link between Parliament and citizens, citing the openness of parliamentary debates and the constituency work during which they also take cognisance of the concerns of citizens. However, the MPs can do little to translate these concerns into budgetary allocation due to the country's heavy dependency on foreign aid.
734. As far as administrative capacity is concerned, the CRM noted that Parliament is poorly resourced and lacks working space, and there is a dearth of skilled human personnel to assist in research work. MPs also mentioned that they do not have any constituency resources and have to draw on personal resources for constituency-related work, including transport, communication and contributions to victims of disasters. In all, MPs are in session for only 15 days of the normal 45 days a year due to a lack of resources. Some expressed concern that the government does not respond to their requests for information, thus leaving them uninformed.
735. The CRM was also told that MPs actually have little say in budget preparations. With over 50 per cent of the total budget dependent on external donors, MPs have no input in the budget formulation. Parliament has also little to do with the formulation of the Poverty Reduction Strategy Papers (PRSPs) or PARPA, which the MPs said are wholly led by the Bretton Woods institutions. They stated that the PRSPs are developed by these institutions and adopted by the country.
736. The government representatives admitted that budget accountability is more to donors than to citizens, and that the international donor community's role in the planning and budgeting processes remains large in the country, notwithstanding international undertakings to assign more ownership to recipient countries through initiatives such as the Paris Declaration. In Mozambique, donors remain free to finance their pet projects and programmes, irrespective of what the country's priorities are. With donors contributing about 50 per cent of the country's budget, the government is constrained by what it can put forward as its own priority projects.
737. However, once donors have accepted government policy and the associated budget, they undertake to guarantee the flow of funds in order to ensure predictability. To this extent, the government and the 19 Programme Aid Partners have signed a pact on their accountability to each other on the use of resources and the implementation of the funded programmes. The CRM team was told that Parliament is involved in the negotiation of new debt, and it has to approve it.

### III. Recommendations

738. The APR Panel recommends that Mozambique should:
- Strengthen the capacity of Parliament to exercise oversight over public finance [MF; Parliament]; and
  - Ensure vigorous follow-up action on the reports of internal and external audit units and the reports of the Administrative Court and Parliament on PFM [Office of the President; MF; Ministry of Justice (MOJ)].

### *Fiscal Decentralisation*

#### I. Summary of the CSAR

739. The CSAR notes that fiscal decentralisation is a recent phenomenon in Mozambique. It started with the decentralisation of budgetary execution in the Ministries of Education and Health, and has now been extended to all sectors at the central and provincial levels. This has been followed by the initiation of the disbursement of funds for decisions taken by the districts. Efforts have also been initiated to enhance the human and material capacities of districts to implement policies. This remains the principal constraint facing decentralisation.

#### II. Findings of the CRM

740. There are three levels of fiscal management in the country: the ministerial level, the administration of courts, and the parliamentary level. The CRM was assured that the budgeting process is participatory, moving from the district level to provincial level, and then to central government level. Municipal revenues complement central government transfers. Planning starts at the district level and moves upward to the Committee of Ministers that evaluates the coherence of the plan.
741. The CRM is of the view that fiscal decentralisation is still in its early stages, especially with respect to the authority and ability of local authorities to mobilise resources. More progress is required, so as to wean local authorities from their dependence on central government for resources to finance their development. It is noted that the government is working on a decentralisation strategy that will propose a clear legal, regulatory and institutional framework for mobilising revenue; assigning spending responsibilities; and delineating the functions of subnational administrative units.


### III. Recommendations

742. The APR Panel recommends that Mozambique should:
- Accelerate the process of fiscal decentralisation so as to give local communities ownership of their economic development [MF; MPD; Ministry of Local Government; provincial and district authorities].

## Objective 4: To fight corruption and money laundering

### I. Summary of the CSAR

743. The CSAR acknowledges that corruption, which it considers as a “social cancer”, is a serious cause for concern in Mozambique. Public opinion surveys in the CSAR show that many people are aware of the problem of corruption in the country, although this refers only to corrupt practices in the public sector.
744. According to the CSAR, the bodies entrusted with the responsibility of fighting corruption in the country are understaffed and the few available staff lack appropriate legal skills. Corruption, as a specialised legal regime, is relatively new to the Mozambican legal system, and the rules of procedure and evidence are much more complex than in regular criminal cases. Also, since corrupt actions are not perpetuated in public and culprits rarely leave traces behind, it takes more effort and legal thinking to appreciate and analyse evidence of corruption.
745. The CSAR indicates that the government is aware of the prevalence of corruption in the country and recognises its dangers for economic growth. Consequently, it has set itself the task of fighting the scourge. Efforts made by the government in recent years include the introduction of fairly comprehensive reform packages aimed at tackling the scourge of corruption in the country. Some of these reforms are the ratification of international, regional and sub-regional anticorruption conventions, such as the United Nations Convention Against Corruption (the Mérida Convention), the AU Convention on Preventing and Combating Corruption, and the SADC Protocol Against Corruption.
746. The government has also adopted new anticorruption measures, such as the Anticorruption Strategy (2006–10); Law No. 6/2004, to combat crimes of corruption and illicit economic activities; Law No. 14/2007, creating the GIFIM; and establishing a national anticorruption agency or strengthening previously existing bodies such as the GCCC and the National Anticorruption Forum (FNAC). The government has also adopted measures to address the issue of money laundering. These include Law No. 7/2007 and Law No. 7/2002 on money laundering, and other related regulations, such as Decree No. 37/2004 of 8 September on the cleansing of capital.
747. The CSAR underscores the view that approaches adopted so far in the battle against corruption have not been enough to mobilise all segments of society. Consequently, the country continues to face significant challenges in its efforts to fight corruption. Insufficient political will, inadequate implementation, and lack of capacity (for investigation and prosecution of corruption cases) are the major hindrances in this respect. Other problems highlighted are a lukewarm



attitude towards corruption by the general public due to the persistence of a culture of impunity in corruption cases, as well as the lack of appropriate protection measures for whistleblowers. The CSAR concludes that corruption remains intractable in the country and that there is a need for more innovative, creative and strategic approaches, including strong political will, and commitment and determination by the elite, to deal with the issue.

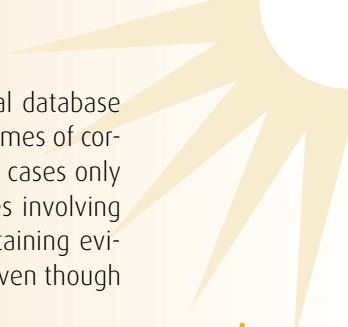
## II. Findings of the CRM

748. The CRM observed that there is a vigorous effort on the part of the government to eradicate corruption in Mozambique. Some success stories have recently been recorded on the government's efforts in this regard. These include Phase II of the PSR programme (2006–11) and the Anticorruption Strategy (2006–10). Further encouraging signs towards reducing corruption in Mozambique include the creation of a "one-stop shop" for issuing licences and other business-related documents; the current prosecution of one of the so-called "big fish" in corruption; and the provision of scholarships to civil servants for training through the ISAP. The training of civil servants throughout the country is believed to have contributed to a change in their mindset regarding their discharge of duties.
749. Despite this progress, the overwhelming sentiment continues to be that the government's anticorruption measures, including policies and institutions, still trail behind the scourge of corruption (Box 4.8). One of the major criticisms of the government's efforts in the fight against corruption is that, although complaints of various forms of corruption and abuse of power abound, they are not pursued speedily or vigorously.

### **BOX 4.8: CHALLENGES IN THE FIGHT AGAINST CORRUPTION IN MOZAMBIQUE**

Despite commendable efforts by the government to fight corruption, there are some critical ingredients in order for any anticorruption strategy to be effective, most of which are not yet forthcoming. Firstly, there must be honest, committed and incorruptible political leadership at all levels of society. Secondly, there should be a policy of zero tolerance towards corruption in the civil service and the public at large, accomplished through competitive salaries, severe punishment when corruption is detected, and publicity in the mass media. Finally, a critical factor for success in the fight against corruption is a political will to implement the anticorruption measures effectively and impartially. Political will is absent when the public believes, and there is evidence, that the so-called "big fish" or "untouchables" continue to be protected from prosecution for corruption, while only the small fry and the "weak" are caught and prosecuted. Under these circumstances, any anticorruption strategy or institution will lack credibility and be doomed to fail.

750. The CRM did not obtain statistics on the number of corruption cases reported or prosecuted or on their distribution by social sector and timeframe. This is partly




because the criminal justice system in Mozambique has no central database allowing for immediate and reliable statistics on crime, including crimes of corruption. However, it was alleged that the prosecution of corruption cases only targets the “small and middle fish” and does not investigate cases involving major perpetrators. One problem seems to be the difficulty in obtaining evidence for prosecuting a public official suspected of such offences, even though the public’s perception is that the person is corrupt.

751. The CRM observed that there are legitimate and widespread concerns among Mozambican society that corruption has not been reduced, let alone reversed, in the country during the past five years. These concerns are borne out by the findings of recent surveys and studies on the state of corruption in Mozambique. From 2004 to 2007, for example, the Transparency International’s Corruption Perception Index for Mozambique was 2.8, deteriorating to 2.6 in 2008.<sup>23</sup> In addition, a 2006 World Bank survey on good governance practices revealed that, since 2002, state efforts to control corruption have been failing, with the country scoring an index of 24 per cent in 2002; 25 per cent in 2003 and 2004; and 31 per cent in 2005.<sup>24</sup> The same survey also showed that public officials in Mozambique are more corrupt than employees in the private sector.
752. Discussions with private sector operatives, civil society and the media confirmed that a mentality of corruption runs deep in Mozambique’s national ethos. In all the regions the CRM visited, there was general discontent with the persistence of corruption in the country, as well as the inefficiency of the government’s efforts to combat the scourge effectively. Critics expressed their doubts about the state’s ability or willingness to take on powerful forces within the government or FRELIMO.
753. A further reason given for the poor performance of anticorruption institutions is the GCCC’s lack of independence from the Executive with respect to procedures for appointments and removals, tenure, and modes of funding. While the GCCC can conduct investigations on corrupt cases, it is not politically independent, as the final decision to prosecute rests with the Prosecutor-General (PG) of the Republic. The President appoints the PG, and the latter appoints the Director of the GCCC. The general perception is that this process of appointment leads to the non-prosecution of senior government officials and ministers who are under investigation. Also, the fact that the Director of the GCCC is accountable to the PG creates a dependent relationship between the GCCC and the PG, which appears to undermine the independence and autonomy of the GCCC.
754. The CRM noted that the culture of impunity with respect to so-called high-profile corruption cases is another reason for the prevalence of corrupt practices

<sup>23</sup> The Corruption Perception Index for 2004, 2005, 2006, 2007 and 2008. The index is from 1 (high corruption) to 10 (zero corruption).


<sup>24</sup> World Bank. 2006. Governance Indicators, 2006. Washington DC: World Bank.



in the country. During the discussions with different stakeholders, a continuing concern related to allegations of collusion or even active involvement of government officials or the ruling party in corrupt activities, such as theft of public funds, nepotism and influence peddling. It therefore appears that the constitutional principles of universality and equality of citizens before the law (Articles 35 and 36) are not respected when it comes to crimes of corruption, because there are so-called “untouchables”, who are regarded to be above the law, and only the poor and the weak are caught and prosecuted.

755. Corruption is both a clear manifestation of and one of the most damaging consequences of poor governance. In Mozambique, while some laws and regulations exist on paper and provide a framework for good governance, few control mechanisms are established or operate in reality to ensure that these frameworks function honestly, transparently and in accordance with the rule of law. These challenges exist both at the elite (grand corruption) and administrative (petty corruption) levels. For example, a constant theme during the CRM was that there is a large gap between legislation and political will. Thus, while legislation exists and is useful, it is neither strongly respected, nor does it guarantee efficiency, effectiveness, impartiality and independence in prosecuting corruption cases. Political will, everyone agreed, is paramount, especially with regard to grand corruption involving senior public officials. The problem is therefore not a lack of laws, regulations or institutions, but rather failure to enforce them.
756. The CRM noted that measures adopted so far by the government to prevent and fight corruption are placed in socioeconomic and culturally neutral terms. The battle against corruption cannot be won by punishing the corrupt only. It must also involve tools for enhancing public intolerance towards corruption and raising their expectations of good governance. Fundamental changes in the mindset and values of individuals, including civil servants, are needed in order to adopt a “zero tolerance” stance towards corruption.
757. In Mozambique, as in many other African countries, the significant economic and social imbalances related to income and subsistence should be taken into account in any comprehensive attempt to fight corruption. In particular, low salaries are frequently cited as an important cause of petty corruption in the public service. Thus, poor salaries in the public service are seen to predispose civil servants to corruption. When a government pays low salaries, no package of anticorruption measures will prove effective, and moral lectures or programmes will struggle to change attitudes. In addition, clear evidence of the illegal origins of some members of the ruling elite’s wealth provides an excuse for others to engage in corruption.
758. International anticorruption instruments to which Mozambique is a party emphasise punishment for political and private sector corruption (SADC Protocol





Against Corruption, Article 3; the AU Convention on Preventing and Combating Corruption, Article 4; and the United Nations Convention Against Corruption, Article 12 and 21). The CRM observed, however, that the instruments adopted so far by the government to fight corruption do not address political and private sector corruption sufficiently. In discussions during the CRM, influence peddling (favouritism and nepotism in public appointments and promotions) was frequently mentioned as a major aspect of corruption in the political arena, including the abuse of power in order to benefit friends, relatives and political allies.

759. Private sector corruption notably includes white-collar crimes, such as tax evasion and money laundering. The CRM was informed that some companies deduct taxes from their employees but do not deposit them into state coffers. In Nampula alone, for example, it is estimated that the amount involved was 11 million meticaís in 2008. Moreover, some companies that have been awarded bids for public works (e.g. schools, roads and health centres) either do not comply with the terms and conditions of the contracts, or the quality of the job performed is far below the standards set in the agreement.
760. In order to address the problem of tax evasion, the government is refusing to allow companies to submit bids for any official tender if their fiscal position is not up to date. The problem of money laundering and income from drugs and other forms of trafficking does not seem to rank high in the government's priorities, perhaps because the incidence of these abuses is still comparatively low. However, this issue should not be neglected, as the magnitude of the problem is likely to grow.
761. The high incidence of corruption in Mozambique is widely attributed to the fact that the government is neither sufficiently accountable to its citizens nor to the law. The discretion of government officials goes unchecked and the rule of law is minimally respected. As a result, there is little accountability of officials to citizens. This situation is aggravated by the lack of independent oversight institutions, combined with a judicial system that allegedly puts politics above the law. Court decisions that are unpublished allow for the abuse of judicial discretion, as the public is deprived of the opportunity to monitor judicial decision making.
762. Combating corruption in Mozambique requires a system that will provide an enabling environment in which anticorruption agencies and institutions, the private sector and CSOs, including the media and CBOs, can play their respective roles effectively and efficiently. Such an environment can be created through a detailed anticorruption policy, which involves the private sector; appropriate legal and institutional frameworks; a responsible media and citizenry; the engagement of coalitions and interest groups; international assistance; and, above all, a strong political will.

763. Passing new laws and establishing new institutions, by itself, will be insufficient. Sincere commitment to, and effective implementation of, the laws are required, coupled with institutions that can enhance transparency, increase accountability and combat corruption at all levels.

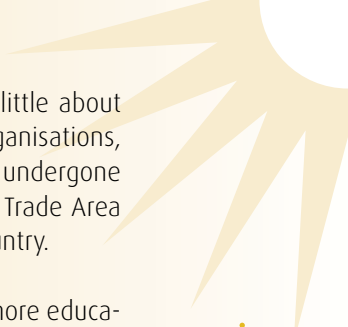
### III. Recommendations

764. The APR Panel recommends that Mozambique should:
- Provide institutions that have been established to fight corruption, including the GCCC, with sufficient human and financial resources [MF];
  - Institute an open process in appointing and in the mechanisms for appointing the Director of the GCCC, so as to ensure consensus on an appointee [Office of the President; Parliament; MF; MOJ];
  - Complete and publicise the verdict for all pending prominent court cases of corruption, or those that have been prosecuted poorly or inadequately [Prosecutor-General];
  - Put in place and apply adequate and efficient witness protection mechanisms [MOJ, Prosecutor-General; Parliament];
  - Establish an accountability mechanism outside of the government, such as a parliamentary selection committee on which all major political parties are represented, to appoint and ensure that the Prosecutor-General is an independent person with integrity and will be adequately protected while in office [Office of the President; Parliament]; and
  - Undertake a detailed study of money laundering in the country, with a view to detailing a policy and establishing a mechanism for addressing the problem [MF; MOJ].

## ***Objective 5: To accelerate regional integration by participating in the harmonisation of monetary, trade and investment policies***


### I. Summary of the CSAR

765. Mozambique is doing relatively well in terms of reaffirming itself in international, regional and subregional integration schemes. In addition to the SADC, the country is also a member of the AU, the New Partnership for Africa's Development (NEPAD), the African Peer Review Mechanism (APRM), and the Growth Triangle initiative involving Malawi and Zambia. In addition, Mozambique has signed several bilateral trade agreements with Malawi and Zimbabwe, as well as a Trade and Investment Framework Agreement with the United States of America (USA). It is also a member of the preliminary European Union (EU)-SADC Regional Economic Partnership Arrangement (REPA). Yet, only Mozambique's membership of the SADC is discussed in the CSAR, even though the other arrangements have important implications for the country within the broad regional integration framework.

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766. Despite these developments, the general population knows very little about Mozambique's commitments to integration efforts. Only a few organisations, such as leading members of the Association of Small Traders, have undergone training workshops to familiarise themselves with the SADC's Free Trade Area (FTA) and Customs Union, and the implications of these for the country.
767. Although there is some awareness of the SADC and its objectives, more education and greater information dissemination among the general population is needed to ensure that the benefits of freer regional trade flow into the country. In this regard, the CTA should be more proactive in providing training and information dissemination in Mozambique, particularly to small and medium-sized traders, on trade facilitation issues, protocols and agreements, as well as the government's commitments to trade-related matters.
768. The CSAR acknowledges the challenges that regional integration poses to the country, such as short-term revenue losses for the government due to the reduction in tariffs on imports and exports, and tough competition for most domestic industries, which has resulted in foreclosures for some and an influx of fake goods on the market. One major benefit cited in the CSAR is the increased availability of goods and services for most Mozambicans at a reasonable cost, thus enhancing consumer welfare.
769. There are ongoing processes aimed at putting the required legislation in place to promote regional integration, such as removing some non-tariff barriers and other discretionary policies that generally pose a hindrance to intraregional trade within the SADC region, and eliminating technical barriers to trade, which include stringent requirements for packaging, marking and labelling, and thus create barriers to international trade.

## **II. Findings of the CRM**

770. The government is aware that regional integration and FTAs entail short-term revenue losses, as customs and tariffs are reduced. With the signing of economic partnership agreements further losses are envisaged. Accordingly, government projections exclude any revenues due to the SADC-FTA. The CRM noted that in order to compensate for these losses, the government is to intensify its efforts to broaden, and not deepen, the tax base. The number of taxpayers has already increased by over 100 000 since the ATM started its operations in 2007. Further revenue-enhancing efforts have included taxing the banking system and strengthening the ATM's auditing capacity in order to close any "tax holes".
771. Finally, the government expects that the tourism industry will add further revenues, especially when the country becomes a member of the "international reservation club". However, no action has been taken in this regard. In fact, the government has no coherent policy or strategy for tourism promotion in place,




despite its stated wish to benefit from tourism spillovers from the 2010 FIFA World Cup to be held in South Africa.

772. The CRM further noted that, with the onset of the SADC-FTA launched in August 2008, problematic areas related to tariff barriers to trade have largely been cleared. However, the issue of non-tariff barriers to trade remains a challenge due to sensitive areas, such as health requirements. Negotiations are ongoing to ascertain which non-trade barriers can be done away with quickly, and which need further discussion. Compliance is also hindered by the yet unresolved problems of rules of origin. Once this issue has been dealt with and resolved at the regional level, Mozambique will be able to comply. The government intends to implement the SADC's free trade agreement fully (Box 4.9).

#### **BOX 4.9: THE SADC FREE TRADE AREA: OPPORTUNITIES AND CHALLENGES**


The launch of the SADC-FTA means that most goods produced in the southern African region can now enter member countries free of custom duties. The free trade zone is expected to create a regional market worth about US\$360 billion, benefiting a total population of 170 million people. The SADC-FTA programme also includes establishing a customs union by 2010, a common market by 2015, a monetary union by 2016, and a single currency by 2018. With the goal of eliminating tariffs and trade barriers among member countries, the FTA is part of the SADC's ongoing efforts to deepen long-term regional integration in order to accelerate economic growth and reduce poverty for the millions of people on the continent. Proponents claim that the FTA will have a positive impact on the welfare of households. Since August 2008, producers and consumers no longer pay import tariffs on an estimated 85 per cent of all trade on goods between 12 countries: Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe. To the extent that tariffs constitute a major component of the pricing of goods and services, households are likely to reap the benefits of a reduction in import tariffs. Prices are, therefore, likely to fall in line with the reduction in import tariffs.

There are a number of challenges, however. According to SADC sources, in order to qualify for duty-free status, traders in the subregion have to produce a certificate of origin to customs officials guaranteeing that goods indeed originate from within the SADC region. This is based on a detailed list of product-specific rules of origin. There are some concerns regarding the capacity of least-developed countries, such as Mozambique, to detect rule of origin fraud. The question of who should be issuing SADC certificates of origin is another matter. Moreover, with all its good intentions, the current certification process does not suit small traders or the multitude of informal cross-border traders, precisely because of the quantities in which they deal.



Significantly, Mozambique's capacity to trade competitively in the SADC region is a cardinal matter. SADC countries are at different levels of economic development. South Africa would benefit the most, as it is the region's economic powerhouse and exports more than it imports from SADC countries. Industrial development in Mozambique is very low and the country has actually suffered a level of deindustrialisation since the civil war. The most serious constraints to the promotion of growth, development and trade in Mozambique are underdeveloped structures and limited supply capacity. In addition, the microeconomic environment for the operation of small businesses is characterised by a number of constraints. The problem is compounded by a lack of harmonisation of regional industrial, agricultural and competition policy. Cross-border infrastructure development is still weak. Given the different levels of economic development among SADC member states, there is obviously a need for the SADC to devise mechanisms deliberately intended to capacitate weaker economies so as to improve their productive and competitive competencies. Without this, the SADC-FTA will only benefit stronger economies in the region and will ultimately sabotage the very efforts aimed at deepening regional integration. For instance, the EU has provided support to its weaker or newer members in Europe.

773. On the balance of payments, Mozambique's capital account has not yet been liberalised and such action is currently not planned. The compilation of the balance of payment account complies with internationally accepted standards, and this compliance has received external positive assessment as well. The central bank captures all information, including that from the customs offices.
774. On regional multiple memberships, the government conducted a cost-benefit analysis, from which it concluded that it should stay with the SADC and move away from Common Market for Eastern and Southern Africa (COMESA). Government officials argued that this decision was a pragmatic one, based on regional proximity and coherence, as well as the desire to avoid membership overlaps; to rationalise international commitments; and to reduce unsustainable financial commitments.
775. In the recent past, Mozambique has taken several steps to facilitate cross-border trade. The government has designed a business strategy that includes improved licensing requirements for small traders in order to facilitate quicker business activity and compliance. Small traders now need to comply with a streamlined set of requirements, including filling in a single, simplified export-import document. Other measures include reduced restrictions on the use of foreign currencies around border areas.
776. Mozambique has concluded a number of bilateral agreements with Swaziland, South Africa and other countries with a view to facilitating trade with them. The project of one-stop border posts is envisaged, which will greatly facilitate the movement of goods and people within the SADC. Authorities are also



planning specialised border posts for vehicles, railways and people. This will reduce the long queues currently experienced at border posts.

777. The Competition Law currently under discussion is expected to come into effect in the course of 2010 once approved by Parliament. Among its elements, is its compliance with regional and international agreements. The Competition Law aims to regulate economic activities in Mozambique, and is also in harmony with relevant SADC treaties and regulations. Mozambique's strategy for SMEs was similarly conceived.
778. The new Bank of Mozambique Organic Law is still in the pipeline, due to the fact that the SADC's Committee of Central Bank Governors is currently working on codes that will govern the region's central banks. The envisaged Central Bank Law will be aligned with these codes. The CRM was informed that the BM's autonomy will be strengthened, including proscribing monetarisation of fiscal deficits (currently up to 10 per cent of total government revenue).
779. The fiscal year is the calendar year in Mozambique. Since there is a move within SADC countries to harmonise all member states' fiscal years, Mozambique will change to the dates to be agreed upon.
780. The CRM confirmed the CSAR's assessment that the general population knows little about the SADC's regional integration efforts. Only a few organisations, such as leading members of the Association of Small Traders, have undergone training workshops to familiarise themselves with the SADC-FTA and customs union and their implications. In a meeting with CSOs, it emerged that some small traders engage in illegal activities in order to avoid paying customs duties, despite the fact that these illegal means are more expensive than the new legal measures. This is due to either ignorance or the fact that legal procedures for border trade are still considered cumbersome.
781. The CRM was informed that the CTA, which is responsible for the dissemination of information and training to small business owners in the country, is doing little in this regard. Lack of information and training makes it very difficult for small business operators to take full advantage of the trading opportunities afforded them by regional integration.
782. The CRM was informed that some natural disasters, particularly floods, which Mozambique suffered in the past, were due to neighbouring countries opening their dams during the rainy season, thereby adding more water to land that is already at or below sea level. This calls for better and coordinated actions with respect to the management of natural resources, particularly water, in the subregion.



### III. Recommendations

783. The APR Panel recommends that Mozambique should:
- Facilitate trade, particularly for small traders, through more education and greater information dissemination on import-export regulations [MIC; CPI];
  - Create facilities at border posts and simplify onerous compliance measures in order to facilitate trade with other countries [MINEC; MIC; MF; CTA];
  - Liaise with partner governments to fine-tune their own import-export requirements in order to suit the needs of small traders [MF; MIC; CTA];
  - Establish one-stop border posts expeditiously in order to ensure that the benefits flowing from freer regional trade flow into the country [MF; MIC]; and
  - Put in place a coherent tourism strategy, especially in connection with the forthcoming 2010 FIFA World Cup in South Africa [MPD; Ministry of Tourism].

# CHAPTER 5

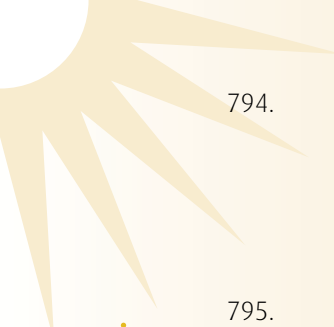
## 5. CORPORATE GOVERNANCE

### 5.1 Overview

784. Corporate governance, within the context of the African Peer Review Mechanism (APRM), seeks to highlight ethical principles, values and practices that facilitate striking a balance between economic and social goals, on the one hand, and between individual and communal goals, on the other hand. The aim is to align, as far as possible, the interests of individuals, corporations and society within a framework of sound governance and the common good. The emphasis is on accountability, transparency, responsible operations, effectiveness and efficiency.
785. Overall, corporate governance in Mozambique is still in its embryonic stages. Public awareness of corporate governance is low and best practice is a new concept in most businesses, except for foreign-based organisations. However, following recent reforms in the financial sector, the concept is catching on rapidly and steps are being taken to prepare a National Code of Corporate Governance.
786. On codes and standards, the country has mainly ratified treaties on the environment. It has ratified 19 of the 23 conventions on the environment, while four others have been signed but not yet ratified. Mozambique is at different levels of compliance with the core principles for bank supervision, regulation of the securities market and insurance oversight, although these are all voluntary and not legally binding.
787. Financial accountability is generally low, but the implementation of the 2005 Commercial Code and the requirement to adopt International Financial Reporting Standards (IFRS) on the publication of financial records of financial institutions and listed companies (although still very few) will greatly improve the situation in the medium and long term.
788. Access to finance remains a serious challenge in Mozambique. Large businesses have access to a wide range of facilities, including foreign loans, the Mozambican Stock Exchange (BVM) and traditional trade finance from financial institutions. However, small and medium-sized enterprises (SMEs) face the constraints of a lack of security, high interest rates and generally low levels of transparency, complicated by a lack of acceptable records. The limited number

of bank branches in the districts (only 43 out of 128 districts) poses yet another problem.

789. Private sector business is predominantly informal, unskilled and lacking in entrepreneurial skills. While playing an important linking role between the Mozambican government and the private sector, the Confederation of Economic Associations of Mozambique (CTA), the private sector's apex body, lacks the capacity to service the entire country.
790. The World Bank's 2008 Doing Business Survey indicates that entrepreneurs in Mozambique can expect to go through at least ten identifiable steps to launch a business, taking 29 days on average. Overall, the ease of doing business in Mozambique is ranked 134th out of 178 countries. The government and the private sector continue to work with donors to improve the business environment.
791. In recent years, the infrastructure in Maputo has improved significantly, with a reliable power supply, reasonable major roads and adequate telephone capacity. Major challenges remain in the case of feeder roads, rural electrification and telephone services to the districts. Moreover, oil security reserves are non-existent due to the absence of refineries.
792. The BVM, founded in October 1999, was started with less than US\$5 million in capitalisation. Although a fundamental instrument for the raising of finance by companies, to date the BVM has only one co-operate equity security listing, namely, the Mozambican breweries company, Cervejas de Moçambique (CDM). Currently, liquidity is very low given the limited equities (one) and debt instruments (15). The Bank of Mozambique (BM) exercises oversight functions, but has no plausible plans to promote and develop the capital market.
793. In Mozambique, land is owned by the state and rights on it cannot be mortgaged, sold or transferred without pursuing bureaucratic processes to obtain permission, while improvements to the land may be used as collateral. Without transfer of the underlying rights, such collateral is unattractive. The legal system recognises and protects property rights relating to buildings and movable property. As private ownership of land is not allowed, the government grants land use concessions for periods of up to 50 years, with options to renew. At times, the government has granted overlapping land concessions. Essentially, land use concessions serve as proxies for land titles; however, they are not allowed to be used as collateral. Land surveys are being carried out throughout the country to enable individuals to register their land concessions. This process, however, is moving slowly and will not provide any real legal protection to investors for some time to come. The Mozambican banking community uses property other than land, such as vehicles and private houses, as collateral.

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794. Corporate social responsibility (CSR) depends on each enterprise's situation and circumstances. In general, the megaprojects and foreign companies are positively disposed to CSR, but more as a marketing tool rather than a real social responsibility. Some businesses seem to show "contribution fatigue", which is aggravated by a lack of accountability by recipients of the funds granted.
795. The performance of judicial systems was boosted with the introduction of the Commercial Court to administer the new Commercial Code. However, public awareness of the code remains low.
796. Accountability has generally improved in the traditional sectors controlled by foreign interests. The governance best practices of audit committees and conflict of interest by management are being debated and receiving attention in various forums. The establishment of a national code of corporate governance to enhance accountability is overdue, and remains a big challenge.

## 5.2 Codes and Standards

### I. Summary of the CSAR

#### ***Public Awareness of Corporate Governance Codes, Investment Centres and Professional Associations***

797. Mozambique has no recognised national code of best practices in corporate governance. However, the CTA developed a corporate governance code in 2001, called the Manual of Corporate Governance. The Country Self-Assessment Report (CSAR) recommends the development of a national code that takes into account important information included in the corporate governance codes that are already being used in the country.
798. According to the CSAR, medium-sized companies, including those registered as limited liability companies, are less responsive to corporate governance principles. The perception is that many of these firms do not comply with shareholder agreements and rules, as stipulated in the Commercial Code. This has led to increased litigation.
799. Legal reforms, including the new Commercial Code that establishes unique counters or one-stop shops, seem to have improved the business environment. However, there is still a lack of awareness of the new norms and regulations, among not only the staff in different institutions, but also the general public. The CSAR observes that many people are unaware of legislation affecting business, such as the relevant provisions of the Constitution, the new Commercial Code, the new Labour Act and the Environment Act. It discloses that, even though laws have been promulgated, it is worrying to note that many citizens are unaware of them and the degree of their application leaves much to be desired.

### ***Public Awareness of Investment Centres***

800. The CSAR notes that, while several Investment Promotion Centres (CPIs) exist, local people hardly use these centres “because of fears of not accessing the services or even ignorance”. Only 15.2 per cent of the members of the public polled were aware of any existing business associations that facilitate business.

### ***Public Awareness of Professional Associations***

801. There is a lack of awareness of existing professional associations among members of the public. In this respect, the CSAR recommends setting up centres for civic education at provincial level, in order to address the critical need to inform and educate the public.

### ***International Accounting Standards and International Standards on Auditing***

802. The CSAR notes that the recently developed government accounting systems did not take International Accounting Standards (IAS) or International Standards on Auditing (ISA) into account. The new accounting proposal differs from the IAS in the areas of inventory; intangible assets; historical cost and continuity principles; long-term construction contracts; balance sheet presentation; and the lack of coverage in, and mandatory use of, the Portuguese language. According to the APRM Background Paper, SMEs should be able to use the cash method, if appropriate.

## ***II. Findings of the CRM***

803. The CRM confirmed that Mozambique is a party to various conventions on the environment, labour, trade and other themes that are relevant to corporate governance (Table 5.1). As indicated in Chapter Three of this report, Article 18 of the Constitution recognises the international conventions ratified by the Mozambican Parliament as part of its domestic legal system as having the same value as internal laws and regulations.

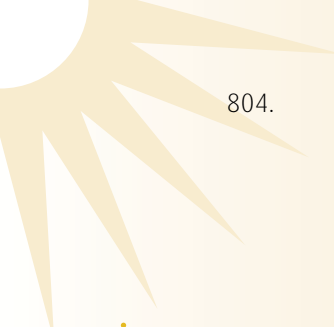


**TABLE 5.1: STATUS OF THE RATIFICATION OF INTERNATIONAL CONVENTIONS ON THE ENVIRONMENT BY MOZAMBIQUE**

Year	Subject	Type	Place and date of issue	Status in Mozambique
	Southern African Development Community (SADC)	Treaty		Signed
	Zambezi River	Multilateral agreement		Signed
1973	Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)	Convention	Washington, 1973	Signed, but not ratified
1981	Mozambique as a member of the International Union for Conservation of Nature (IUCN)			Ratified Resolution No. 21/81 on 30 December 1981
1981	International trade of endangered flora and fauna species	Convention		Ratified Resolution No. 20/81 on 10 December 1981
1981	Africa's conservation of nature and natural resources	Convention	Centre for Agricultural Research on the Pantanal (CPAP)	Ratified Resolution No. 18/81 on 30 December 1981
1982	United Nations Convention on the Law of the Sea	Convention	Montego Bay, 1982	Signed, but not ratified
1987	Substances that deplete the ozone layer	Protocol	Montreal, 1987	Ratified
1991	Indian Ocean Marine Affairs Cooperation (IOMAC)	Convention		Ratified Resolution No. 10/91 on 14 September 1991
1991	International maritime	Organisation		A member as from 1991
1992	Protection of the world cultures and natural heritage	Convention	Paris, 1972	Ratified in 1982



1993	Protection of the ozone layer	Convention	Vienna, 22 March 1985	Ratified Resolution No. 8/93 on 24 December 1993
1994	Climate change	Convention	United Nations, June 1992	Ratified Resolution No. 01/94 on 24 August 1994
1994	Combating drought and desertification	Convention	Paris, 1994	Signed and ratified
1994	International Hydrographic Organisation (IHO)	Convention	IHO	Ratified Resolution No. 20/94 on 4 August 1994
1995	Framework on climate change	Convention	New York, 1992	Signed and ratified in 1995
1995	Shared watercourse systems in the SADC	Protocol		Signed in 1995
1996	Ban of the import into Africa and the control of transboundary movements of hazardous waste within Africa	Convention	Bamako, 1991	Ratified Resolution No. 19/96 on 28 November 1996
1996	Transboundary movement of dangerous residues and elimination	Convention	Brazil, 22 March 1989	Ratified Resolution No. 18/96 on 26 November 1996
1996	Protection, management and development of the sea environment and coastal zones in the Eastern Africa region, and related protocols	Convention	Nairobi, 2 June 1985	Ratified Resolution No. 17/96 on 26 November 1996
1996	Desertification	Convention	United Nations, 7 June 1984	Ratified Resolution No. 20/96 on 26 November 1996
1997	Control of transboundary movements of hazardous wastes and their disposal	Convention	Rio de Janeiro, 1992	Signed and ratified in 1997

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804. The CRM noted that adherence to international conventions, standards and codes requires ratification by Parliament, according to Article 144 of the Constitution. The ratification process begins with the country's involvement in the negotiation process through specialised sectoral directorates or ministries. Sector ministries submit the convention to the Council of Ministers, after consultation with the Economic Council. The Council of Ministers then submits the convention for approval by Parliament. A parliamentary resolution is issued and published in the official gazette whenever a convention is approved.
805. Most of the above conventions are reflected in Mozambican legislation on the environment (Law No. 19/97 of 1 October 1997), land, and forests and wildlife. The number of ratified international agreements is quite high but, as shown in Table 5.1, a few instruments, such as CITES and the United Nations Convention on the Law of the Sea, are still outstanding.
806. The CRM also examined the extent to which Mozambique has taken measures to sign, adopt and comply with the following standards:
- Framework Document for the New Partnership for Africa's Development (NEPAD);
  - Organisation for Economic Cooperation and Development (OECD) Principles of Corporate Governance; Principles for Corporate Governance in the Commonwealth;
  - IAS;
  - ISA;
  - Basel Core Principles for Effective Banking Supervision (CPEBS);
  - International Organisation of Securities Commissions (IOSCO) Objectives and Principles of Securities Regulation; International Association of Insurance Supervisors (IAIS) Core Principles for Insurance Supervision;
  - African Charter on Human and People's Rights;
  - Labour codes of the International Labour Organisation (ILO); and
  - World Health Organisation (WHO) Codes on Industrial and Environmental Safety and Hygiene.

### ***NEPAD Framework Document***

807. The CRM confirmed that Mozambique is a subscriber to, and an active supporter of, NEPAD principles and programmes. The country's accession to the APRM is a sign of its commitment to the NEPAD Framework Document.

### ***Commonwealth***

808. Mozambique is an active member of the Commonwealth and a participant in the Commonwealth Business Council (CBC), where the adoption of corporate governance principles is a requirement. There is, however, no evidence of formal adoption of such principles in the country's legal system or practices.

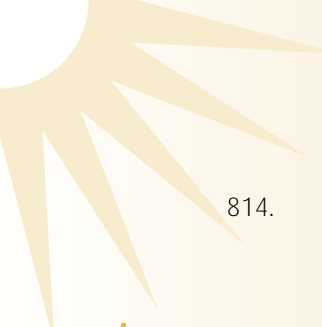
The CRM was not able to review the new Commercial Code due to the English version of Book II being unavailable.

### ***International Financial Reporting and International Standards on Auditing***

809. Mozambique is operating government accounting systems that do not take the IFRS or ISA into account. These systems differ from the IFRS in the areas of calculating the inventory; intangible assets; historical cost and continuity principles; long-term construction contracts; balance sheet presentation; and the lack of coverage in, and mandatory use of, the Portuguese language.
810. In response to this weakness, Mozambique has taken the following measures:
- Adopted the IFRS to apply to all banks from 2008, by directive of the BM; and
  - Agreed to apply the IFRS to other enterprises by 2010.
811. As noted in Chapter Four of this report, the country has, in conjunction with the International Monetary Fund (IMF), continued to implement far-reaching financial policy reforms. These include the privatisation of major state-owned banks and the reform of the Mozambican central bank, which was transformed into a banking supervisory authority, in addition to monitoring the exchange rate and monetary policies. The BM has passed a series of regulations setting the rules of the banking system. In this regard, Mozambique has adopted the CPEBS, and the country is working with the international banking system to implement best practices.

### ***Core Principles for Effective Banking Supervision***

812. The 1997 Basel CPEBS cover 25 principles used by central banks to ensure effective supervision and are intended to do the following:
- Spell out the objectives of supervision, and its independence, transparency and cooperation with other regulators to ensure comprehensive supervision;
  - Provide for the licensing of financial institutions based on their viability, sustainability and plausible structures;
  - Impose and implement prudential regulations on an ongoing basis;
  - Adopt international accounting and free disclosure standards;
  - Confer corrective and remedial powers of supervision on bank supervision; and
  - Adopt consolidated and cross-border supervision.
813. With regard to the Basel CPEBS, Mozambique has fully complied with 17 principles, partially complies with four, four are still outstanding, and partially complies with 14 principles on liquidity risk management, 15 on operational risk, 17 on internal control, and 23 on collective remedial powers of supervision.



According to the BM, an update of the regulations issued in 1999 is required after a thorough situational study.

814. The outstanding principles with which Mozambique still has to comply include:
- No. 7 on the risk management process;
  - No. 12 on country and transfer risk;
  - No. 19 on a risk supervisory approach; and
  - No. 13 on market risk.
815. The BM affirmed that it is preparing comprehensive risk-based regulations in order to be able to comply with the outstanding principles. It felt that, given the low money and security market deals by the banks, compliance with principle No. 13 is not urgent.

### ***Measures Adopted After the Financial Services Action Plan***

816. In order to strengthen the banking supervision and regulatory environment in Mozambique, the BM has adopted the following measures:
- Comprehensive diagnostic reviews of the major banks by international firms to establish their compliance with the IFRS;
  - Implementation in 2004 of a new Financial Institutions Law strengthening the central bank's supervisory powers and introducing stricter penalties for non-compliance violations;
  - Continued progress to strengthen banking supervision practices in line with the Basel CPEBS, by strengthening onsite and offsite supervisory capacity through:
    - requiring the preparation of financial statements by financial institutions and the corporate sector in compliance with international standards; and
    - adopting prudential regulations in line with international best practices; and
  - Adoption of the IFRS by the BM in 2006 and by commercial banks in 2007.
817. Although the BM's governor affirmed implementation of the above measures in a meeting with the CRM, the latter could not confirm this.
818. In 2007, the BM carried out 14 risk-based inspections of commercial banks focusing on risk management systems and requiring the banks to identify, quantify and control risks. According to the BM's Annual Report of 2007, most of the banks inspected generally "showed a stable economic and financial situation and satisfactory risk profile".
819. Likewise, the BM conducted 17 inspections of non-financial banking institutions and noted some improvements, but also found irregularities, such as:

- Using outdated rates for fixed assets amortisations – which is an abuse of due process;
- Failing to verify and reconcile accounts – a sign of unprofessional operation;
- Ignoring the accounting chart – an act of insubordination;
- Financing activities with third-party resources – actions tantamount to fraud;
- Failing to keep records and submit mandatory reports – a reflection of weaknesses in the capacity to supervise; and
- Performing foreign operations by non-licensed operators – a reflection of capacity problems on the part of the supervisors.

820. However, the BM's Annual Report does not stipulate what sanctions were imposed and whether corrective action was taken. The CRM also did not attempt to investigate this. Table 5.2 shows the risk profile of credit institutions and non-banking financial institutions in 2007.

**TABLE 5.2: RISK PROFILE OF CREDIT INSTITUTIONS AND NON-BANKING FINANCIAL INSTITUTIONS IN MOZAMBIQUE, 2007 <sup>1</sup>**

Risk profile	Number and percentage of credit institutions		Percentage of total assets in the banking system	Credit institutions and non-banking financial institutions and corporations
I	1	5.9	0.7	1 Microfinance bank
II	13	76.5	98.8	8 Commercial banks
				2 Microfinance banks
				3 Credit union
III	1	5.9	0.0	1 Credit union
IV	2	11.8	0.5	1 Commercial bank
				1 Leasing company
<b>Total</b>	<b>17</b>	<b>100.0</b>	<b>100.0</b>	

821. According to the BM's Annual Report of 2007, 76.5 per cent of the institutions in 2007 – compared with 55.5 per cent in December 2006 – had a low-risk profile and represented the majority of the banking system institutions. Institutions with high-risk profiles in 2006 recorded no significant changes.

<sup>1</sup> Bank of Mozambique (BM). 2007. Annual Report 2007. Maputo: BM.

## *Core Principles for Securities Regulators*

822. These principles are non-binding, but bear significant authority among regulators. Their implementation is currently a vital necessity for any serious regulator, especially in the wake of collapsing securities markets worldwide.
823. In a meeting with the CRM, the governor of the BM, which currently regulates capital markets, made the following observations:
- The central bank is in the process of complying with IOSCO principles to oversee the operations of the BVM.
  - The BM is regularly invited to, and participates in, the IOSCO's annual meetings.
824. Briefly, the IOSCO principles cover the following:
- Principles for Securities Regulators: These principles provide for the independence, accountability, powers and capacity of securities regulators. The BM acts as the independent regulator of the BVM, which is owned by the government. As an autonomous institution, the BM can render independent action, but a separate regulator would be perceived as more independent and would also devote more time to the promotion and development of the capital market.
  - Principles for Self-regulation: These principles require formal recognition of self-regulatory agencies and self-regulatory organisations. The BVM is still a unit of the Ministry of Finance (MF) but operates independently. Brokerage is still being developed, but currently consists of units of commercial banks.
  - Principles for Cooperation in Regulation: The BM as a regulator should work closely with the SADC under the Committee of Insurance, Securities and Non-Banking Financial Authorities (CISNA) to share information and promote the development of the capital market.
  - Principles for Issuers of Securities: These principles provide standards for the timely and accurate disclosure of information to investors. Efforts to align listing requirements with IOSCO principles are ongoing. Meanwhile, the IFRS have been prescribed for all companies intending to list securities on the stock exchange.
  - Principles for Collective Investment Schemes: There are no collective investment schemes in Mozambique. These should be developed to deepen the market.
  - Principles for Market Intermediaries: These principles provide detailed requirements for the registration, licensing, approval, oversight and conduct of business of market intermediaries.
  - Principles for the Secondary Market: These principles impose oversight requirements on secondary market activities. The BVM is operating a small market dominated by debt instruments. Trading in these securities is limited, as holders prefer to hold them to maturity, which aggregates the market illiquidity.



## Core Principles for Insurance Regulators

825. The principles for insurance regulation require the following:
- Existence of a plausible supervisory system articulating the process, objectives, authority, and consultation and information sharing;
  - Licensing of the supervised entity with suitable persons;
  - Adoption of ongoing supervision and offsite monitoring;
  - Application of prudential requirements (risk and management assessment), capital adequacy and solvency;
  - Protection of consumers, information disclosure and transparency; and
  - Existence of an anti-money-laundering system to fight terrorism.
826. Mozambique's Office of the General Inspectorate of Insurance (IGS), established under Decree No. 42/99, is supervised by the Ministry of Planning and Development (MPD). The IGS has issued notices regulating the conduct of insurance business in the country.
827. The prudential requirements include:
- Fit and proper criteria for the significant owners, board members and management staff;
  - Registration requirement process; and
  - Minimum capital requirement.
828. However, the IGS has not yet sought membership of either the IAIS or the International Organisation of Pension Supervisors (IOPS), pending full compliance with the core standards.

## Core Principles for Pension Regulators

829. The key principles designed to regulate the pension sector are as follows:
- *Principle I: Objectives*  
National law should assign clear and explicit objectives for pension supervisory authorities.
  - *Principle II: Independence*  
Pension supervisory authorities should have operational independence.
  - *Principle III: Adequate Resources*  
Pension supervisory authorities require adequate financial, human and other resources.
  - *Principle IV: Adequate Powers*  
Pension supervisory authorities should be endowed with the necessary investigative and enforcement powers to fulfil their functions and achieve their objectives.

- *Principle V: Risk Orientation*  
Pension supervisory authorities should seek to mitigate the greatest potential risks to the pension system.
- *Principle VI: Proportionality and Efficiency*  
Pension supervisory authorities should ensure that investigatory and enforcement requirements are proportional to the risks being mitigated and that their actions are consistent.
- *Principle VII: Consultation and Cooperation*  
Pension supervisory authorities should consult with the bodies they are overseeing and cooperate with other supervisory authorities.
- *Principle VIII: Confidentiality*  
Pension supervisory authorities should treat confidential information appropriately.
- *Principle IX: Transparency*  
Pension supervisory authorities should conduct their operations in a transparent manner.
- *Principle X: Governance*  
Pension supervisory authorities should adhere to their own governance code and should be accountable.

830. However, it was not easy for the CRM to ascertain the extent to which these principles were adhered to in practice.

### ***Public Awareness of Corporate Governance Codes, Investment Centres and Professional Associations***

831. In a meeting, the CTA informed the CRM that it had conducted workshops and seminars at various centres in the provinces and districts on doing business in Mozambique. The CRM found conflicting reports on this matter and noted that awareness of corporate governance was low. Interest in the subject was virtually non-existent and the new Institute of Directors (IOD) had not yet taken off fully.

832. However, the CRM confirmed that the CTA had organised breakfast meetings, public lectures and workshops to sensitise the targeted group (directors and senior managers) to corporate governance, resulting in an increase in membership from 15 in 2007, to 74 in 2009. The CTA has so far conducted training for 219 personnel. The Institute for the Management of State Holdings (IGEPE), with interests in 134 companies, is cooperating with the IOD to establish a code of ethics for Mozambique. The CRM was informed that the first draft was ready and expected to be finalised by the end of 2009.

### ***International Labour Conventions***

833. Mozambique has a long tradition of ratifying and implementing ILO labour codes and taking them into account when drafting labour laws and related

regulations. Article 13 of the newly drafted Labour Law formally incorporates treaties and international conventions, together with the Constitution, as sources of authority for this Act.

834. A consultative committee, the Labour Advisory Committee (CCT), is chaired by the Minister of Labour and comprises four other major economic ministries and the representatives of employers associations and trade unions. The CCT is entrusted with the responsibility to follow up on developments in the ILO and on other matters related to labour relations. Table 5.3 shows the conventions that were ratified by the Mozambican Parliament between 1977 and 1999.

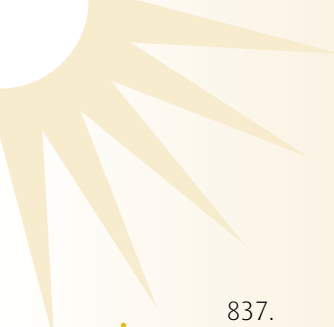
**TABLE 5.3: INTERNATIONAL LABOUR CONVENTIONS RATIFIED BY THE MOZAMBIKAN PARLIAMENT, 1977-99<sup>1</sup>**

Convention	Theme
1	Duration of shifts in industries
11	The right to form associations of agricultural workers
14	Weekly rest for industry workers
17	Accident-related compensation
18	Health compensation
30	Work duration for commerce and office
52	Paid annual leave for industry and trade houses
87	Freedom of unions
98	Rights for collective negotiations
122	Employment policy
144	Tripartite consultation process to promote the implementation of international norms
170	Safe handling of chemical products
171	Night shifts

835. The freedom of civil society to form associations is guaranteed by the Constitution. The Labour Law provides the legal basis for business associations and labour unions. Article 159 of the Labour Law regulates the establishment of labour associations or unions, whereas Article 262 lays down requirements for the establishment of business associations. The right to strike is regulated under Article 194.

836. The Labour Law is considered a progressive legal instrument and a good base for protecting the rights of citizens. However, concerns are widespread among economists and the private sector in relation to limited flexibility and high costs for companies arising from the present proposals of the Labour Law. The

<sup>2</sup> Based on records of the Ministry of Labour, Government of Mozambique, 2009.



inflexibilities of hiring, firing and high severance payments may have caused the Mozambican labour force to become non-competitive. SMEs tend to refrain from officially hiring workers due to the related costs of hiring and firing.

### III. Recommendations

837. The APR Panel recommends that Mozambique should:
- Appoint a national Corporate Governance Regulator (CGR) to oversee the development of the capital market [MF];
  - Define a suitable model for corporate governance through the adoption of a national code of corporate governance [MF; IOD; CPI];
  - Raise capacity skills and the implementation of standards, codes and policies [IOD; CTA; CGR];
  - Raise public advocacy and awareness of professional standards by setting up centres of civic education at the provincial level to address the critical need for informing and educating the public [IOD; CGR];
  - Give urgent consideration to designing a Capital Markets Act, preferably with a separate regulator to develop, regulate and ensure the efficiency of the securities market in the country [MF; Parliament];
  - Separate the BVM from the apparent direct control of the MF so as to be truly independent [MF; BM]; and
  - Provide the IGS with technical assistance to reinforce compliance with international IAIS and IOPS standards, including the IFRS [MF; IMF].

## 5.3 Assessment of the Performance of APRM Objectives

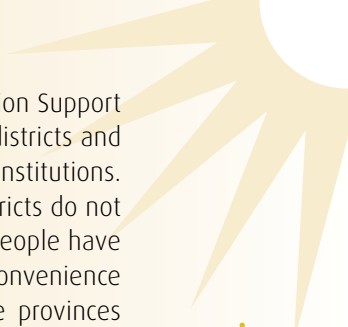
### ***Objective 1: To promote an enabling environment and effective regulatory framework for economic activities***

#### I. Summary of the CSAR

838. In accessing the legal and administrative measures that are in place to facilitate economic activities in the country, the CSAR focuses on access to finance; stock exchange; insurance; legislative awareness in policy making; judicial capacity; administrative constraints; infrastructure; labour rights and laws; export capacity; foreign investment; access to land; entrepreneurship; and business regulation.

#### ***Access to Finance***

839. The CSAR states that access to credit and the cost of credit are some of the greatest barriers to business growth and development in Mozambique. Credit from banks to the private sector represented only approximately 30 per cent of the GDP. The network of microfinance institutions (MFIs) is growing, but is still inadequate, and MFIs charge high rates of interest. The CSAR observes



that, despite the role of agencies such as the Economic Rehabilitation Support Fund (FARE) and the expansion of MFIs, business owners in most districts and provinces face great difficulty in accessing banks or other financial institutions. Only 31 of the 128 districts have commercial banks, and some districts do not even have MFIs. The CSAR also discloses that many poor businesspeople have difficulty accessing financial services due to the costs, risks and inconvenience involved. The CSAR suggests that the expansion of banks to the provinces should prioritise agricultural areas where production is high, as farmers in these areas need commercial banks or MFIs where they can safely deposit their money. Complaints were also received of high banking costs that were applied uniformly without regard to customer income. Interest rates are also very high, even for agricultural purposes.

840. The 2006 Banking Sector Survey identifies the following weaknesses in the Mozambican banking sector:
- A weak legal environment;
  - A weak accounting environment;
  - An underdeveloped capital and monetary market;
  - Limited access to capital;
  - Limited assets growth opportunity;
  - Poor corporate governance;
  - Underdeveloped risk management skills;
  - Crime and corruption;
  - Poor qualifications and skills; and
  - A poor combination of assets and liabilities.
841. The BM's governor stated that commercial banks in Mozambique lack resources to fund manufacturing activities. Businesses are forced to utilise short-term funding resources, which prevents their funding of long-term projects.<sup>3</sup>

### ***Stock Exchange***

842. According to the CSAR, there has been a slow pace of listings on the BVM. In 2006, after seven years of operation, it had only 13 listings. The CSAR observes that the BVM is still in its growth phase, and that the public's perception is that it is non-existent.

### ***Insurance Sector***

843. The insurance sector is still in its early development phase. According to the CSAR, there is still no insurance cover for agricultural and livestock-related activities. Secondly, insurance companies are not adequately represented at the district level.

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<sup>3</sup> Macau Daily Times. 2008. "Ho backed bank to open in Mozambique", 15 June.

## ***Legislative Awareness in Policy Making***

844. The CSAR notes that legislators lack awareness of international best practices and local experiences. Consequently, weak research has led to poor legislation in the following areas of corporate governance: environmental laws and regulations; land; forestry and wildlife; tourism; fiscal and commercial codes; and labour laws. It states that “there is a need to improve the elaboration system and the application of the laws”.
845. The CSAR further suggests that there is a need to address the following issues as a matter of urgency:
- Intersectoral coordination within the government at the three branches (the Executive, Legislative and Judiciary) in policy making;
  - Monitoring of performance;
  - Reinforcement of consultations between the government, the private sector and civil society in the process of policy making; and
  - Decentralisation of policy making through adoption of consultative mechanisms at the provincial and district levels.

## ***Judicial Capacity***

846. Mozambique lacks adequate monitoring capacity to enforce international conventions and agreements. The CSAR observes that the administration of justice does not meet citizens’ expectations. While people recognise that the government is making headway in adopting laws, there is a problem with the enforcement thereof. The police and the Judiciary are blamed for doing little about crime. There have also been delays in hearings involving business operators.
847. Policing as well as judicial capacity to investigate economic crimes is limited in the country. Scandals that have yet to be resolved include the Commercial Bank of Mozambique (BCM) and Banco Austral scandals of 2002. According to the CSAR, there is consensus that the judicial system lacks the capacity to safeguard the fulfilment of laws. Furthermore, civil society representatives believe that many companies, with the exception of some of the larger ones, do not obey laws.
848. The courts are not robust enough to enforce justice adequately, including the laws regulating tax evasion, counterfeit products, and illegal trade in goods. Weak capacity in legal accounting, among other factors, contributes to a weakening of the legal system and fuels corruption. The judicial system is also reported as being slow and unpredictable in resolving cases.
849. The CSAR further notes that few commercial disputes are taken to the tribunals due to lengthy delays in the process. In fact, the CSAR observes that the tribunals do not even exist. However, it should be noted that a Bankruptcy Law has been proposed, although it has not yet been approved and promulgated.



### ***Administrative Constraints***

850. According to the CSAR, major concerns include the complexity of tax laws and regulations; high tax rates; the narrow tax base; an inefficient tax administration process; delays and uncertainties in value-added tax refunds; tax incentives to large businesses, which create an uneven playing field; limited public information on the tax system; and inadequate dialogue between the private sector and the government on tax issues. The government has few trained officers and accountants who can explain the tax system and educate taxpayers thereon.

### ***Tax Administration***

851. The tax administration system and capacity are weak. Studies have shown the overall tax burden for many firms to be at over 50 per cent of their gross income. Entrepreneurs are dissuaded from registering their businesses due to the high tax rate and cumbersome taxation process. A reduction in taxes and simplification of the system is required. The CSAR observes that customs taxes are very high and contribute to high costs of processing goods.

### ***Customs***

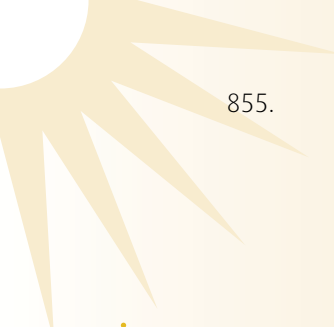
852. Constraints at customs include administration and processing restrictions by the central bank on foreign currency transfer for international payment and introduction of paid scanning for containers. The World Bank's Doing Business 2007 survey reports an average of 38 days for importing and 39 days for exporting.

### ***Administrative Barriers***

853. Administrative barriers to business identified in the Doing Business 2007 survey are (relative to the rest of the world) highest in the categories of enforcing contracts (168th out of 175 nations); employing workers (157); starting a business (153); trading across borders (141); ease of doing business (140); and closing a business (126). The CSAR mentions bureaucracy, corruption, access to credit and high interest rates as key constraints.

### ***Business Environment***

854. The CSAR observes remarkable progress in the business environment, while noting that constraints with regard to the following persist:
- Access to credit;
  - Reimbursement of tax;
  - A low standard of national produce; and
  - A large number of fines.

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855. According to the CSAR, the business environment became more informal as a result of the macroeconomic policies of the 1990s, which marginalised the commercial sector. It further notes the goal of AGENDA 2025 to ease “gradual integration of informal sector into the local economy rather than fighting it”.

### ***Business Licensing***

856. Mozambique has set up a “one-stop shop” for business licensing. However, the APRM Background Paper observes that the concept of a one-stop shop will be unable to develop if the administration of the process is not well managed and permanently monitored and improved.
857. Similarly, the CSAR notes that the provision of services in the unique counter or one-stop shop still needs improvement. These one-stop shops currently merely act as information desks and, in order to start a business, an entrepreneur still needs to go to different institutions. Moreover, the CSAR observes that stakeholders mentioned difficulties regarding the registration of businesses, and that these are linked to the slow bureaucratic process of issuing licences for economic activities. These difficulties are exacerbated by applicants having to travel long distances to different institutions in order to complete the paperwork.

### ***Infrastructure***

858. The CSAR notes that the infrastructure in general, and the communications infrastructure in particular, is weak, and that a good number of districts do not have access to mobile telephone services. Good progress is, however, being made in road construction, although a major challenge is the support of local road firms. Furthermore, building and maintaining feeder roads are low priorities at present, and Mozambique indeed faces a serious challenge in ensuring road maintenance, especially as many roads in rural areas are inaccessible during the rainy season.
859. The CSAR cites problems with the rail, water, sanitation, and energy infrastructure. Full rehabilitation of the Sena Railway in the centre of the country is required. Adequate provision of water and sanitation services is a major challenge that impacts negatively on business. The reduction of current downtimes in the supply of power is a critical need for business, as downtimes often lead to delays in shipping.

### ***Labour Laws and Rights***

860. The proposed Labour Law regulating associations and unions has not yet been implemented. According to the CSAR, the Law for the Creation of Labour Courts, Law No. 18/92 of 14 October, provides for labour tribunals to resolve workplace disputes. However, these tribunals have not yet been established.

Although the CSAR observes that the new Labour Act No. 23/2007 of 1 August has been passed, it does not indicate whether it is already in force.

861. The new Labour Law includes the right of employees to join unions. The employer body, CTA, has noted its reservations of the new law, which members feel gives employees too much protection at the expense of employers. CTA members also feel at a disadvantage vis-à-vis competitors in the SADC and the rest of the world. Unions such as the Organisation of Mozambican Workers – Union Centre (OTM-CS), on the other hand, believe that the new Labour Law introduces flexible work contracts, which may lead to insecure jobs for workers. In general, the new law still appears to be weak with respect to the regulation of competitiveness and flexibility of the job market.

### ***Export Capacity***

862. Mozambique's traditional exports include cashews, shrimp, fish, copra, timber, sugar, cotton, tea, citrus and exotic fruits. These exports have low profit margins due to a high level of competition and easy entry to the market.
863. A further issue for the export industries is that Mozambique has not yet taken full advantage of its eligibility to export many goods and services to the United States of America (USA) at preferential rates under the African Growth and Opportunity Act (AGOA). According to the APRM Background Paper, eight years after first obtaining eligibility, Mozambican producers only export two of the country's traditional exports – prawns and cashew nuts – to the USA, in marked contrast to the number of exports of neighbours such as Lesotho, South Africa and Swaziland. A CTA representative noted that there were medium-term constraints that prevented Mozambican businesses from fully exploiting the opportunities presented by the AGOA, including the quality of products, certification and a lack of business capacity.<sup>4</sup>

### ***Foreign Investment***

864. According to the CSAR, Mozambique attracted US\$8 billion in foreign investment in 2007, and liberalised foreign investment rules in 2008 as part of its plan to boost foreign investment to US\$12 billion in that year. This has already appealed to foreign investors from Italy who have identified sectors in which to invest, such as agriculture, agro-industry, tourism and energy.<sup>5</sup> Furthermore, the newly formed Brazil-Mozambique Chamber of Commerce, Industry and Agri-Livestock (CCIABM) has also identified the following sectors for investment in Mozambique: food, drinks, cosmetics, machinery, equipment, construction materials and services, medication and agricultural tools.<sup>6</sup>

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<sup>4</sup> Agencia de Informacio de Moçambique, Maputo. 2008. "Companies not taking advantage of AGOA", 19 June.

<sup>5</sup> Mangwiro, C. 2008. "Italy to invest in Mozambique", Reuters, 9 July.

<sup>6</sup> MacauHub Economic Information Service. 2008. "Brazilian business mission to visit Mozambique in September", 9 July.

### ***Access to Land***

865. In Mozambique, land belongs to the state and cannot be used as collateral for financing. Individuals or companies must apply for land use rights for a period ranging from 50 to 100 years.<sup>7</sup> Transactions of land use rights are not allowed to be freely traded and require government approval. The APRM Background Paper notes that, without changing the ownership structure of land, land allocation cannot be driven by economic and market criteria. The administrative allocation process is hindered by allegations of corruption, delays, uncertainties and insecurities, which serve to encourage speculators and discourage investors.
866. A related issue is the plight of peasant farmers, who have been pushed off their land by wealthy people who have obtained administrative permission from Maputo to do so. Most of these farmers do not possess title deeds to prevent eviction, and while they are sometimes transferred to another plot of land, some are simply told by municipal authorities to move out, with no recourse or alternative to them.<sup>8</sup>

### ***Developing an Entrepreneurial Culture***

867. According to the CSAR, Mozambique needs to popularise a culture of entrepreneurship as well as business associations (including mergers), so as to encourage business growth beyond the many SMEs that characterise the Mozambican market today.

### ***Laws for Business Regulation***

868. The CSAR notes the efforts that Mozambique has made to review laws pertaining to business. In the main, most laws relating to business are relatively up to date.

## **II. Findings of the CRM**

### ***Access to Finance***

869. The CRM observed that, overall, institutional obstacles continue to constrain financial intermediation in Mozambique. As noted in Chapter Four of this report, however, the country has made substantial progress in promoting financial liberalisation and restructuring its banking sector over the past ten years. Mozambique is now deepening those reforms by strengthening the institutional regulatory environment for financial sector development within the framework of a strategy for financial sector development, which was devised after assessment of the financial sector in 2003.

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<sup>7</sup> Valy, B. 2008. "An overly civil society?" Inter Press Service, Johannesburg, 11 July.

<sup>8</sup> Ibid.

## ***Financial Sector Developments***

870. The CRM noted that Mozambique's financial system has come a long way since the end of the civil war – evolving from a government-owned system into a fully fledged, market-based financial system. Evidence availed to the CRM shows that, for a long time, the financial system was dominated by foreign banks and highly concentrated, with the five largest banks accounting for over 90 per cent of total deposits.
871. According to the IMF, the financial system had also become increasingly “dollarised”, with foreign currency deposits and loans accounting for 51 per cent and 70 per cent of their respective totals in 2002.<sup>9</sup> The financial system's role in financial intermediation was also underdeveloped even by regional standards, as reflected in its small credit to GDP ratio (30 per cent) and loan to deposit ratio. While Mozambican banks were generally profitable and well capitalised, they were exposed to significant credit risk, as reflected in the high ratio of non-performing loans to total loans. This ratio stood at 21 per cent by the end of 2002, but by 2008 it had been drastically reduced to 2 per cent.
872. The IMF noted that real lending rates in meticaís for the period 1999–2002 averaged 17.5 per cent, which reflects very large intermediation spreads, partly caused by the high levels of non-performing loans made to state-owned enterprises and other non-compliant borrowers. This problem reflected the BM's lack of a mandate and capacity to supervise banks effectively, and was compounded by the lack of adequate reporting standards for monitoring the soundness of bank lending.
873. Other factors included the following:
- High overhead costs, partly reflecting the smallness of the Mozambican financial system;
  - High reserve requirements, ensuring liquidity adequacy; and
  - Generally substantial profit margins, reflecting high bank concentration and limited competition.
874. The IMF study further observes that financial intermediation was also constrained by legal and institutional impediments. Mozambicans' high credit risk and poor financial intermediation were partly attributed to the lack of institutional capacity to:
- Enable lenders to collect debt upon default, including efficient debt enforcement for unsecured loans through the courts; comprehensive laws for taking and enforcing security through collateral systems; and efficient bankruptcy laws; and

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<sup>9</sup> International Monetary Fund (IMF). 2007. Republic of Mozambique: Selected issues. IMF Report No. 7/258. Washington DC: IMF.

- Assist lenders with their credit selection decisions by disseminating information on borrowers' creditworthiness.

875. In the absence of institutions that facilitate loan recovery and contract enforcement, banks were compelled to adopt a conservative stance towards smaller borrowers in their lending policies by restricting access and pushing up lending rates. Lack of information on borrowers' creditworthiness further aggravated this problem, increasing uncertainty regarding non-performing loans. This forced banks to increase loan loss provisions (with direct implications to the cost of credit); to impose stringent collateral requirements; or simply to refuse credit to applicants with no previous credit history. Business surveys also corroborated this view by showing that, given the high cost of finance and high level of collateral required, Mozambican enterprises were severely capital constrained, with the overwhelming majority using retained earnings to finance capital accumulation.

876. As noted in Chapter Four, access to affordable finance has been hampered by the poor reach of financial institutions and the impact thereof on the mobilisation of savings. The latter has been constrained, not only by Mozambique's low income levels, but also by the thin network of bank branches, particularly in rural areas. The situation has been further aggravated by the relatively smallness and limited reach of the microfinance industry. Constraints to providing financial services in rural and remote areas are widely noted to include very low population densities; weak or non-existent markets; poor physical and communication infrastructure; and unavailability of skilled local staff.

877. In a meeting with BM officials, the CRM was informed that the non-bank financial institutions were small, non-transparent, and subject to limited institutional and regulatory oversight. They could therefore hide sizeable contingent fiscal liabilities. The situation was particularly critical in the insurance and pension sector, where supervisory capacity was weak and diluted between the MF and the state pension scheme – the National Institute of Social Security (INSS) – respectively. The latter, in turn, had both an administrative and a prudential mandate.

### ***Financial Sector Reform***

878. In order to address the above challenges, and in collaboration with donors, the government developed a comprehensive strategy for financial sector reform. Financing for capacity building and implementation of the strategy was provided as a multiple donor programme under one umbrella, referred to as the Financial Sector Technical Assistance Project (FSTAP).<sup>10</sup>

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<sup>10</sup> The FSTAP focuses on the following:

- Strengthening the banking system and enhancing the capacity of the BM in terms of banking supervision and managing the banking system and financial infrastructure, including the real-time gross settlement system;



879. In interactive sessions with various stakeholders, and based on the adduced evidence, the CRM noted the following:
- The IFRS had been adopted by all banks by 2008, and the rest of the corporate sector is scheduled to follow suit in 2010.
  - The Commercial Code has been revised to improve transparency and accountability, and to broaden coverage (a copy in English was not available to the CRM).
  - Twenty-five of the Basel I CPEBS have been adopted and technical assistance is being sought to implement Basel II.
  - Incentives have been given to deepen the financial sector by spreading banks in rural areas and creating new products. Incentives include duty-free imports of equipment for upcountry branches and inclusion of Treasury cash in those branches in cash reserve requirements.
  - Steps have been taken for strengthening the liquidity of the BVM through the listing of new products (commercial paper and SME bonds).
  - A Bankruptcy Law has reached the stage of review by the Economic Committee of Ministers and is expected to be promulgated into law by 2010.
  - A credit reference bureau to offer information on bank borrowers has been established.

### ***Banking System***

880. The CRM noted that the Mozambican banking system has undergone enormous transformations deriving from developments in the legal framework, on the one hand, and from the increasing wave of mergers and acquisitions, on the other hand.<sup>11</sup> Table 5.4 shows the distribution of financial institutions and the network of bank branches in 2006 and 2007.

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- Improving financial accountability and transparency by introducing the IFRS into commercial banks and corporate entities; and
  - Improving the market efficiency and depth of money and government bonds, including the introduction of a central securities depository. The IMF continues to play an important role in the FSTAP by providing technical assistance in a number of areas in close coordination with the government and other donors.

<sup>11</sup> In 2007, the banking system was marked by various events, among which included the acquisition of Mozambique's Trade and Development Bank (BDC) by FirstRand Holding Mozambique, which in turn changed its commercial brand; the change of Banco Austral to Barclays Bank, Novobanco to Procredit, ABC Leasing to African Leasing Company, the Union Commercial Bank (UCB) to Mauritius Commercial Bank; the merger of BCI Leasing with the Commercial and Investment Bank (BCI) and changes in the shareholders' composition of the BCI. All these developments changed the business philosophy and enhanced competition and financial innovation.

**TABLE 5.4: DISTRIBUTION OF FINANCIAL INSTITUTIONS AND THE NETWORK OF BANK BRANCHES IN MOZAMBIQUE, 2006 AND 2007** <sup>12</sup>

Province	Branches		Credit unions		Microcredit institutions		Microfinance	
	Dec. 06	Dec. 07	Dec. 06	Dec. 07	Dec. 06	Dec. 07	Dec. 06	Dec. 07
Maputo (city)	103	123	6	6	34	43	1	1
Maputo	18	26	3	3	10	10	0	0
Sofala	14	15	1	1	1	1	0	0
Nampula	13	16	0	0	1	1	0	0
Gaza	22	26	0	0	0	1	0	0
Inhambane	12	14	0	0	1	1	0	0
Manica	8	11	1	1	0	1	0	0
Tete	10	10	0	0	0	1	0	0
Zambézia	17	22	0	0	0	2	0	0
Cabo Delgado	7	8	0	0	10	10	0	0
Niassa	4	4	0	0	0	0	0	0
Total	228	275	11	11	57	71	1	1

881. The banking business continued to be dominated by the four largest banks which, at the end of 2007, represented 88.9 per cent of the total assets, 91.6 per cent of total deposits, 86.9 per cent of total loans and 76.4 per cent of the total capital of the banking system. These figures reveal that the banking system continues to show high levels of concentration. During the same period, the unions represented 1.2 per cent of total loans, 0.48 per cent of total deposits, 1.7 per cent of total assets and 3.0 per cent of total capital, virtually rendering them to be negligible role-players. <sup>13</sup>
882. Notwithstanding the increase in the number of branches by 19.5 per cent, the geographical distribution has remained unchanged. Districts continue to be less preferred by the majority of the institutions, most of which are still concentrated in Maputo. Recent efforts have increased branch distribution, as shown in Table 5.4 above.
883. Table 5.4 also shows that two provinces, Niassa and Zambézia, have not recorded any increase in the number of branches since 2005. Meanwhile, Gaza, Manica, Tete and Cabo Delgado provinces, where the number remained unchanged in 2006, recorded a favourable increase in the number of branches in 2007.

<sup>12</sup> BM (2007)

<sup>13</sup> The number of employees in the banking system continued to rise as a result of the establishment of new branches in various provinces of the country, in order to provide better services to customers.

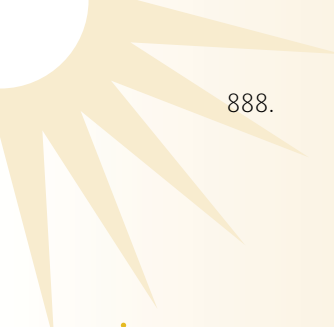
884. The CRM observed that access to, and the cost of, credit are consistently rated by firms as being among the greatest barriers to business growth and development. It is widely stated that the Mozambican banking system does not provide enough support to start-up businesses and, in particular, to the expansion of SMEs, which are the most poorly served, as well as the agricultural sector. In an interview, the BM's governor informed the CRM that the liquidity of the Mozambican banking system is relatively high. However, the banks are reluctant to expand credit, preferring to remain with creditworthy borrowers among the safe sectors.
885. MFIs are also building up capacity all over the country to service micro- and small enterprises. However, their network is limited and they offer credit at a very high interest rate, sometimes up to 60 per cent per annum.
886. It is argued that fast and sustainable economic growth and high employment rates can only be achieved by deepening reforms of the financial system and supporting the expansion of credit institutions. Table 5.5 shows the number of financial institutions operating in Mozambique.

**TABLE 5.5: FINANCIAL INSTITUTIONS IN MOZAMBIQUE, 2007<sup>14</sup>**

Financial institution	Number
Banks	12
Microbanks	1
Credit cooperatives	6
Microlending operators	71
Leasing companies	1
Group purchase administration companies	1
Investment companies	1
Risk capital management companies	1
Companies issuing or managing credit cards	1
Credit representation institutions with their head office abroad	1
Exchange houses	23
<b>Total</b>	<b>119</b>

887. One way of addressing the lack of credit to SMEs has been the introduction of a "District Fund" of 7 million meticaís per district per year from the central government. Access is subject to a business viability plan and support from local officials. Although an interest rate of only 1 per cent per annum is charged, the repayment rate is very low and non-performing loans are said to be very high (up to 90 per cent) in some districts. The sustainability of this effort and its entire disbursement structure therefore needs to be reevaluated.

<sup>14</sup> CSAR, March 2008.

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888. Another way of reducing the cost of finance is to make it easier for lending institutions to obtain all relevant information about the borrower. Credit rating agencies specialise in collecting this information from all persons who access the system. The BM is already running such an agency. The CRM was informed that, to make it easier for potential borrowers to sign up for the system, a privately run credit rating agency would be established.

### ***Microfinance***

889. The CRM was informed during interactive sessions that the microfinance sector has grown significantly in the past decades. Growth, both in the number of clients and especially in the outstanding loan portfolio, has been considerable and represents about a five to sevenfold increase from 2000 to 2005. Consolidation also seems to be under way and three institutions out of about 35 control more than 68 per cent of the active loan portfolio.
890. There are also some indications of institutional growth, meaning that the number of MFIs with higher client numbers has grown. In 1998, there were only two operators with more than 1 000 clients. By 2005, half the MFIs had more than this number. Growth has also been accompanied by a substantial improvement in performance. The percentage of MFIs with recovery rates considered acceptable, that is, 90 per cent or above, increased from 16 per cent in 1997 to about 30 per cent in 2005.
891. However, the MFIs' reach, particularly in rural areas, remains very limited. About 62 per cent of MFIs and 50 per cent of micro-borrowers are concentrated in the Maputo-Matola urban corridor. Rural areas account for less than 12 per cent of borrowers and only 5 per cent of the total active portfolio. To some extent, this disparity in microfinance provision seems to reflect the large concentration of non-agricultural informal activities in the province of Maputo or Maputo city. Preliminary data for 2005 on informal sector activities, published by the National Institute of Statistics (INE) shows that of the non-agricultural informal sector activities, 42 per cent of those involved in trading and 48 per cent of those involved in services (excluding transport) are located in those areas.

### ***Judicial Environment***

892. The CRM noted that the Judiciary has been given another role in Mozambique, whereby the Administrative Court vets procurement contracts and certifies public accounts and budget implementations, among other things. The CRM cautioned that the fusion of administrative and judicial functions could blur the separation of powers between the Executive and the Judiciary, and so breed conflict of interests. For instance, parties aggrieved by procurements certified by the Judiciary (the Administrative Court) may find it embarrassing to prosecute the latter for fraudulent certification. An autonomous body reporting to Parliament might be more independent.

## Stock Exchange

893. The CRM observed that there has been some progress in the development of capital markets in Mozambique. Capital markets are critical to deepening the financial sector, and strengthening the sector is essential for growth. The benefits of a stock exchange include lowering the cost of capital; attracting investors through an exit opportunity; and generally improving corporate governance and hence the efficiency and effectiveness of operations. The BVM started its operations in 1999, with a market capitalisation of US\$4 million, which to date has risen to US\$400 million, six brokers or dealers, and 16 listed securities. Although it operates independently, the BVM is owned by the government and is run as a unit of the MF.
894. The BVM, which is fully automated, consists of one corporate equity security listing, namely CDM, whose shares are held by South African Breweries (70 per cent); the Mozambican public (27.5 per cent); and the Mozambican government (2.5 per cent).
895. The other listings constitute bonds as follows:
- Seven government bonds of 5–10 years' maturity; and
  - Eight corporate bonds issued to support commercial bank operations.
896. There is also one unlisted government perpetuity bond issued to back up the BM's monetary operations.

**TABLE 5.6: TRANSACTIONS WITHIN MOZAMBIQUE'S OFFICIAL LISTING MARKET <sup>15</sup>**

Market	Traded amount		Traded amount (meticaís millions)	
	2006	2007	2006	2007
Public debt	1.135.255	295	113.520	26
Private debt	429.056	828.197	27.190	82.167
Shareholder	53.926	53.200	910	1.807
<b>Total</b>	<b>1.618.237</b>	<b>881.692</b>	<b>141.620</b>	<b>84.000</b>

897. The BVM currently trades daily, but is severely constrained by a lack of liquidity, as bondholders prefer to hold their shares to maturity due to their paucity. CDM shares are also hoarded due to their attractive dividend yield.
898. Lack of public awareness poses another challenge due to limited resources for holding public awareness campaigns throughout the country. Awareness programmes occasionally feature on radio and television, while briefing meetings

<sup>15</sup> BM (2007).

are limited to the regional capitals. Whenever funds permit, workshops are held to train stakeholders.

### **Membership in International Organisations**

899. The BVM is regularly invited to attend the annual meetings of the World Stock Exchanges Conference, but is not yet a member. Since 2001, the BVM has been a full member the African Securities Exchanges Association (ASEA), whose objectives include information exchange, joint assistance and harmonisation of operations. The BVM has also been a member of the Committee of SADC Stock Exchanges (CoSSE) since 2000. CoSSE aims at information exchange and integration within the region.
900. A second-share corporate issue of the Mozambican Hydrocarbon Company (CMH) is at prospectus stage and should improve liquidity when listed. A new decree permitting the issuance of “commercial paper” is in the offing (2008). It is expected to attract business enterprises to issue commercial paper.
901. The BVM is now exploring opportunities to introduce a segmented market consisting of the official (senior) and junior market to increase SMEs’ access to the markets. The required minimal capital is shown in Table 5.7.

<b>TABLE 5.7: MINIMAL CAPITAL REQUIREMENTS OF THE PROPOSED TIERS OF THE BVM <sup>16</sup></b>	
<b>Senior market</b>	<b>Junior market</b>
Minimum capital: 17 million MZN (New Mozambican meticaís) (US\$653 846.1)	5 million MZN (US\$192 307.6)
Audited accounts every two years, following the IFRS	Yearly accounts, following the IFRS
Share distribution is 15 per cent of the issue to the public, or 250 000 shares, whichever is higher	Share distribution is 5 per cent of the issue, or 25 000 shares to the public, whichever is higher

902. The BVM has the potential to play an important intermediary role in the long-term market of Mozambique and therefore requires the support of all stakeholders. Hindrances to listings would include high taxation of companies, which must reveal back-taxes for two years as they adopt the IFRS. The secondary market trading would also suffer on two fronts: double taxation of dividends at company level and at beneficiary level through the stock exchange, called “capital gains”.
903. The listing of private bonds is also hampered by the absence of a benchmark to guide their pricing based on an established “yield curve”. This curve is based

<sup>16</sup> BVM at a meeting with the CRM, February 2009.



on securities of various maturities traded on the stock exchange. The limited issues of these securities also do not help this process.

### ***Land***

904. Land is an important economic asset that can be used to transform society from a subsistence to a market economy, and the rights to land can determine the degree of husbandry or neglect. As noted in the CSAR, land in Mozambique is state owned, which has serious implications for investment.
905. Whereas investments in other sectors, such as tourism and manufacturing, are on the rise, investment in agriculture is limited. The holding of land in Mozambique has created a “bimodal agrarian structure”.<sup>17</sup> A large percentage of the land is held in very large parcels, and an equally large percentage in small parcels. The middle holding, which would be suitable for market development in land, is “empty”, according to the study.
906. The CRM notes that this may impede the growth of investments in Mozambican agriculture. Furthermore, although rights may be transferred in urban areas without approval, those in rural areas, where development is urgently needed, have to go through lengthy administrative procedures.
907. The market in land would require that rights to land could be transferred and mortgaged. However, although developments on land are transferable, without the corresponding rights to the land itself, the transfer of such developments would not accord the transferee with lasting rights to the property. Moreover, the law prescribes reversion of non-moveable improvements on the land to the state, which serves as another disincentive for investment in land.

### ***Insurance Industry***

908. The insurance sector in Mozambique is small but growing. It has six insurance companies: three non-life, two composite and another (Austral Seguros) in the pipeline. One company, the Mozambican Insurance Company (EMOSE), is held 80 per cent by the government and 20 per cent by employees. There are 25 brokers or dealers, of which five are foreign.
909. The insurance regulator, IGS, follows corporate governance in exercising its oversight duties. The IGS applies the CAMEL model – capital adequacy, asset quality, management ability, equity, and liquidity adequacy – in its supervisory role. Management quality is assessed on the usual “fit and proper” criteria, while accountability to stakeholders is achieved through regular publication of the financial statements of insurance companies. Table 5.8 shows the performance of the Mozambican insurance industry from 2003 to 2007.

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<sup>17</sup> United States Agency for International Development (USAID). 2007. Land-use rights for commercial activities in Mozambique. Washington, DC: USAID.

**TABLE 5.8: INSURANCE PREMIUMS IN MOZAMBIQUE, 2003–07** <sup>18</sup>

	2003	%	2004	%	2005		2006		2007
Number of insurance companies	5		5		5		5		5
Non-life	3		3		3		3		3
Composite	2		2		2		2		2
Insurance premiums: Life	899.1		983.3		1028.5		1335.5		214.9
Insurance premiums: Non-life	237.7		120.4		157.1		184.4		1,530.3
Gross premiums (total)	1,073.80	(4.11)	1,029.70	15.14	1,185.60	28.18	1,519.70	14.84	1,745.20
Net premiums	801.10	(8.89)	729.90	15.39	842.20	25.37	1,055.90	25.47	1,324.80
GDP	110,973.00		128,668.00		151,707.00		150,242.00		207,254.00
Gross premiums/GDP	0.97		0.80		0.78		1.01		0.84
Net premiums/GDP	0.72		0.57		0.56		0.70		0.64

### *Developing a Culture of Entrepreneurship*

910. The CRM concurs with the CSAR that Mozambique needs to popularise a culture of entrepreneurship, as well as business associations including mergers, so as to encourage business growth beyond the many SMEs that characterise the Mozambican market today (Box 5.1).



<sup>18</sup> Based on 2009 records of the Inspector-General of Insurance, Government of Mozambique.

### **BOX 5.1: THE UNDERDEVELOPMENT OF INDIGENOUS ENTREPRENEURSHIP IN AFRICA <sup>19</sup>**

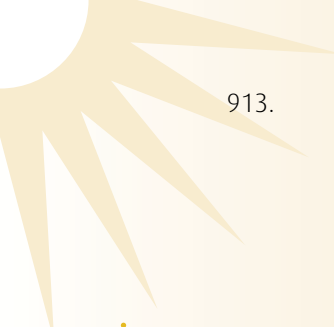
For most of the colonial period, the emergence of African entrepreneurs was held back. Particularly in eastern and southern Africa, economic policy towards the local population consisted mainly of the institution of a wide range of measures designed to force local people towards wage employment in the mines and on the settlers' farms. These measures included forced labour (chibaro), Vagrancy Acts, pass laws and "hut taxes", including the discriminatory pricing policies against whatever peasant agriculture was permitted. All other economic activities outside the settler economy were discouraged or banned outright. In such a context, the development of indigenous economic activities was constrained. Even in West Africa, where colonial restrictions were less onerous, African enterprise received little help or protection. Colonial policy and practice openly favoured foreign and non-African economic interests, especially the large international firms, which benefited from various forms of state subsidy and protection. Other non-African minorities such as Asian, European and Levantine residents were also favoured and given some support. African enterprises were found mainly at the lower end of the commercial hierarchy, organised around individual or family proprietorship, and concentrated mainly in trade and distribution, cash crop farming and small-scale manufacturing. Hostility to the development of indigenous commercial endeavour persisted in the post-colonial period and was particularly evident in those countries, such as Ethiopia, Mozambique and Tanzania, where the ideological orientation of the political leaders tended towards socialism and significant state-led economic management.

#### ***Infrastructure***

911. Without low-cost access to markets, either through roads, ports, railways or communications, the private sector cannot sell its products and services, neither can it deliver products or provide services at low cost. The CRM observed that Mozambique has prioritised infrastructure development and has also undertaken maintenance and rehabilitation of existing roads. During the period 1994–2004, nearly 6 000 km of primary and secondary roads and 3 200 railway bridges received emergency maintenance. In addition, around 6 100 km of feeder roads benefited from rehabilitation and 88 545 km of roads received routine maintenance. A major bridge linking north and south over the Zambezi River has been under construction from 2006 to 2009 at a cost of nearly US\$100 million.
912. The CRM learnt that major railway connections were either under rehabilitation or had already been concluded. The Nacala Corridor is under reconstruction, and both the railway and the port have been privatised to a JVC consortium. The railway linking Nacala and Lichinga is also under the management of the consortium, although not yet fully operational.

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<sup>19</sup> Tangri, R. 1999. *The politics of patronage in Africa*. Oxford: Currey; Chigunta, F. 2006. *Origins of the informal sector in Africa*. Lusaka, Zambia.

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913. The Sena Railway in the centre of the country is a very significant part of the infrastructure, since the majority of Mozambique's valuable resources lies in its path. The railway runs northwest from the port of Beira through the forests and national parks of Sofala, then branches off into the rich agricultural land of Zambézia and proceeds to the mineral resources of Tete. The region has impressive potential by any standard, but it will remain underutilised until the railway has been fully rehabilitated. Beira Port is the point of departure for Sena Railway-related products and services. Major challenges, besides concluding the rehabilitation of the railway, are the development of port facilities and the improvement of their services. The private sector cites the high cost of transportation by rail and through Mozambican ports as a major constraint to business operations.
914. Two institutions are crucial to the continuity of Mozambique's infrastructure programme, namely, the National Road Administration (ANE) and the Road Fund (FE). These two institutions are managed by independent boards. Three public road maintenance companies (ECMEP) also play an important role in the feeder road programmes. A major challenge is to support the development of local road firms by providing them with steady access to the market through the FE.
915. The CRM learnt that Mozambique has been engaged in deregulating the communication sector, having introduced two private sector cellular phone providers. This process has been phased out well, and both companies are competing and providing affordable services for nearly 1.5 to 2 million clients.
916. The fixed-line telephone state company was transformed into a public limited company and is engaged in developing the infrastructure base further, while exploring the opportunities for fixed lines. Cellphones cover mostly all provincial capitals and the majority of the districts. Public and private sector Internet providers are flourishing in most provincial capitals.
917. The CRM observed that the supply of water and sanitation services is a major challenge in both urban and rural areas in Mozambique. Various donor projects, including the Millennium Challenge Account (MCA), are used to finance the infrastructure.
918. Power generation and distribution are also considered a priority. Mozambique aims at supplying hydroelectric power to all 128 districts by 2025, while 83 are already connected. The country intends to develop coal, solar and wind power, with the latter two being for social services and domestic use only.
919. In interactive sessions with the CRM, representatives of the private sector in major industrial areas complained about the cost of power, especially the imposition of a capacity charge based on installed capacity, even though the

manufacturing unit may be operating at a fraction of that capacity. This situation is reducing the country's competitiveness. Although the fluctuating electricity supply has improved, Mozambique has no security oil reserves and no refining capacity.

920. The CRM noted with some concern that, although Mozambique generates 2 183 MWH of electricity annually, only 300 MWH is consumed domestically, while the rest is exported to South Africa and Mozambique has to import power from the latter. This is a serious issue of concern that the government should examine carefully.


### III. Recommendations

921. The APR Panel recommends that Mozambique should:
- Speed up the implementation of agreed action plans between public-private partnership sector working groups [MPD; MF];
  - Create a credit reference bureau outside the BM to be owned and run by the private sector, thereby creating a more neutral atmosphere allowing for easier acceptance by the private sector [MF; BM];
  - Increase the issuance of Treasury bills and government bonds of various maturities to produce a "yield curve" to be used by the private sector to benchmark the prices at which it issues private debt instruments to the market [MF; BM]; and
  - Offer fiscal incentives to attract more listings (e.g. by cancelling or deferring corporate back-taxes revealed after application of the IFRS); boost secondary trading by eliminating or reducing capital gains tax on security trading; and reduce taxes on dividends of listed companies [MF; BVM].

**Objective 2: To ensure that corporations act as good corporate citizens with regard to human rights, social responsibility and environmental sustainability.**

#### I. Summary of the CSAR

922. With regard to this objective, the CSAR begins by addressing issues of unemployment, gender equity and the environment. It also examines how corporations deal with issues of workforce health and skills development.
923. The CSAR states that unemployment affects approximately 20 per cent of the economically active population (EAP). It claims that locals are often excluded from jobs generated by foreign investment, as the foreign investors import part of the workforce.
924. On gender equity, the CSAR observes that women do not seem to have benefited much from recent economic advancements. While women are visible in the political field and in civil society, few are present on company boards.



In contrast, women seem to be a dominant group in the informal sector. It has been noted that more than 80 per cent of women entrepreneurs work in the informal sector. The CSAR attributes the situation to cultural practices that subjugate women culturally, as well as women's low level of formal education attainment. The CSAR also notes that there is a need for gender-disaggregated statistics on employment in order to determine the extent to which efforts taken to promote gender equity and the empowerment of women in Mozambique have been successful.

925. Environmental challenges identified in the APRM Background Paper include water resource degradation, soil erosion, and mining. The CSAR also mentions the problem of soil erosion and the absence of reforestation policies, among other things. Some industrial activities have been located in heavily polluted areas without prior environmental impact assessments. Effluent from textile and paper plants, which contains caustic soda and cellulose, is sometimes dumped in rivers.
926. The CSAR observes that HIV/Aids is responsible for many deaths among the EAP. While huge sums are spent on campaigns to aid HIV/Aids patients, these have had a limited impact on the actual spread of the virus. According to the CSAR, the HIV/Aids pandemic reduces the GDP per capita by 1 per cent a year. The Business Association Against Aids (ECoSIDA), which is supported by the CTA, is cited as an initiative intended to fight HIV/Aids in the workplace. However, not many people are aware of the group's activities. It is noted that malaria and cholera are two of the major diseases affecting the workforce.
927. Skills training is a critical issue for human resource development. The CSAR observes that many businesspeople in Mozambique do not have training in business administration, which often leads to business failure. Furthermore, training in corporate governance is not common in Mozambique, and it will be one of the key objectives of the newly founded IOD.

## **II. Findings of the CRM**

### ***Private Sector***

928. The CRM learnt that the private sector in Mozambique comprises an estimated 31 735 firms. Formal employment generated by the formal private sector is less than 320 000 out of an estimated EAP of 9.36 million (Table 5.9). This figure corresponds to 3.3 per cent of the EAP, most of whom are unskilled and unmotivated, but trainable.
929. Information availed to the CRM from various official sources shows that the informal sector in Mozambique has an estimated 7.2 million people (75.1 per cent of the EAP) who work as employers or employees. Another 1.7 million



are employed in informal agricultural microenterprises, while 0.5 million are engaged in informal businesses in urban areas.

**TABLE 5.9: FORMAL SECTOR EMPLOYMENT IN MOZAMBIQUE, BY PROVINCE <sup>20</sup>**

Province	Enterprise census	Percentage	Formal jobs	Percentage
Cabo Delgado	1 442	4.5	6 194	2.0
Gaza	3 158	10.0	22 644	7.3
Inhambane	1 964	6.2	15 306	4.9
Manica	2 083	6.6	10 127	3.3
Maputo city	8 823	27.8	141 009	45.3
Maputo province	2 754	8.7	32 124	10.3
Nampula	2 505	7.9	17 993	5.8
Niassa	772	2.4	4 041	1.3
Sofala	5 619	17.7	30 266	9.7
Tete	1 672	5.0	7 504	2.4
Zambézia	1 043	3.3	24 060	7.7
<b>Total</b>	<b>31 735</b>	<b>100</b>	<b>311 268</b>	<b>100</b>

930. As a major contribution to its corporate governance developments, Mozambique needs to continue pursuing a policy of providing incentives for businesses to become formal. The CTA is critical of the development of the private sector. Current efforts, which include lobbying the government to attend to private sector interests and coordinating business associations, have produced some results and should be strengthened.
931. Furthermore, the simplification of tax payable by small businesses to 5 per cent of gross sales has both positive and negative aspects. The levying of tax not based on profit could lead to an erosion of capital, while the declaration of gross sales without a mechanism for verification will continue to challenge the integrity of taxpayers.
932. The CRM suggests that the CTA should be capacitated to promote good corporate governance in the private sector through implementing a code of best practice among its members, instituting programmes for skills development, and making inroads into the growing informal sector to assist with its transformation into the formal sector.
933. One important area that requires strengthening is ethical education in order to train members who are engaged in both public service and private business to

<sup>20</sup> Based on 2009 records of the National Institute of Statistics, Government of Mozambique.

recognise potential conflict of interest situations and to accept the necessary remedial action.

### ***Women in Business***

934. The CRM had the benefit of interviewing several women entrepreneurs, but obtained conflicting results on the question of whether the playing field with regard to access to credit by men and women is level. In general, there is no discrimination, but some married women still appear to require their spouses' guarantee for obtaining loans despite the fact that the new Commercial Code has removed that requirement. Greater public awareness will improve equal competitive conditions.

### **III. Recommendations**

935. The APR Panel recommends that Mozambique should:
- Develop national social responsibility plans and guidelines in order to offer guidance on specific areas in which corporations could carry out their social responsibility [MPD; MF];
  - Highlight corporate governance and best-practice indicators (transparency, accountability, social responsibility, etc.) in national surveys, such as the Top 100 firms survey developed by KPMG, in order to encourage their adoption by corporations [MF];
  - Introduce reforms to offer more services to members of the CTA including:
    - Finalisation, adoption and implementation of a Code of Good Corporate Governance and Ethics; and
    - Improvement of business efficiency through skills development, public awareness and nationwide public lecture programmes [CTA].

## ***Objective 3: To promote the adoption of codes of good business ethics in achieving the objectives of the corporation***

### **I. Summary of the CSAR**

936. The King II Report has defined business ethics as the "principles, norms and standards that guide an organisation's conduct of its activities, internal relations and interactions with external stakeholders". Under this objective, the CSAR focuses on factors that negatively affect the development of voluntary codes on business ethics by the public and private sector. Other issues that are discussed in the CSAR include mechanisms for sanctioning ethics violators and their effectiveness. Another important issue that has been raised relates to access to information on corporations in the private and public sectors, including the independence and freedom of the media and the quality of financial and investigative journalism and other features that serve to look after the

so-called “public interest”. According to the CSAR, Mozambique does not have a code of ethics for companies.

### ***Corruption***

937. The CSAR states that corruption in Mozambique is often the result of unclear rules. Limited institutional capacity also leads to corruption, as does a weak Judiciary. The APRM Background Paper further notes that clientelism, nepotism, favouritism and influence peddling are rife in Mozambican institutions.
938. According to the CSAR, there is a need to make anticorruption laws more popular. A reduction in government discretionary powers and corruption is required in procurement. In particular, there is a need for the publication of all public contracts awarded in government bulletins, including the government’s earnings from exploration contracts for coal, gas and petroleum.
939. The CSAR discloses that the Global Integrity Report of 2006 cites the privatisation process in Mozambique as being fraught with corruption. The banking system alone suffered over US\$400 million in losses during the 1990s due to corruption. Foreign investors have complained of having to give away shares to government workers in return for licences. It is noted in the CSAR that even in business registration, it is difficult to obtain documentation unless a bribe is paid. Corruption has almost become the accepted norm for doing business.
940. The CSAR observes that some foreign importers manage to import goods through customs at a cheaper rate than local businesses. This also promotes the informal sector, which presumably buys supplies from the foreign importers who do not pay taxes.
941. With the exception of the Mozambican Tax Authority (ATM) and the Ministry of Industry and Trade (MIC), no other government department has managed to combat the phenomenon of inspectors sharing in the proceeds of fines with their institutions. It is also reported that some provincial police, customs and forestry agents extort money from business owners at interprovincial borders. This is most notable in the Zambézia province.

### ***Perception of Justice***

942. The CSAR highlights the perception in Mozambique that justice is only for the rich and that some citizens are deemed “untouchable”. It reports that whistleblowers and complying individuals endanger themselves by exposing such situations. According to the CSAR, the complaints boxes in public institutions do not help in the fight against corruption, as no action is seen to be taken against the culprits and citizens are afraid of reprisal.

### ***Role of the Media***

943. Focus groups observed that the press often does not pursue sensationalist corruption issues to the end, which contributes to speculation on the outcome and undermines public awareness. The need for civic education on the corrosive effects of corruption was also highlighted, and for information and numbers on corruption cases to be published in order to heighten public awareness.

### ***Anticorruption Institutions***

944. The CSAR discloses that institutions formed to combat corruption are not well known to the public and that the general perception is that they do not work. It suggests the need to popularise anticorruption bodies and extend organisations, such as the Central Office for Combating Corruption (GCCC), to the district level. However, it notes that the various GCCCs, apart from being located in the provincial capitals, are not known to intervene in corruption cases. Moreover, no big corruption cases have been prosecuted in Mozambique and no prominent person has been convicted. Anticorruption bodies are also staffed by non-experts and public servants without the proper training and commitment. The institutions should be truly independent of the government.

### ***Public Declaration of Assets***

945. The CSAR observes that some citizens live ostentatiously above their salary levels and calls for a public declaration of all assets of people nominated for public positions. It also recommends the use of the State Information and Security Service (SISE) in prosecutions, as it is seen to be an effective organisation.

## **II. Findings of the CRM**

### ***Absence of National Codes of Best Practices***

946. The CRM noted that, besides the company laws and other related legislation already discussed, Mozambique does not have a code of best practice of its own. The CTA, in cooperation with the International Finance Corporation (IFC), the Norwegian Agency for Development Cooperation (NORAD), the Nordic Consulting Group (NCG) and the African Management Services Company (AM-SCO), developed a code of good governance for companies to support what is already legislated in the company laws. The Manual of Corporate Governance was developed in June 2001, together with 18 local firms.
947. The main strategy of the initiative was to establish a system by which companies could become members of a “good corporate governance club” and brand themselves as champions of good governance and social responsibility in Mozambique. They could use a stamp or certificate to show that they ad-

here strictly to the rules and legislation; do not bribe or accept bribes; respect shareholders and stakeholders' rights; and are engaged in serving society.

948. Various non-governmental organisations (NGOs) have also started drawing up some codes of best practice based on international codes in their field of activities. However, the CRM observed that none of these initiatives has been turned into a national code of best practice. The IGEPE, in consultation with the IOD, has drafted an ethical code intended to be widely applicable on a voluntary basis.

### ***Corporate Social Responsibility in Megaprojects***

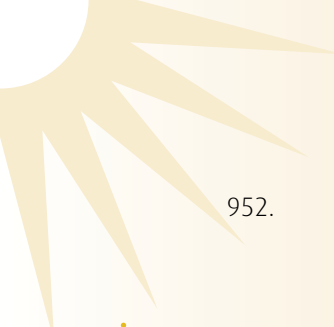
949. The CRM noted that the extent to which corporate stakeholders in Mozambique are treated in a fair and just manner, or their rights are protected, is dependent mainly on the justice system and also on stakeholders' awareness of their rights. The CRM learnt that communities living in areas where large projects (e.g. Moma, Mozal, Niassa Reserve, Quirimbas and Sasol) are located are apparently benefiting from social programmes launched by these projects. Documentation availed to the CRM also revealed that it is mandatory by law that part of the turnover from community ecotourism and safari projects in the Sofala and Tete provinces be given to local communities. However, the CRM found it difficult to ascertain whether these services and partial share of the business were fair in terms of size and their impact on the local community.

### ***Prospects for Shareholders***

950. The CRM observed that the legal basis for the protection of shareholders' rights in Mozambique is in place and well articulated in different laws and regulations. The new Commercial Code highlights some of these rights. However, there are three critical constraints that hold back the fulfilment of these rights. The CRM noted that Mozambique has a limited tradition of business associations or shareholding, due to the long history of exploitative colonisation and a centrally planned economy. Another important limitation is the size of the business. Most companies in Mozambique are very small, with an average estimated turnover of less than US\$100 000 per year. A small business does not stimulate compliance with corporate governance due to the costs involved. The third constraint, namely a weak judiciary system, has already been discussed above.

### ***Disclosure of Information***

951. The CRM noted that the new Commercial Code mandates timely disclosure of information to shareholders. For example, Article 415 specifies what information needs to be provided to all shareholders of a public limited company in advance of the shareholders' meeting. Besides a factual report of the com-



pany, it is required that a statement of accounts should be prepared and obtain the independent auditor's opinion.

952. Although the IAS are being adopted in banks but are not yet universalised in the Mozambique business community, some large firms are already observing these standards. The corporate governance structure envisaged in the Commercial Code establishes a supervisory board, the Audit Committee, which has independent powers to research and report on companies' performance to Parliament.
953. However, the CRM noted that the implementation of these standards remains a challenge to the Mozambican business community and government enforcement institutions. The absence of an Institute of Accountants has also not helped the situation.
954. The CRM observed that, with the current capacity constraints prevailing, the government does not have the competence to investigate economic crimes. Recent widely reported examples that did not progress very far are those of the BCM and Banco Austral bank scandals. Beside these major economic scandals and crimes, Mozambique faces challenges in day-to-day business operations, where commercial contracts and obligations are not fulfilled and courts do not act swiftly to promote justice and ethics in doing business.
955. Tax evasion, counterfeit products and illegal trade of goods are some of the problems faced by Mozambican society. Although an effort is being made to train lawyers and accountants in both private and public universities, capacity in legal accounting is still weak. International auditing firms operating in Mozambique are sprawling, with very few top business clients to provide them with sufficient protection in an environment of weak legal protection and corruption. Training accountants and lawyers and providing them with opportunities to practise in better organised societies are critical to improving business ethics and tackling white-collar crime.

### ***Corruption***

956. The CRM noted that corruption is a major governance challenge in Mozambique. Transparency International, the Berlin-based anticorruption NGO, has placed Mozambique among those countries where "corruption is perceived as rampant". In the latest Corruption Perception Index, Mozambique is ranked 99th out of 163 countries, which is the same as its ranking in 2005.
957. The index measures perceptions of public sector corruption, drawing on a number of expert opinion surveys (seven in Mozambique's case). Countries are scored on a scale of 0 to 10, with 0 indicating extremely high levels of perceived corruption and 10 indicating very low levels. A score of less than 3



indicates rampant corruption – there are 71 countries in this group, including Mozambique, which scores 2.8.<sup>21</sup>

958. The CRM noted that reports on corruption in Mozambique strongly criticise the lack of appreciation of the phenomenon among the political elite of the country. However, the President has promised to move strongly against corruption.
959. According to Transparency International's report, despite improvements in the justice system of Mozambique since the end of one-party rule in 1994, the independence of the courts is still not guaranteed. The report lists a series of problems that have weakened the Judiciary, including courts struggling with a critical shortage of staff, both in quantity and quality; low salaries; and poor physical conditions, particularly at district level, where facilities tend to be very basic and outdated.
960. The CRM observed that freedom of the media is a major instrument that Mozambique can use to contain corruption. The media are relatively free to report on corruption and economic crime. However, the investigative capacity of reporters and their knowledge of specialised subjects, such as economics and finance, are very limited, which results in poor quality of reporting. Strengthening the capacity of journalists to investigate economic crimes could be a major contribution towards fighting corruption and promoting business ethics in the country.
961. Ética Moçambique and other business organisations could be targeted and capacitated to research and report systematically on the state of business ethics and corruption. These reports, when widely published, would motivate policymakers to take action on policy reforms and to support improvement in the performance of the Judiciary.

### III. Recommendations

962. The APR Panel recommends that Mozambique should:
- Conduct nationwide awareness campaigns to promote business ethics, work ethics, individual ethics and integrity; respect for systems; efficiency and effectiveness; the importance of safeguarding national assets; and conflict of interest in all sectors [public-private partnerships; civil society];
  - Promote shareholder education and information dissemination to empower shareholders to appreciate and claim their rights, but equally important,

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<sup>21</sup> The least corrupt countries in the world, all with a score of 9.6, are Finland, Iceland and New Zealand. The most corrupt is Haiti, with a score of 1.8, followed by Guinea, Myanmar (Burma) and Iraq on 1.9. The least corrupt African country on this index is Botswana – in 37th position with a score of 5.6; followed by Mauritius in 42nd position with a score of 5.1.

- to reform their duties to the corporations [CTA; IOD; government];
- Establish an Institute of Chartered Accountants to promote self-policing by observance of the IFRS and best practices in corporations [CTA; MF];
- Arrange training for the media to enhance their investigative capacity in the promotion of ethical business standards. The CTA is specially positioned to mobilise resources for professional training and exposure [CTA]; and
- Assist CTAs in ensuring self-regulation among their members by:
  - o Establishing codes of best practices in all business associations; and
  - o Strengthening the board of directors to encourage annual corporate self-performance assessments and individual director evaluation [CTA; IOD].

**Objective 4: To ensure that corporations treat all their stakeholders, including shareholders, employees, communities and suppliers, fairly**

### **I. Summary of the CSAR**

963. The CSAR addresses the corporate governance concepts of accountability to shareholders and responsibility to stakeholders. Issues covered relate to shareholders' rights, including, among other things, the right to convey or transfer shares; to obtain relevant information on the corporation on a timely and regular basis; and to participate and vote in general shareholder meetings. The CSAR also focuses on legislation or codes of conduct governing the direct relationship between stakeholders and corporations, for example, trade unions, consumer legislation, creditors' rights, bankruptcy laws, and the level of compliance with, and enforcement of, such legislation and codes; interactions between stakeholders and corporations; access to information; and stakeholders' rights to participate in relevant forums.

#### ***Conditions of Work***

964. The CSAR observes that many companies do not respect workers' rights and workplace safety directives. Employees are forced to work long hours, with no protective equipment, little medical assistance and low wages. Few companies take the concepts of workers' human rights and the company's social responsibility seriously. The CSAR stresses the need to:

- Improve awareness of workplace laws; and
- Reinforce inspections at companies.

965. The CSAR also observes that some companies discount the value of employees by not contributing to the Social Safety Fund through the National Institute of Social Action (INAS). According to the CSAR, inspectors do not consult workers during inspections. It also states that foreign workers receive more pay for the same type of work. In addition, workers are unsure of the compensation they would receive if dismissed as a result of having HIV/Aids.

966. The CSAR states that trade unions in Mozambique are weak. The unions are incapable of finding solutions to labour conflicts due to the following:
- The history of trade unions, which started as appendages of the ruling party;
  - Lack of financial autonomy; and
  - Lack of qualified staff.
967. Two other challenges which trade unions face are the lack of qualified staff and the low membership among young people. The result is poor mobilisation of workers.

### ***Pensions***

968. The CSAR mentions that pensions in the country are paid out of the social security fund of the INSS. However, the amount paid out is insufficiently tied to inflation, which leads to extreme difficulties for the beneficiaries.

### ***Corporate Social Responsibility***

969. The APRM Background Paper underlines the critical issue of the private sector's unfamiliarity with emerging CSR norms. This is corroborated in the CSAR, where it is noted that community and social programmes organised by business do not occur widely in Mozambique. The CSAR discloses civil society perceptions that companies generally do little in social terms for the communities. Moreover, since the introduction of the open economy, many workers have lost their jobs or benefits, such as food and childcare.
970. However, in the last few years, major companies have abided by the principles of their social and environmental responsibilities, and have informed stakeholders of their activities. Companies such as CDM, Mozal, Mozambique Cellular (MCEL) and Vodacom, among others, have programmes that help to construct schools and health centres, and promote sports and cultural activities. Nevertheless, the CSAR concedes that there are no national standards for social responsibility, although some Mozambican companies are members of the United Nations Global Compact (UNGC).

### ***Consumer Rights***

971. According to the CSAR, consumers are often unaware of their rights. Furthermore, where laws exist, they may be ignored, for example, the law that prohibits the selling of alcoholic drinks to people under the age of 18 years.

## II. Findings of the CRM

### *Employment*

972. The CRM observed that formal sector employment in Mozambique is extremely low, employing less than 5 per cent of the EAP. Even if the figure of about 7.2 million citizens in self-employment (mostly in rural areas) is included, the level of unemployment is about 20 per cent among the active population. This high level of unemployment requires job creation to promote economic growth.

### *Fair Treatment of Shareholders*

973. The Commercial Code has legislated some of the basic practices for the fair treatment of stakeholders:
- Article 6 clarifies the applicable law among contracting parties as between Mozambican and foreign law.
  - Article 11 permits spouses to carry on business, “irrespective of whether they have authorisation from another person”.
  - Article 10 clarifies the age at which minors may start doing business (18 years).
  - Article 12 stipulates that the law of Mozambique shall apply for transactions contracted in Mozambique.
  - Article 25 stipulates the compulsory renewal of a lease for at least one term, protecting the interests of the lessee for that period.
  - Article 76 entrenches non-competition in law by prohibiting competition against sold businesses, save with the express permission of the buyer. This protects sold businesses against unscrupulous sellers who may establish a competitive business leading to the destruction of the new entrepreneur.
974. However, the CRM notes that there is no guidance on enterprise management; annual general or extraordinary meetings; board structures and responsibilities; directors’ duties; shares; and the protection of shareholders. Whereas subsidiary legislation may be issued by regulatory bodies, it is preferable that the main law makes stipulations for key matters, especially on the following:
- Protection rights for shares, their registration and transferability;
  - Protection of minority shareholders; and
  - Directors’ responsibility.

### *Trade Unions*

975. Mozambique has a brief history of independent trade unionism and virtually no experience in militant, democratic trade unionism. With the attainment of independence in 1975, the government, following a Soviet model of development, oversaw the creation of workers’ production councils in factories and workplaces. In many cases, these councils gave shop-floor workers real control

over production, especially where the Portuguese owners and technicians had left the country.

976. In 1983, the state created the OTM and the workers' production councils came under its control. The organisation was expected to enforce state and party policy among the working class, and to ensure that production continued and increased. Workers, management and the state were all elements of the worker-peasant alliance and therefore did not have conflicting interests, according to the theory at the time.
977. Starting in 1985, the OTM began to create national unions, assigning each to a different sector of the economy. In effect, rather than representing workers, the unions functioned more as departments of the organisation, implementing both OTM and party policy.
978. To date, there are 15 national unions in Mozambique. Union membership is voluntary and open to anyone earning a salary or wage. There is also a journalists' union (the National Journalists' Organisation, or ONJ) and a teachers' union (the National Teachers' Organisation, or ONP), which were created independently of the OTM and continue to function as such.
979. The effects of the fall of communism in Eastern Europe in the late 1980s were deeply felt in Mozambique. The 1990 Constitution created a multiparty political system; placed emphasis on the rule of law; and opened up the way for a free-market economy. At the OTM's national conference in November 1990, new statutes were passed, making the organisation independent of any political party.
980. As a further democratic reform, the government passed the new Trade Union Freedom Act at the end of 1991. For the first time, the Act recognised the existence of union committees in the workplaces and unions. Among other rights, they were given the right to form union centrals.
981. To date, many Mozambican unions have registered, or are in the process of officially registering, with the Ministry of Labour. Three unions – the National Union of Civil Construction Workers, Wood Workers and Miners in Mozambique (SINTICIM); the National Union of Workers in the Hotel, Tourism and Related Industries (SINTIHOTS); and the National Union of Road Transport and Technical Workers (SINTRAT) – have gone one step further and announced their break with the OTM's policies and structure.
982. The CRM notes that the unions in Mozambique have considerable powers in relation to labour policy, reform negotiations and issues, such as minimum salaries.

## ***Social and Community Development Programmes***

983. Larger projects are capable of initiating social and community development projects. The CRM observed that the aluminium smelter company, Mozal, and the gas company, SASOL, and few others have developed their own social programmes, with positive impacts on local communities. These include HIV/Aids programmes; schooling development; health centres; and community participation in the management of natural resources. However, the CRM did not find systematic information on community and social projects undertaken by Mozambican companies.

## ***Environmental Management and Sustainability***

984. The CRM noted that Mozambique has ratified most environmental conventions and adopted their principles in developing its own laws and regulations. The Environmental Law of Mozambique is regarded as progressive. Other related laws, such as the Forest and Wildlife Law and the Land Law, constitute major legal instruments for mitigating and preventing environmental degradation.
985. Mozambique's major environmental problems stem from the following:
- Localised water and soil pollution;
  - Urban environments;
  - Tsetse fly infection;
  - Threatened ecosystems;
  - Deforestation and bushfires;
  - Water resource degradation; and
  - Natural disasters, drought and desertification.

## ***Localised Water and Soil Pollution***

986. Despite their smallness, some industrial activities have been located in heavily populated areas without prior environmental impact assessments. These industries are the source of the effluent from textile and paper industries (caustic soda and cellulose), which is dumped in rivers. The cement factories in Maputo and Nacala are well known for their filtration problems. Other industries that are a source of concern in towns include petroleum refining, chemicals, explosives, fertilisers and paints.

## ***Uncontrolled Urbanisation***

987. Uncontrolled urbanisation is considered the most recent environmental degradation problem in Mozambique. In most cities or provincial capitals, this phenomenon is increasingly being associated with a high incidence of poverty, increased occurrence of diseases, inadequate sanitation and services, poor living conditions, and pollution. The cities and towns do not have adequate ad-



ministrative capacity to cope with the basic needs of the growing population.

### ***Tsetse Fly Infection***

988. Tsetse fly infection is among the principal limitations to the growth of livestock production, with its concomitant adverse impact on rural incomes. In humans, tsetse fly infection is the cause of sleeping sickness. It is estimated that almost 75 per cent of the geographical area of Mozambique is infected by tsetse flies.

### ***Threatened Ecosystems***

989. Threatened ecosystems include the mangrove vegetation and coral reefs in Mozambique. The mangroves are being destroyed through their unsustainable use in agriculture, fish farm tanks and salt pans, and as poles and charcoal. The mangroves are being destroyed so rapidly that this will impact negatively on the supply of forest products and on many fish and crustacean species. Coastal erosion is a direct consequence of the unsustainable extraction of mangrove vegetation.

### ***Deforestation and Bushfires***

990. Deforestation and bushfires are a major problem as they destroy an estimated 120 000 hectares of vegetation per year. It has been noted that uncontrolled fires and firewood extraction are major causes of deforestation.

### ***Water Resource Degradation***

991. Water resource degradation occurs along river basins, lakes, lagoons, marshes, wetlands, dams and aquifer formations. Mozambique requires a strategy for preserving fresh water, as this is becoming an increasingly scarce commodity.


## **III. Recommendations**

992. The APR Panel recommends that Mozambique should:
- Incorporate shareholding rights, directors' responsibilities and protection of minority shareholders in the Commercial Code [CPI]; and
  - Enhance public awareness of the new Commercial Code through public workshops and lectures [CTA; IOD].

## **Objective 5: To provide for the accountability of corporations, directors and officers**

### **I. Summary of the CSAR**

993. This objective relates to the effectiveness of the framework for corporate governance regulating disclosure requirements, their enforcement and the ade-



quacy of remedies for breach thereof. The CSAR does not discuss this objective in detail. No detailed information is given on the type of accounting practices used in Mozambique; existing types of board structures; and gender equity in the number of directors.

## **II. Findings of the CRM**

### ***Accountability of Corporations***

994. The CRM learnt that the Resolution of the Council of Ministers, No. 13/84 of 14 December, approved the General Accounting Procedures (GAP) applicable to all economic activities, with the exception of banking and services. The objectives of the plan are to standardise companies' accounting practices, and to guarantee the homogeneous information gathering and economic control needed in the planned national economy. In meetings with stakeholders, the CRM was informed that the GAP have led to the establishment of a uniform code of accounts; terminology; modalities of accounting processes; valuation criteria; general methods for determining company results; models for the demonstration of results; and balance sheets.
995. However, documentation availed to the CRM indicates that there are a number of items in the new accounting proposal that do not conform to the IAS. The most important differences are in the areas of inventory; intangible assets; historical cost and continuity principles; long-term construction contracts; balance sheet presentation; lack of coverage; and mandatory use of the Portuguese language.
996. The CRM noted that it is currently too complicated for the vast majority of small businesses in Mozambique to comply with such systems. SMEs should be able to use the cash method, if it is more appropriate.
997. Since the beginning of 2005, there has been ongoing discussion on reforming the Mozambican accounting system in order to make it adequate for, or bring it in line with, international best practice. In fact, IFRS practices have been enforced in the banking system since 2008, and other corporations will adopt the standards starting in 2010.

### ***Commercial Code***

998. The CRM noted that the objective of the Commercial Code is to provide full accountability of financial records to stakeholders and also to ensure integrity of the financial records. In Article 43, the statutory books are given as:
- Journals for recording all the transactions of the enterprise;
  - Inventories for ensuring that all the asset stocks of the enterprise are fully accounted for, in order to demonstrate its sustainability; and
  - Minutes books (registers).

999. However, the following financial statements, which in many jurisdictions form part of the statutory records, are not stipulated:

- Profit-and-loss statements to show the viability of the business;
- Cash flow statements to reflect the liquidity of the enterprise; and
- Equity statements to show the solvency of the business.

### III. Recommendations

1000. The APR Panel recommends that Mozambique should:

- Define accountability parameters for corporations, starting with the boards' functioning so as to incorporate board selection, appointment, skills and gender mix; board management relations; operational and risk management plans; reporting; communication policy; etc. [MF; IOD];
- Establish local professional institutions, such as an Institute of Personnel Management, Institute of Chartered Accountants, etc. [MF; CTA];
- Adopt a set of rules and principles for a critical mass of professionals to be trained [MF; MPD];
- Amend Article 43 of the Commercial Code on the disclosure of financial records to include:
  - o Profit-and-loss statements to show the viability of the enterprise;
  - o Cash flow statements to disclose the liquidity of the corporation; and
  - o Equity statements to show the solvency of the corporation [Government].



# CHAPTER SIX

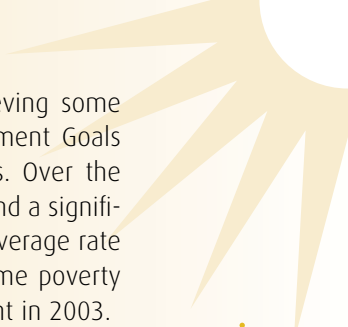
## 6. SOCIOECONOMIC DEVELOPMENT

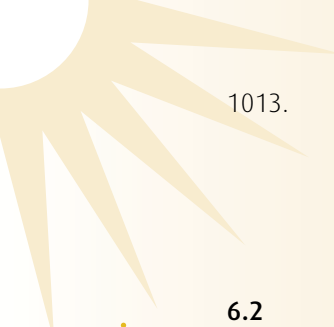
### 6.1 Overview

1001. Sustained socioeconomic development implies continuous improvement in the wellbeing and standard of living of people. It is premised on the principle that, in the context of accelerated economic growth, poverty can be reduced effectively through the promotion of democracy, good governance, peace and security; the development of human and material resources; and gender equality.
1002. When the civil war ended in 1992, Mozambique was faced with the enormous task of rehabilitating and developing its shattered economy, and raising the standards of living of the population. As noted in Chapter Two of this report, Mozambicans were caught up in what were probably among the worst quality-of-life conditions in the world during the civil war.
1003. Since 1992, Mozambique has made great strides in recovering the economic and sociocultural infrastructure lost during the civil war. As part of this process, the country has signed and/or ratified international codes and standards in order to benchmark its progress in socioeconomic development against accepted international norms and practices.
1004. At the time of the first national household survey in 1996–97, Mozambique was recognised as one of the world’s poorest countries.<sup>1</sup> According to the UNDP’s survey of household consumption (known as IAF 96), the mean consumption per capita Mozambique was actually below the absolute poverty line.
1005. Mozambique’s Five-Year Government Programme (PQG) and its Plan of Action for the Reduction of Absolute Poverty (PARPA) provide the overall policy and strategic frameworks for the government to pursue its objectives of ensuring that all citizens are able to improve their socioeconomic conditions, and of contributing effectively to the development of the nation by offering easy access to basic services, such as education, health, food, clean drinking water and sanitation.

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<sup>1</sup> United Nations Development Programme (UNDP). 1997. Human Development Report 1997: Human development to eradicate poverty. <http://hdr.undp.org/reports/global/1997/en/>. Accessed 20 February 2009.

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1006. Mozambique has, no doubt, made remarkable progress in achieving some major socioeconomic targets set out in the Millennium Development Goals (MDGs) through effective implementation of PARPA programmes. Over the past 20 years, the country has achieved steady economic growth and a significant reduction in income poverty. The economy has grown at an average rate of 8.4 per cent per year over the past five years, while the income poverty headcount has declined from 69.4 per cent in 1997 to 54.1 per cent in 2003.
  1007. There has also been notable progress in school enrolment, with the net enrolment rate rising from 51 per cent in 1997 to 95 per cent in 2007, whereas higher primary schools (EP2) recorded a 13 per cent rate during the same period. Efforts are also under way to expand other levels of education, including secondary education, vocational training and adult literacy.
  1008. In the health sector, there has also been some progress, particularly in the development and distribution of health centres across the country and training of needed human resources. Given variations across the country, the number of health centres increased from 683 to 859 between 2003 and 2007, while the number of higher medical staff rose from 500 to 634 during the same period.
  1009. Although there has been notable socioeconomic progress over the years, effective implementation of policy remains a critical challenge. Corruption; inadequate resources; lack of capacity, particularly at lower levels; and politicisation of development programmes are major hindrances, which are reinforced by deficient public expenditure management; revenue enhancement; and coordination of development assistance. Weak policy and programme implementation in Mozambique suggests that there is a need to strengthen programme monitoring and evaluation capacity.
  1010. Although the district is recognised as the development pole, the decentralised system for service delivery suffers from a number of structural, operational and financial weaknesses. This has tended to affect the quality of service delivery at the local level.
  1011. There is also concern that economic growth has not been associated with significant job creation and poverty reduction. The country also faces high and rising rates of unemployment, particularly among the youth.
  1012. Another source of concern is income inequality. Mozambique has not been able to address fully the problem of rising income inequality within and across regions, and between urban and rural areas. These inequalities are not only evident for income, but also for other basic social services, such as health and education.

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1013. Underlying all this is Mozambique's level of dependence on external sources of funds. While this dependence has been declining over the years, it still remains relatively high. Despite state stakeholders' insistence on local ownership of the development process, there is no doubt that donors have been very influential in shaping various policies over the years.

## 6.2 Codes and Standards

### I. Summary of the CSAR

1014. In line with the APRM Base Document, a country undergoing peer review should indicate the extent to which it has signed, ratified, domesticated and implemented international codes and standards. Mozambique recognises the need to subscribe to and implement international instruments. According to the Country Self-Assessment Report (CSAR), Mozambique has signed and ratified most of the major international instruments on socioeconomic development.
1015. In the CSAR, the following are listed as some of the international codes and standards that Mozambique has ratified:
- Constitutive Act of the African Union (2000);
  - NEPAD Framework Document (2001);
  - African Charter on Human and Peoples' Rights (1990);
  - Universal Declaration of Human Rights;
  - World Summit for Social Development Plan of Action (1995);
  - International Covenant on Civil and Political Rights;
  - United Nations Convention on the Rights of the Child (1989);
  - Convention on the Elimination of All Forms of Discrimination Against Women (1979);
  - Beijing Declaration and Platform for Action (1995);
  - International Convention on the Elimination of All Forms of Racial Discrimination;
  - Protocol to the African Charter on Human and People's Rights on the Rights of Women in Africa (2005);
  - Optional Protocol to the Convention on the Rights of the Child, on the involvement of children in armed conflict;
  - Optional Protocol to the Convention on the Rights of the Child, on the sale of children, child prostitution and child pornography; and
  - Optional Protocol to the Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment.
1016. According to the CSAR, these codes and standards are all in line with the main thrust of the government's policy making in recent years. Specifically, the instruments of the New Partnership for Africa's Development (NEPAD) and the African Union (AU) are consistent with the pan-African spirit of the post-inde-

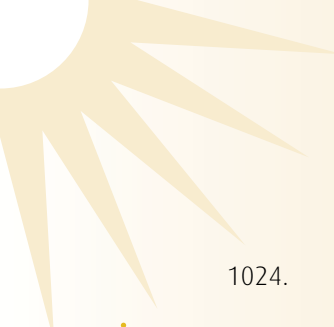


pendence governments in Mozambique, which have stressed the importance of Africa's historical experience as the foundation for pragmatic politics on the continent.

1017. However, the CSAR admits that certain important instruments for socioeconomic development still need to be ratified. For example, although Mozambique has signed the protocols relating to the right to development (1986), sustainable development (2002), and MDGs (2000), these instruments have not yet been ratified despite their being the backbone of the standards and norms in the promotion of socioeconomic development.
1018. Mozambique has also yet to ratify the Southern African Development Community's (SADC) Protocol on Gender Equality and the Convention on Disability. This is ironic, given that females comprise 52 per cent of the country's population and the number of disabled people is high as a result of the 16-year civil war.
1019. Nonetheless, the CSAR states that codes and standards find internal expression in some of the most crucial development initiatives. The implementation of these codes and standards has reached an advanced stage, as they have been mainstreamed in key socioeconomic programmes and strategies, such as Agenda 2025, PARPA, the PQG and the annual Economic and Social Plan (PES). These and other policies and sectoral programmes are said to reflect the government's commitment to eradicate poverty and reach the MDGs.
1020. The CSAR sheds light on the process of adhering to international standards and conventions. These are sealed by the Ministry of Foreign Affairs and Cooperation (MINEC) and submitted to Parliament for observations by the Committee for Legal Issues and the Committee for International Relations. These committees then submit proposals to a parliamentary plenary session for ratification.

## **II. Findings of the CRM**

1021. While Mozambique recognises the need for international codes and standards, as noted in the CSAR, there is no detailed and systematic discussion of the international treaties on socioeconomic development that Mozambique has ratified or domesticated. In some cases, the dates when certain international instruments were ratified are not provided.
1022. It is also not clear why the country has not been able to ratify the remaining conventions, in particular, the protocols on the right to development (1986), sustainable development (2002) and MDGs (2000).
1023. In interactive sessions, the CRM observed a general lack of awareness and understanding among stakeholders of the various codes and standards on socioeconomic development to which the government is a party. Major factors that



hinder the dissemination of information on the ratified codes and standards are the high levels of illiteracy and the weak mastery of the Portuguese language across the country. As a result, Mozambique's level of implementation of international instruments is not open to public scrutiny.

1024. There is also a lack of information on the depository of ratified and domesticated codes and standards. Generally speaking, information on conventions is hard to come by in Mozambique. This is important to bear in mind, as it is relevant to understanding the extent to which government policy is transparent to its own public.

### **III. Recommendations**

1025. The APR Panel recommends that Mozambique should:
- Ratify and domesticate all outstanding instruments [MINEC; Parliament];
  - Create an easily accessible database on signed, ratified and domesticated codes and standards for their monitoring [MINEC]; and
  - Design a programme for disseminating information on signed, ratified or domesticated codes and standards, and encourage their utilisation in policy formulation and programme and project design [MINEC; civil society organisations (CSOs)].

## **6.3 Assessment of the Performance of APRM Objectives**

### ***Objective 1: To promote self-reliance in development and build capacity for self-sustaining development***

#### **I. Summary of the CSAR**

1026. This objective is to be achieved through the generation of country-driven national planning frameworks, processes and institutions. To its credit, the CSAR recognises that local ownership of the development process is critical to embedding the promotion of development in local social structures through a collective national effort, synergised among all key stakeholders at all levels of society.
1027. The CSAR in this respect stresses the importance of national leadership, and wide and substantive participation of all stakeholders in the formulation and implementation of development policies and programmes that can lead to rapid improvement in people's wellbeing. The process of preparing PARPA II, as a responsibility of the government but involving civil society and international partners, illustrates the need for national leadership to drive the process of formulating development programmes.

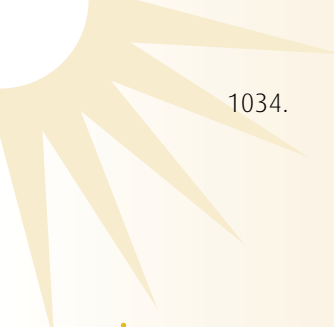
1028. Notably, the CSAR recognises that development represents much more than the indicators of economic growth with its quantitative indices. Development emphasises meeting the basic human needs of people. The CSAR cites various programmes that the government has initiated to promote national development. Principal among these are PARPA II and the PES.

## **II. Findings of the CRM**

1029. The CRM notes that Mozambique, with the support of bilateral and multilateral institutions, has developed considerable capacity to prepare its own development plans. These plans provide the framework within which the country formulates policies and programmes for promoting social and economic progress.

### **PARPA II**

1030. At present, Mozambique's development strategy is framed in PARPA II for 2006–09, which aims at reducing the incidence of poverty from the current 54 per cent to 45 per cent in 2009. To achieve this target, the government is consolidating macroeconomic stability and undertaking a second wave of structural reforms, which encompass the public sector, fiscal policy, governance and the business climate.
1031. PARPA II is a successor to PARPA I. It shares the same priorities as PARPA I in the areas of human capital development through education and health; improved governance; development of basic infrastructure; agriculture; rural development; and better macroeconomic and financial management.
1032. However, PARPA II differs from PARPA I in that it has broader priorities that include greater integration of the national economy and increased productivity. In particular, it focuses attention on district-based development; the creation of an environment favourable to the growth of the nation's productive sector; improvement of the financial system; measures for helping small and medium-sized enterprises (SMEs) to flourish in the formal sector; and the development of the internal revenue collection system and of methods for allocating budgeted funds. It is a flexible development strategy that is adjusted and updated annually using the Medium-Term Fiscal Framework (MTFF), the PES and the state budget, which are tools used to implement the PQG.
1033. The CRM noted that PARPA II is structured in terms of three pillars, namely, governance, human capital, and economic development. This approach is intended to allow Mozambique to focus attention on the functions of the state; the development of individual capabilities; and the creation of wealth to improve the wellbeing of its citizens. It is also aimed at making it possible to examine the connections between these three pillars in order to improve co-ordination.

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1034. The governance pillar seeks to make the apparatus of the state a means of sparking the development of human capital and the economy. The government will give special attention to improving the quality of policy analysis and design, in order to obtain fully the expected results of their implementation. Officials will be guided by the principles and laws of a government ruled by law, thus ensuring transparency and accountability, and combating the diversion and improper use of public funds and resources. Included also is active enforcement of the laws against criminal acts and corruption.
  1035. The human capital pillar provides continuity to the plans for developing work-related technical and scientific skills; good health and hygiene; access to basic resources (especially food and water); and reducing the incidence of diseases that affect the most vulnerable population groups, focusing particularly on the battle against HIV/Aids, malaria and tuberculosis. A special portion of the resources in the state budget will be used to finance classic social services that cover a very large proportion of the population, including the poorest.
  1036. The economic development pillar concentrates on conditions basic to the pursuit of productive activity, such as the improvement of infrastructure that promotes the creation of wealth and ensures the availability of natural resources; the reduction in bureaucratic obstacles; and the enactment of legislation that safeguards citizens' rights and encourages gains in productivity, as well as innovation. It will also give priority to intersectoral connections in order to ensure higher productivity in the agriculture and related sectors. Additional priorities are the development of the banking and financial systems so that they can fulfil their role in retaining savings and actively financing production, particularly production by SMEs.
  1037. In terms of funding development programmes, the planning, budgeting and public financial management operations are all governed by legislation for the electronic component of the State Financial Management System (e-SISTAFE). This legislation was approved in 2002 in an attempt to modernise the public financial management (PFM) architecture. The e-SISTAFE is defined along five core subcomponents, which have also constituted the main areas of PFM reform in recent years, namely, state budget organisation and preparation; public accounts; Treasury operations; state procurement systems; and internal control.
  1038. With regard to planning and budget formulation, the government operates under a unified and integrated planning and budget formulation system. Under this system, all government interventions at all levels – i.e. for all sectors, agencies and territorial levels of the administration, be it central, provincial or district – are formulated and captured within the general framework of the annual PES and the associated state budget. The government's state budget and the PES are prepared on the basis of policy priorities defined in the PQG which, since 2006, has been operationalised through PARPA II.

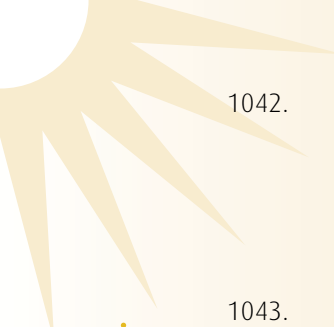
1039. This means that PARPA II provides the breakdown of specific government programmes and policy interventions, and the basic framework for government monitoring and evaluation. In addition, the preparation of both the state budget and the PES takes into account financial projections included in the MTFE. The latter provides the medium-term financial envelope for the government's programmes, as well as the link between strategic priorities defined in the PARPA II strategic document, annual plans and annual budgets.

### ***The Roles of the Ministries of Finance and of Planning and Development***

1040. Since 2005, planning and budgeting functions in Mozambique have been the responsibility of two separate ministries: the Ministry of Finance (MF) and the Ministry of Planning and Development (MPD). The MPD is responsible for all planning instruments, although, as noted above, the planning process follows a complex course involving all sectoral and territorial levels of the government. Every five years, the MPD defines national strategic policy guidelines in the PQG, which essentially draws from the political manifesto of the incoming government. It coordinates the preparation of the medium-term planning and budgeting instruments, PARPA and the MTFE, which serve to operationalise the PQG. It also compiles the PES and reports on midyear and annual performance. In its current form, the PES is essentially a compilation of sector-level and provincial plans; in some cases, the latter plans are produced on the basis of annual district planning exercises.
1041. The MF, on the other hand, is in charge of preparing the annual budget and managing public financial systems. Since 2006, the former has been prepared each year on the basis of the overall resource envelope defined in the MTFE, as well as on information on the availability of external funding. With this information, the MF defines budget ceilings for the main components of internally financed investment and recurrent expenditure, such as salaries, goods and services. These ceilings are defined for each line ministry, provincial government, district administration and municipality, and they provide the basis for planning and budgeting exercises at each of these levels. In principle, these planning processes are based on the preparation of annual operational or activity plans that capture all interventions that a given sector intends to undertake during the year. The annual operational and activity plans are then consolidated at the various levels into the respective district, provincial, sectoral and, ultimately, national PES.<sup>2</sup>

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<sup>2</sup> In this respect, it is important to note that provincial governments, district administrations and line ministries are simply territorial extensions of the national government at the provincial, district and sector levels. Consequently, their budgets and annual plans should be viewed as an integral part of the national (consolidated) budget and the PES, in line with the principle of budget universality, so that all the interventions undertaken at these levels are, in theory, captured in the national PES and budget.

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1042. During the process of planning, executing, monitoring, evaluating and adjusting PARPA II, strategies, programmes, and sectoral and cross-sectional programmes and plans were also used as basic documents. Regional, African and international agreements, including those of the MDGs, NEPAD and the SADC, were consulted.
1043. Due to the importance that the government attaches to participation by CSOs and the appropriate use of the contributions from cooperation partners in the achievement of the objectives defined here, the drafting of PARPA II took the opinions of both groups into account.

### ***Recent Developments in Planning, Budgeting and Public Finance Management***

1044. Due to various problems affecting the planning and budgeting functions and PFM systems in Mozambique, together with concerns over the impact that these shortcomings may have had on the effectiveness of state efforts to reduce poverty, the government has placed these issues at the top of its reform agenda in recent years. This has resulted in various reform initiatives being articulated in these areas.
1045. In the areas of planning and budget formulation, the government has taken a number of steps to improve the links between the planning and budgeting functions, and to ensure the consistency of planning instruments and cycles across different sectors and levels of public administration. The government has also developed a methodology of integrated planning and budgeting, known as the *Processo Único*, or “single process”. In line with PARPA II, the MPD and the MF have also developed a common methodology for budget and planning preparation for all levels of the public administration.
1046. In addition, the MTFE, first developed in 1998, was modified in 2006 to take into consideration policy changes contemplated in PARPA II, as well as territorial considerations, with basic expenditure projections defined at the provincial, district and municipal levels. The government, together with its international cooperation partners, has been working to bring all external funds “on-budget”, in order to ensure the completeness and inclusivity of the national planning and budget formulation process. To this end, the government and several donors together created a specific “on-budget taskforce” in 2005. The taskforce was to help establish better links between the different role-players in the budgetary process; improve information flows between donor agencies and the government; and increase the volume of aid reported in the budget and channelled through the government’s Treasury system.
1047. The modernisation of the PFM system has constituted another key area of public sector reform in Mozambique in recent years, and has contributed to efforts





to improve aid capture in the budget. Efforts in this regard have mostly been directed at introducing modern PFM systems and providing human, technical and managerial resources to ensure the correct, timely and flexible allocation and use of financial funds throughout the Mozambican public administration. In 1999, the government set up the Technical Unit for State Financial Administration (UTRAFE), a government management unit in charge of designing, implementing and overseeing reforms in this respect. This was followed by the passing of the SISTAFE body of legislation in 2002.

1048. The CSAR, however, makes no serious attempt to discuss Mozambique's firm ownership of the development process, for example, with regard to its policy package, directions, options and priorities of development. This is not surprising, given that socioeconomic development takes place against the background of the country's heavy dependence on foreign aid.
1049. This raises some questions as to the meaning of ownership of the development process in Mozambique. In recent years, the term "ownership" has become one of the buzzwords of the international aid business.<sup>3</sup> The emphasis on the importance of ownership is embodied in the Paris Declaration on Aid Effectiveness. At the centre of this declaration is the idea of a country's ownership of aid-financed development programmes. Recipient governments are urged to take ownership of development policies and aid activities in their country; to establish their own systems for coordinating donors; and to accept only aid that suits their needs.

### ***Aid Dependency in Mozambique***

1050. Despite recent macroeconomic improvements, Mozambique, as noted in Chapters Two and Four of this report, remains dependent on huge annual injections of foreign grants and soft loans. The government collects enough domestic revenue to cover its running costs, but the capital budget is almost entirely funded by foreign aid.
1051. Every year, the government attends the World Bank's Consultative Group for Mozambique, which brings together the country's major creditors in the form of Programme Aid Partners, as part of the Memorandum of Understanding (Box 6.1). The multidimensional nature of high donor dependency in Mozambique is a major source of concern.

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<sup>3</sup> As a determinant of commitment to reform, or of the appropriateness of the reform programme, ownership (or the lack thereof) is referred to by recipient governments, donors and lenders, civil society organisations and scholars alike to explain the success or failure of development aid and policy reform programmes.

### BOX 6.1: THE DYNAMICS OF AID DEPENDENCY IN MOZAMBIQUE <sup>4</sup>

The dynamics of aid dependency have been built since the mid-1980s, as a result of the emergency situation created by the combined effects of the war and a severe regional draught. From 1987, still under generalised war conditions (the peace agreement was only signed in October 1992), the government embarked on the implementation of its Economic and Social Rehabilitation Programme (ESRP), recommended and supported by the Bretton Woods institutions and the broader donor community. Some 20 years later, the economy has grown and peace has been consolidated, and aid dependency has penetrated every pore of the social, economic and political spheres. More than two-thirds of public expenditure, including off-budget, is financed through aid. The current account deficit in 2006, excluding the contribution of megaprojects, was equivalent to 15 per cent of the real gross domestic product (GDP); this deficit was mostly financed through international aid. In 2005 and 2006, total aid flows to Mozambique, of which 80 per cent financed public expenditure (on- and off-budget), reached a figure close to 25 per cent of the GDP.

#### *The Multidimensional Nature of Aid Dependency in Mozambique*

1052. Interactions with stakeholders, especially government officials, and a review of evidence received from various government ministries and departments, led the CRM to conclude that Mozambique is heavily dependent on international aid in a multidimensional, structural and dynamic manner, that is, with respect to its finances; policy choices; institution building; culture of civil service and CSOs; and even the development and dynamics of political institutions and the economy. Several independent analysts have made similar observations. <sup>5</sup>
1053. Given this high level of dependency on aid, there is no doubt that donors and lenders have penetrated each area and level of policy debate and decision making in Mozambique. The International Monetary Fund (IMF) appears to have a strong hand in macroeconomic policy making, particularly with respect to monetary, public finance and balance of payments policies and manage-

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<sup>4</sup> Official statistics from <http://www.ine.gov.mz>; Castel-Branco, C.N. 2007. The Mozambique performance assessment framework for donors: Lessons learned. Paper presented at the High-level Symposium on "Country-level experiences in coordinating and managing development cooperation". United Nations, Vienna, 19-20 April; Castel-Branco, C.N.; Sulemane, J., Fernandes, F. et al. 2005. Macroeconomics of scaling up aid: The Mozambique case. Background paper for the DFID-ODI country study on the macroeconomic impact of scaling up aid. <http://www.iese.ac.mz>; Ernst & Young. 2006. Review of the PAP's performance in 2005 and the PAP's PAF matrix targets for 2006. Final report. Maputo: Ernst & Young.

<sup>5</sup> Castel-Branco et al. (2005); De Renzio, P. & Hanlon, J. 2007. Contested sovereignty in Mozambique: The dilemmas of aid dependence. WP 2007/25. <http://www.globaleconomicgovernance.org/.../publications-paolo-de-renzio>; Macamo, E. 2006. Political governance in Mozambique. Final report for the DFID, Mozambique, June; Hodges, T. & Tibana, R. 2005. The political economy of the budget process in Mozambique. Oxford Policy Management. Lisbon: Principia. <http://www.emeraldinsight.com/Insight/ViewContentServlet;.../pdf>.

ment. This appears to create policy rigidities and reduces policy space. Similarly, the World Bank has introduced a performance-based loan system that encourages recipient countries to compete against each other to qualify for extra borrowing by meeting a set of policy and management criteria that are consistent with the World Bank's view of sound economic policy and business environment, for example, the adoption of more liberal labour market and foreign investment legislation. This adds further rigidities to policy space and has recently been recognised as a parallel system of conditionality.

### III. Recommendations

1054. The APR Panel recommends that Mozambique should:
- Begin immediately to explore ways and means of reducing the country's aid dependency over time by preparing a properly articulated aid exit strategy. [MPD; MF]; and
  - Strengthen the implementation of the Paris Declaration on Aid Effectiveness in order to strengthen the country's ownership of development policy and aid activities [MPD; MF].

## ***Objective 2: To accelerate socioeconomic development in order to achieve sustainable development and poverty eradication***

### I. Summary of the CSAR

1055. The need to accelerate economic growth and achieve sustainable development is critical to Mozambique's effort to reduce poverty. Poverty reduction policies should lead to improvement in the wellbeing of citizens. Post-1992 Mozambique has achieved commendable results in improving education, healthcare, safe drinking water and sanitation, and social development in general.
1056. The CSAR notes that many processes, initiatives, interventions, policies and legislative actions have been undertaken in an attempt to ensure progress towards sustainable development and the eradication of poverty. A number of agencies have also been put in place to complement efforts towards achieving sustainable development. However, some constraints remain in the implementation of the adopted strategies and the respective underlying policies.
1057. Furthermore, despite districts being considered the focus of development in the process of decentralisation, which is praiseworthy, this importance is not yet reflected in the budgetary scenario. Only 3.0 per cent of the general state budget is allocated to districts for local investment and about 30 per cent to the provinces, leaving the central government with the largest portion, at 67 per cent.

## ***Results Achieved by Development Policies and Mechanisms***

1058. The CSAR states that remarkable progress has been made in the indicators of health and basic education. The education net rate for lower primary schools (EP1) rose from 51.0 per cent in 1997 to 95.1 per cent in 2007, and for higher primary schools (EP2) it reached 13 per cent. Access to EP1 has been a success, but the teacher to student ratio has increased to 1:75, with implications for the quality of education. However, the already low access rates to secondary and technical and vocational education have registered very modest progress. The life prospects of millions of young people who finish primary education are frustrated, as they face enormous difficulties in accessing higher education and training; finding jobs in the formal sector; or engaging in sufficiently profitable economic activities.

### **II. Findings of the CRM**

1059. As previously noted, PARPA II provides the main framework for accelerating socioeconomic development in order to achieve sustainable development and poverty reduction in Mozambique. While the government and CSOs appear to have different ideas on how best to fight poverty, the PARPA process has brought them together through the Poverty Observatory (OP), a consultative forum that enables civil society groups, including the private sector, to air their views on poverty alleviation policies. The CRM considers the government's consultation with civil society on the monitoring and evaluation of poverty reduction a best practice, with lessons from which other African countries can learn (Box 6.2).



## **BOX 6.2: BEST PRACTICE IN POLICY DIALOGUE ON POVERTY BETWEEN THE STATE AND NON-STATE ROLE-PLAYERS IN MOZAMBIQUE <sup>6</sup>**

The emphasis on policymaking geared towards poverty alleviation provides a good framework for gauging whether progress can be articulated with public action in any meaningful way. PARPA has introduced the OP, which has turned out to be a useful platform for dialogue between the government and civil society. The OP brings together government representatives and representatives of CSOs, including employers' associations and trade unions. It has a consultative character, but has proven to be a powerful instrument in broadening the discussion of policy options in the country.

The OP allows for the participation of civil society through 20 seats that are allocated to the G20, a network of CSOs that originally consisted of 20 CSOs. The number of participating CSOs is currently higher, as it varies according to the time and interest of civil society representatives. The G20 fills the gap of information sharing and facilitates consultation with CSOs on issues of the budgetary process. It also engages the government in policy discussion by making concrete suggestions on how to deal with certain issues.

From 2005, the G20 has mushroomed in provincial capitals of the country to represent civil society in the provincial OP. The work of the provincial OP, in turn, feeds into the national OP. Since the OP was launched in 2003, it has held at least one plenary session per year at the national level. The outcome of the OP process is presented to Parliament and is incorporated into the development of the annual development plans.

1060. As noted above, the implementation of a computerised integrated budget and Treasury management system has contributed to improved public expenditure management. Revenue collection has increased moderately, too. To boost revenue further, measures have been taken to broaden the tax base, especially in the extractive and informal sectors, while tax administration is being strengthened.
1061. In line with the PARPA target, the government is increasing its spending in priority areas (up to 65 per cent of total expenditure) and undertaking huge infrastructure rehabilitation projects. The increase in spending is financed by rising aid inflows and, to a lesser extent, by resources freed up by the Multilateral Debt Relief Initiative (MDRI).

### ***Results Achieved by Development Policies and Mechanisms: MDGs***

1062. The CRM is impressed with Mozambique's sustained growth and the significant reduction in income poverty over the past 20 years. As noted in Chapter Four, the government's Poverty Reduction Strategy has had some success in reducing the proportion of Mozambicans living in absolute poverty, from 69.4 per cent in 1997 to 54.1 per cent in 2003.

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<sup>6</sup> Field notes, Mozambique, 7 February to 2 March 2009.

1063. It is difficult, however, to ascertain poverty reduction in Mozambique beyond 2003, due to lack of recent data. This presents a major change to policymakers wanting to design and implement appropriate antipoverty programmes. Significantly, it makes it difficult to monitor progress on the attainment of the MDGs.

1064. On the basis of the available data up to 2003, Table 6.1 presents the poverty headcount, poverty gap and squared poverty gap in Mozambique between 1996 and 2003, with the emphasis on observed differences within the period under review. In urban areas, poverty declined by 10.5 percentage points, whereas in rural areas it dropped by as much as 16 percentage points. This is a strong achievement, suggesting that the central objective of PARPA I, which was to reduce the incidence of absolute poverty to less than 60 per cent by 2005, has been attained.

**TABLE 6.1: POVERTY HEADCOUNT AND POVERTY GAP IN MOZAMBIQUE, 1996–2003<sup>7</sup>**

Geographical region	Poverty Headcount			Poverty Gap			Squared Poverty Gap		
	1996–97	2002–03	Difference	1996–97	2002–03	Difference	1996–97	2002–03	Difference
National	69.4	54.1	-15.3	29.3	20.5	-8.8	15.6	10.3	-5.3
Urban	62.0	51.5	-10.5	26.7	19.7	-7.0	14.6	9.6	-5.0
Rural	71.3	55.3	-16.0	29.9	20.9	-9.0	15.9	10.7	-5.2
North	66.3	55.3	-11.0	26.6	19.5	-7.1	13.9	8.9	-5.0
Centre	73.8	45.5	-28.3	32.7	16.0	-16.7	18.0	7.9	-10.1
South	65.8	66.5	0.7	26.8	29.1	2.3	13.9	16.0	2.1
Niassa	70.6	52.1	-18.5	30.1	15.8	-14.3	16.1	6.7	-9.4
Cabo Delgado	57.4	63.2	5.8	19.8	21.6	1.8	9.1	9.5	0.4
Nampula	68.9	52.6	-16.3	28.6	19.5	-9.1	15.3	9.3	-6.0
Zambézia	68.1	44.6	-23.5	26.0	14.0	-12.0	12.3	6.1	-6.2
Tete	82.3	59.8	-22.5	39.0	26.3	-12.7	22.5	15.3	-7.2
Manica	62.6	43.6	-19.0	24.2	16.8	-7.4	11.7	9.2	-2.5
Sofala	87.9	36.1	-51.8	49.2	-10.7	3.6	32.1	4.3	-27.8
Inhambane	82.6	80.7	-1.9	38.6	42.2	3.6	21.4	26.0	4.6
Gaza	64.6	60.1	-4.5	23.0	20.6	-2.4	10.9	9.3	-1.6
Maputo province	65.6	69.4	3.7	27.8	31.1	3.3	14.7	17.2	2.5
Maputo city	47.8	53.6	5.8	16.5	20.9	4.4	7.7	10.3	2.6

<sup>7</sup> Brück, T & Van den Broeck, K. 2006. Growth, employment and poverty in Mozambique. Issues in Employment and Poverty, Discussion Paper No. 21, January, page 14. <http://www.sarpn.org.za/documents/d0002161/index.php>.



## ***Regional Differentiation in Poverty Reduction***

1065. While the difference between urban and rural areas has narrowed from 9.3 to 3.8 per cent, Table 6.1 shows that the differences between geographical regions have enlarged. A large decline in poverty (28.3 per cent) is observed in central Mozambique, a much smaller decline in the north (11 per cent) and an increase of 0.7 per cent in the south. From being the poorest area in 1996, the centre had the lowest incidence of poverty in 2002.
1066. The decline in poverty in central Mozambique was strongly driven by a huge reduction in poverty in the Sofala (51.8 per cent) and Zambézia (23.5 per cent) provinces, which both have large populations. However, the reduction in poverty in Sofala seems to be overstated, due to an apparent underestimate of consumption in 1996/97.<sup>8</sup> On the other hand, the presence of the second-largest city in Mozambique, namely Beira, in Sofala province may also help to explain the poverty dynamics of that area.
1067. Provinces where poverty actually increased are Cabo Delgado (the northernmost province), Maputo province and Maputo city (in the southernmost part of the country). The increase in poverty in Cabo Delgado may be due to poor sampling in both surveys, which may, especially in the earlier survey, have led to an underestimation of poverty, according to the National Institute of Statistics (2004). The increase in poverty in Maputo city, in particular, shapes the results of the southern poverty trend.
1068. A UNDP study interprets this inequality as a failure in development strategy, which has focused on industry over agriculture. "Growth in industrial production has been the main driving force behind Mozambique's rapidly growing exports," the study's authors observe. Based on a few megaprojects, as noted in Chapter Four, this growth has created few jobs, while its contribution to public revenue has been marginal when compared with its value of production.
1069. The UNDP report points out that the southern provinces, which received the greatest percentages of foreign direct investment, also saw the largest increases in poverty rates in recent years. Development strategies implemented since the end of the civil war have neglected agriculture and fishing, the primary source of livelihood of more than 80 per cent of Mozambicans. As a result, malnutrition is prevalent among poor Mozambicans, especially children, suggesting the existence of a paradox. Both the World Bank and the United Nations Children's Fund (UNICEF) have alluded to this.
1070. The CRM noted that, for the poorest 60 per cent of the population, nearly half of the children are malnourished (Box 6.3). About 20 per cent of children die

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<sup>8</sup> Fox, L., Bardasi, E. & Van den Broeck, K. 2005. Poverty in Mozambique: Unravelling changes and determinants. Washington, DC: World Bank.

before they reach their fifth birthday. The main reason for this paradox is that economic growth is not reaching the chronically poor.

### **BOX 6.3: CHILD MALNUTRITION IN MOZAMBIQUE <sup>9</sup>**

Poverty in Mozambique affects different social groups differently. The poor have no assets and are therefore being left out of the growth process. The bottom half of the population in Mozambique are so poor that they cannot feed their children adequately. This explains why chronic child malnutrition is rising, while the infant mortality rate is extremely high. The rising income inequality is not helping the situation either.

1071. In general, the population of Mozambique can be divided vertically into three groups:
- At the top there are perhaps 7–15 per cent of Mozambicans, who have assets and jobs.
  - In the middle there is an economically insecure group.
  - At the bottom there are approximately half of all Mozambicans, who are severely poor.
1072. The top 7–15 per cent of the population consume a large share of the “national cake” and are doing well. The bottom half of the population live below the poverty line and are struggling to survive. Their position is said to be worsening, whereas the rest are fighting to stay out of poverty.
1073. A review of documents that the CRM obtained provides four linked answers to this paradox:
- Living standards in Mozambique are very insecure and there is a substantial movement in and out of poverty.
  - Differentiation is increasing, both between the poor and the better-off, as well as among the poor – the very poor, the abjectly poor and the starving.
  - People are choosing to eat cheaper, less nutritious food substitutes, which may be a cause of malnutrition.
  - Most poor people do not have sufficient assets to participate in the present market-centred economic model.
1074. No doubt there was some decline in poverty in Mozambique until 2003. However, the significance of the decline is subject to different interpretations and, inevitably, to controversy (Box 6.4).

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<sup>9</sup> Hanlon, J. 2007. Is poverty decreasing in Mozambique? Paper presented at the Inaugural Conference of the Institute for Social and Economic Studies (ISES), Maputo.

#### BOX 6.4: CAUTION OVER THE USE OF MOZAMBIQUE'S POVERTY STATISTICS

Based on interactions with stakeholders and a review of relevant literature, the CRM advises that figures on poverty reduction in Mozambique should be used cautiously. This is because of the way in which poverty is calculated and the implications thereof for the reliability of data collected for the surveys on poverty. Not surprisingly, the official figure of the dramatic decline in poverty (from 69.4 per cent in 1997 to 54.1 per cent in 2003) has been highly contested by many independent observers. This figure is based on a pair of IAF family consumption surveys in both rural and urban areas in 1996–07 and 2002–03.

The key contentious issue here is the definition of poverty. Two approaches to the surveys were used, based on the concepts of a fixed food basket and a flexible food basket. For the first survey, the measure of a fixed food basket was used, which reflected what people near the poverty line actually consumed. Based on this approach, 69.4 per cent of the population (11.2 million people) lived below the poverty line. For the second survey, the obvious choice was to apply the same food basket measure and the same percentage on non-food spending used in the previous survey. If this is done, the share of people below the poverty line falls from 69.4 per cent in 1997 to 54.1 per cent in 2003. Given the increase in the population, the number of people living in poverty actually increases from 11.2 million to 11.7 million. However, the cost of the food bundle had more than doubled in most parts of the country, and this was well above the official inflation rate of 77 per cent.

To get around this, the authorities decided to use a different food basket. Using complex statistical methods, they created “flexible food bundles”. Based on this new approach, the number of people living below the poverty line dropped from 69.4 per cent in 1997 to 54.1 per cent in 2004. With the fixed food bundles, the decreases in poverty were entirely rural and mainly in the Sofala and Tete provinces. With the flexible food bundles, poverty fell in both rural and urban areas, including Zambézia, as well as Sofala and Tete. Ironically, with the latter bundle, poverty increased significantly in Maputo city. Again, with the flexible bundle, and despite the population increase, the number of poor people fell from 11.2 million to 10 million. It is, therefore, evident that the two definitions of poverty based on the food basket give two different figures – that of 11.7 million and 10 million – for the number of people in Mozambique living below the poverty line.

<sup>10</sup> When using the flexible bundle approach, changes in consumption behaviour can also be taken into account, in addition to changes in prices. Such changes in consumption patterns were likely to have occurred as a result of devaluation, which increased the price of imported foods and fuel-dependent services, such as transport. As the poor in Maputo consume a high share of such goods and services, their welfare may decline due to the devaluation. Fox et al. (2005) report that using a fixed bundle of goods and services for both years, poverty in Maputo city would have fallen by 2 percentage points, while the reduction in national poverty would have been only 6.2 percentage points.

On this basis, the reported official fall in poverty in Mozambique appears to be exaggerated. This raises serious questions about the system of measuring poverty in Mozambique, as it gives the impression of a statistical reduction in poverty that may not reflect the reality on the ground. In interactive sessions, government officials and representatives of technical research institutions could not give the CRM convincing reasons as to why different definitions were used for the two surveys. The CRM takes the view that it is difficult to lay claim to a substantial reduction in poverty on the basis of two different sets of data.

1075. As noted above, the CSAR points to stagnation in the reduction of poverty since 2003. This has been confirmed by various sources, including the World Bank. Recent data appears to suggest that poverty has been increasing since 2003,<sup>11</sup> but there is no official empirical data to confirm this.

### *Inequality*

1076. The end of the civil war in Mozambique brought a “peace dividend”. People returned to their land and started farming again. They opened up new land, while the repair of roads triggered a large increase in trade. During the first years, many people gained from the opportunities that opened up. The gains, however, have been distributed unequally, resulting in rising inequality.
1077. As in the case of poverty, recent data on inequality is unavailable. Nonetheless, the growing inequality in Mozambique in the 1990s and early 2000s is reflected in two measures of inequality – the Gini coefficient and the Theil index (Table 6.2). These indices are used as a summary statistic of the dispersion of a distribution taking on values between zero and one, with zero representing no equality.
1078. The conventional measure is the Gini coefficient, which shows a slight increase in urban inequality between 1996 and 2002. This is not statistically significant. The Theil index, however, which shows a transfer from the poor to the rich, reveals a rather significant increase in urban inequality, as well as an increase in rural inequality.

**TABLE 6.2: MEASURES OF INEQUALITY IN MOZAMBIQUE, 1996 AND 2002<sup>12</sup>**

Area	Gini coefficient		Theil index	
	1996	2002	1996	2002
Urban	0.47	0.48	0.37	0.46
Rural	0.37	0.37	0.23	0.26
All	0.40	0.42	0.29	0.34

<sup>11</sup> Hanlon, J. & Smart, T. 2008. Do bicycles equal development in Mozambique? Oxford: Currey.

<sup>12</sup> Hanlon (2007).

1079. Table 6.3 also reveals a pattern of inequality in household consumption in Mozambique between 1996 and 2003. It shows that such inequality was much higher in the south of the country, especially in Maputo city, where the estimated Gini coefficient was 0.52. The rising inequality in Maputo city, and thus in the southern part of the country, caused much of the rise in national inequality. This change was not driven by changes in inequality between rural and urban areas (where inequality is much less pronounced in the former than in the latter), nor by changes in the northern part or the centre of the country (which have very similar Gini coefficients).

**TABLE 6.3: CHANGES IN INEQUALITY IN HOUSEHOLD CONSUMPTION IN MOZAMBIQUE <sup>13</sup>**

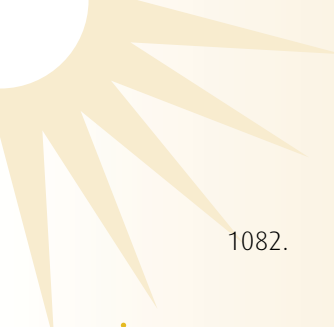
Area	Mean consumption (as a proportion of the poverty line)	Increase in real consumption (%)	Gini coefficient	
	2002-03	1996-97 to 2002-03	1996-97	2002-03
National	1.28	32	0.40	0.42
Rural	1.15	26	0.37	0.37
Urban	1.53	24	0.47	0.48
North	1.22	20	0.38	0.39
Central	1.40	63	0.37	0.39
South	1.00	4	0.43	0.47
Maputo city	1.69	10	0.44	0.52

1080. Another cause of the rise in inequality has been the emergence of a small, rather well-off group of households in Cabo Delgado province in the north, which may be related to the sampling problems INE experienced in that province, as mentioned above. The existence of a few wealthier households therefore raises inequality measures, even if they do not raise the estimated mean consumption very much.

1081. With the exception of Maputo city, inequality across provinces has not changed significantly. Rather, inequality within provinces has increased. There is some evidence that inequality in consumption across the provinces actually declined during this period. <sup>14</sup> By comparison, the degree of urban inequality in Mozambique is high by African standards. The policy challenge concerning the

<sup>13</sup> James, R.C., Arndt, C. & Simler, K.R. 2005. Has economic growth in Mozambique been pro-poor? DNEAP Working Paper, No. 8E. National Directorate of Studies and Policy Analysis, Ministry of Planning and Development, Mozambique. <http://www.mpd.gov.mz/gest/publicat.htm>.

<sup>14</sup> James et al. (2005).



inequality of welfare appears to lie in tackling the rising consumption inequality in Maputo city, and thus to stem the small rise in consumption inequality seen from 1996–97 to 2002–03.

1082. Although the economy grew by 7.9 per cent in 2007, most of the growth in income and consumption occurred among the population's richest quintile, with less than 10 per cent of the growth affecting the country's poorest people. In the United Nations 2007/08 Human Development Index (HDI), Mozambique ranked 172nd out of 177 countries listed.
1083. The World Bank points to increasing inequality in cash earnings and also to a fall in agricultural earnings in Mozambique in 2003–06. It is claimed that many rural households are becoming trapped in poverty and that increasing inequality has made rural poverty persistent.
1084. In the meantime, manufacturing jobs have been decreasing at a high rate of 10 per cent per year, while urban labour has been growing at over 3 per cent per year. On the other hand, opportunities for work in rural areas, even for casual day labour, are becoming increasingly scarce because only a few people are able to afford workers. This situation is severely straining people's livelihoods in a country where there are few social security schemes. Nevertheless, local people, especially those in rural areas, have their own views on how to end poverty.

### ***Local Perceptions on Poverty Reduction***

1085. In the CRM's discussions with different stakeholders in the provinces, it was generally agreed that to eradicate rural poverty, there was a need to focus on improving agricultural productivity; agro-processing capacity; basic literacy; vocational and technical skills training; access to credit (in particular, for agriculture); access to markets and information; access to energy; and improved roads and other infrastructure (Box 6.5). The stakeholders noted that, although they were receiving support from the government and non-governmental organisations (NGOs), it was not enough to help lift them out of poverty.



## **BOX 6.5: WHAT LOCAL PEOPLE THINK SHOULD BE DONE TO ADDRESS RURAL POVERTY IN THE PROVINCES OF MOZAMBIQUE**

In CRM meetings, stakeholders in the provinces identified the following as critical to reducing rural poverty:

- People must be literate, and education and vocational education for acquiring technical skills are important. Primary and secondary education should be made compulsory. The aim should be to have rural children acquire a good education and training in technical skills that they can use to undertake self-sustaining development, such as SMEs.
- There should be capacity building for high-level skills so that people can occupy high technical posts in megaprojects.
- As most people are peasants and depend on agriculture, there is a need to improve agricultural productivity.
- Agro-processing capacity in the rural areas should be strengthened, particularly for commodities such as cashew nuts, pineapples, mangoes, cereals, soya beans, tobacco, sugar, cotton and others.
- The marketing infrastructure and storage facilities for agricultural produce should be improved.
- Investment in projects that create employment should be promoted.
- Income-generating projects, such as fisheries, beehives, crops and others, should be promoted.
- The problem of access to funding, especially for young people, should be addressed.

1086. What emerges prominently from the above perceptions of local people is that the contribution of agriculture to the creation of wealth in Mozambique cannot be overemphasised. Apart from its substantial share in the GDP, the agricultural sector provides the sole means of survival for over 80 per cent of the population.

### ***Agriculture***

1087. The CRM's consultations with stakeholders in the provinces revealed that food insecurity is on the increase in Mozambique's rural and urban areas. Although the CRM noted that the positive growth in the GDP in recent years has been mainly from agriculture, this did not necessarily derive from increased productivity, but rather from the increased land area under production.

1088. In meetings with stakeholders, the CRM was informed that the agricultural sector is faced with many challenges that have resulted in food insecurity in many rural communities (Box 6.6). However, Mozambique has great potential to increase its agricultural productivity.

## BOX 6.6: LOCAL PERCEPTIONS OF KEY CHALLENGES IN BOOSTING AGRICULTURE IN MOZAMBIQUE <sup>15</sup>

Local perceptions centred on the following issues:

- Low productivity, as agricultural yield per hectare, which is still one of the lowest in southern Africa; <sup>16</sup>
- Lack of storage or preservation of agricultural produce;
- Limited access to credit because agriculture is seen as a high-risk activity;
- Limited irrigation capacity for use during years of drought;
- Natural calamities, especially floods;
- Limited availability of good quality seed;
- Limited extension services – there are not enough extension officers to take information to the farmers;
- Limited transport infrastructure, especially roads, to distribute food from high to low potential areas and to access markets;
- Limited availability of appropriate technologies;
- Limited agro-processing capacity;
- Lack of information, especially regarding markets;
- Limited funding for agriculture; and
- Limited transfer of technology, because the adoption rate is slow.

1089. In consultations with the CRM, local people stressed that agricultural development should include strategies aimed at promoting increased agricultural productivity; agro-processing industries; the role of women in agricultural production; improved road and irrigation infrastructure; technologies for decreasing post-harvest losses; storage facilities; improved access to credit; adaptation to climate change through the development of suitable breeds and technologies; and improved dissemination of information.
1090. The CRM also noted how the high incidence of droughts and floods in the last few years has affected production in the agricultural sector negatively. In interactive sessions with stakeholders, it was also revealed that maize was being smuggled into Malawi. As a result, serious food shortages are being experienced in some parts of the country, as pointed out during the CRM's visit to the provinces of Gaza, Inhambane and Sofala. This situation has led to serious food insecurity for some inhabitants, particularly those in rural areas.
1091. Urgent measures for coping with and resolving the problem need to be taken. Such corrective measures could include establishing and disseminating national silos and other appropriate food storage facilities, and increasing agricultural production through the development and promotion of small-scale irrigation schemes.

<sup>15</sup> CRM interactive sessions in provinces, Mozambique, 7 February to 2 March 2009.

<sup>16</sup> Based on the 2004 national statistics of the Government of Mozambique.

## ***Social Security***

1092. The CRM noted that Mozambique has a favourable policy and legal framework for social protection and has already reached significant milestones. In 2007, the Law on Social Protection (Law No. 4/2007) was approved, which defines the basis of social protection in Mozambique.
1093. This Law has three pillars of social protection, namely, basic social security; obligatory social security; and complementary social security. Mozambique has approved the regulations to implement obligatory social security (Decree No. 53/2007). The country is currently elaborating on the regulations to implement basic social security.
1094. The CRM also noted that other legislation contributing to social protection in Mozambique includes the Family Law (Law No. 10/2004); the Land Law (Law No. 19/1997); Law No. 5/2002 on non-discrimination against workers with HIV/Aids; Law No. 6/99 protecting children (by barring them from nightclubs); and Decree No. 24/1989, which regulates access to transport for older people.
1095. Actions and programmes currently implemented by the government to reduce absolute poverty under basic social security include a food subsidy programme, a programme of direct social support; an income-generating programme; social support for employment; and community development initiatives (Box 6.7). Mozambique also has contributory social security for pensions for persons in the public, private and CSO sectors.



### BOX 6.7: SOCIAL PROTECTION ACTIONS AND PROGRAMMES CURRENTLY IMPLEMENTED IN MOZAMBIQUE <sup>17</sup>

1. Since January 2008, there has been a food subsidy programme in the form of a cash transfer of from 100 meticaais (US\$4.1) up to 300 meticaais (US\$12.5) for a household of 1–5 people. The target group also includes people in absolute poverty living and with a permanent incapacity, such as the disabled, the elderly, the chronically ill and others.
2. The programme of direct social support in the form of a basic food basket is targeted at people who are very vulnerable, such as those living in absolute poverty; persons with HIV/Aids who are living in absolute poverty; children who are heads of households; vulnerable people affected by foods; etc.
3. The income-generating programme provides a revolving fund for small income-generating projects targeted at women living in poverty.
4. Social support for employment provides beneficiaries with some basic training and introduces them to an employer (the government, private sector or an NGO). Beneficiaries usually gain full employment after completing the programme.
5. Community development initiatives benefit rural communities across the country to construct social infrastructure in poor communities, such as schools, medical care, and clean water facilities.

1096. Although the basic social security programme has contributed to reducing poverty and vulnerability, the CRM's discussions with stakeholders revealed the following:
- Coverage is still limited and the Ministry has inadequate funds for expanding the programmes.
  - Targeting is limited by a lack of data and information on specific persons who are vulnerable.
  - Technical capacity is weak.
  - Few donors are committed to social protection.
  - Only a small number of civil society role-players are involved in social protection.
1097. A social group that is particularly affected is the youth. In interactive sessions, the CRM was informed that, despite the high level of unemployed young people in Mozambique, they are not entitled to any form of social security.

#### ***Progress on the MDGs***

1098. As discussed below, Mozambique's progress with attaining the MDGs presents a mixed picture. The CRM found that the country fared extremely well in some areas and reasonably well in others. It noted, however, that a lack of more recent data is a major constraint to monitoring progress on the MDGs.

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<sup>17</sup> CRM consultations with the Ministry of Women and Social Affairs, Mozambique, 24 February 2009.

### ***Eradicating Extreme Poverty and Hunger***

1099. According to a nationwide household income survey conducted during 2002 and 2003 by the INE, income poverty has been reduced from 69.4 per cent in 1997, to 54.1 per cent in 2003. However, this achievement masks significant regional variations and the fact that more than half the population still live in absolute poverty.<sup>18</sup> The prevalence of poverty is higher in rural than urban areas. As noted earlier, income inequality increased over the same period. The country experienced an improvement of 8 per cent in the incidence of under-nourishment (that is, the total number of children under 5 years of age who are underweight) in the period 1997–2005.

### ***Achieving Universal Primary Education***

1100. Mozambique has recorded remarkable progress in improving its net primary enrolment rate, which increased from 44 per cent in 1997, to 69.4 per cent in 2003 and 95.5 per cent in 2008. The completion rate for Grade 5 significantly increased from 22 per cent in 1997, to 38.7 per cent in 2003 and 72.6 per cent in 2008. There are, however, some disparities between regions, and between the number of boys and girls.

### ***Promoting Gender Equity and the Empowerment of Women***

1101. Mozambique has made significant progress in promoting gender equality and empowerment. Major achievements in this regard include the improvement in the ratio of girls to boys in the EP1 enrolment rate, from 0.71 in 1997 to 0.9 in 2007; and an increase in women's representation in Parliament, from 28 per cent in 1997 to 37.2 per cent in 2008.

### ***Reducing Child and Maternal Mortality***


1102. Mozambique has made some progress towards reducing its child mortality rate, which dropped from 115.9 in 2003 to 102.1 in 2007 per 1 000 live births.<sup>19</sup> However, geographic disparities are still evident across the country. For example, a child in Cabo Delgado is three times more likely to die before reaching 5 years of age than a child in Maputo city.<sup>20</sup> The maternal mortality rate (MMR) declined from 1 000 deaths in 100 000 births in the 1990s, to 408 in 2003. The proportion of births attended by health personnel increased from 44.2 per cent in 1997 to 47.7 per cent in 2003. In 2007, 51.6 per cent of babies

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<sup>18</sup> Government of Mozambique and the United Nations Development Programme (UNDP). 2008. Report on the Millennium Development Goals: Mozambique. <http://www.undp.org.mz/.../2008%20Mozambique%20Report%20on%20the%20Millennium%20>

<sup>19</sup> National Institute of Statistics (INE). 2008. Statistical Yearbook. Maputo: Directorate of Provincial Statistical Services.

<sup>20</sup> Government of Mozambique and the UNDP (2008).



were delivered in health institutions.<sup>21</sup> It is important to note, however, that urban women are more likely to deliver with the assistance of health personnel (71.4 per cent) than rural women (28.6 per cent). This inequity is a major concern for universal access to health facilities in reaching the MDGs.

### ***Combating HIV/Aids, Malaria and Tuberculosis***

1103. The HIV prevalence rate in Mozambique was initially 8.2 per cent for adults 15–49 years of age, and this increased to 16.2 per cent in 2004 and dropped to 16 per cent in 2007. There is high geographical variation in the prevalence rate across the country, with some provinces and cities having experienced an increase, whilst in others the rate fell. HIV prevalence among the 15- to 24-year age group is much higher for women than for men.<sup>22</sup> Malaria is also a major public health problem in Mozambique and it is estimated that 40 per cent of all outpatient cases and 60 per cent of paediatric cases in hospitals are a result of this disease. The malaria fatality rate among adults increased slightly from 7.1 in 2002 to 7.7 in 2007, while that among children declined marginally from 3.8 to 3.2 during the same period.<sup>23</sup>

### ***Ensuring Environmental Sustainability***

1104. The proportion of the population with sustainable access to an improved water source rose from 37.1 per cent in 2001 to 48.5 per cent in 2007. Despite the general positive increase in coverage, there is a wide disparity between rural and urban areas and across provinces. However, the progress made in sanitation coverage presents a mixed picture. Improvement in sanitation has not been as good as in the case of improved water supply. In 2007, 25 638 pit latrines were constructed in rural areas all over the country, representing a coverage of 39 per cent and an increase of 6.4 per cent from 2003. On the other hand, the proportion of the population with access to improved sanitation in urban areas declined from 71.7 per cent in 2003 to 47.3 per cent in 2007.<sup>24</sup>

### ***Developing Global Partnerships for Development***

1105. Mozambique has developed ties with international development partners in eradicating poverty. This is reflected in the Memorandum of Understanding

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<sup>21</sup> INE (2008).

<sup>22</sup> The percentage of women among infected individuals aged 15–24 is three times that of men. Statistics for 2004 indicate that 800 000 of the infected population are women. Furthermore, it is estimated that 36.8 per cent of men, 57 per cent of women and 6.2 per cent of children are living with HIV/Aids, which has severe implications for their economic and social wellbeing. The burden falls more heavily on women, because of the increased costs of caring for the home.

<sup>23</sup> INE (2008).

<sup>24</sup> Ministry of Planning and Development (MPD). 2008. Report on the Millennium Development Goals. Maputo: MPD.





(MoU) with Programme Aid Partners, a group of 19 donors that provide direct budget support to the Mozambican Treasury. As part of this understanding, Mozambique has committed itself to pursuing economic and financial policies that are in line with IMF requirements through the Policy Support Instrument,<sup>25</sup> while at the same time engaging in a dialogue with Programme Aid Partners by way of working groups involving government and donor representatives. Once the donors have accepted government policy and the associated budget, they undertake to guarantee the flow of funds in order to ensure predictability.

### ***Measures Taken to Sustain Progress***

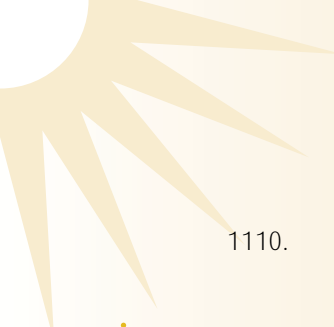
1106. As noted elsewhere, Mozambique is heavily dependent on donors to sustain the government's provision of education, healthcare and other basic services. In this respect, it is important for the country to promote growth vigorously.

### ***Youth and Employment***

1107. In meetings with stakeholders, there was a general awareness about the critical need for concerted efforts to deal with the problem of employment among young people. As was evident in all interactions with stakeholders across Mozambique, unemployment is considered one of the major causes of violence and other delinquent behaviour among young people, many of whom resort to drug and substance abuse to ease their frustrations, or to prostitution to earn an income.
1108. During interactive sessions, some laudable initiatives by the government were acknowledged, among others, the various skills development programmes and the establishment of, and support to, the National Youth Council of Mozambique (CNJ) and various youth associations. However, these interventions seem to suffer from an unclear national policy and strategic framework. The CRM suggests that such policies and strategies should take into account both the multi-sectoral dimension of the problem and the role to be played by different stakeholders, including the government, the private sector, CSOs and local communities, in resolving the youth unemployment problem.
1109. The stakeholders further informed the CRM that the Fund to Support Youth Initiatives (FAIJ) aimed at making financial resources available to support productive activities by young people is inadequate and not easily accessible to many. In interviews with the CRM, most young people were unanimous in pointing out their inability to access credit facilities due to high interest rates and stringent credit conditions. The young people see this as the main constraint to

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<sup>25</sup> The various MoUs signed between the Mozambican government and the IMF over the past years are indicative of the dominant role that the IMF plays in driving policy in the country.




their initiation of, and engagement in, productive ventures. There is a need to reassess the administrative arrangements and the effectiveness of the FAIJ with a view to making it more transparent and accessible to young people.

1110. The CRM was, however, happy to note that the government is making concerted efforts to expand technical and vocational training across the country with a view to developing much-needed skills for the job market. In some provinces, such as Cabo Delgado, special curricula are being designed to provide some technical training to high school pupils. Alongside these efforts, it is necessary to ensure the quality of training, both in the short and the long term, and to create the required conditions (such as access to credit facilities) for graduates to be able to create or secure employment without delay. Failure to achieve this may lead to frustration and possibly social unrest among the youth.
1111. In meetings with stakeholders, the CRM was informed that the problem of trafficking and use of drugs and other intoxicating substances is increasing throughout the country, especially in the two major cities of Beira and Maputo. The unemployed youth are particularly affected. In response, the government and CSOs are encouraging young people to become proactive entrepreneurs. In Beira, for instance, a dedicated multi-sector provincial office has been established to deal with the issue. However, lack of adequate financial resources and well-qualified staff renders the operation less effective. There is an urgent need to put in place clear national policies and strategies for tackling the problem in all earnest. If left unattended, it could lead to disastrous social economic consequences.
1112. Another issue constantly raised during various discussions was the status of young people in the socioeconomic setting of the country, especially their exclusion with regard to access to land and housing. It is alleged that the existing laws and practices concerning land allocation and use do not facilitate access to land by young people for productive purposes. Also, it is said that young couples in urban areas are not eligible for housing – a situation that compels those without sufficient resources to continue living with their parents, with all the accompanying inconveniences.
1113. The role to be played by communities in addressing many of the problems confronting young people remains paramount. Consequently, these communities should be recognised as indispensable partners, and greater efforts should be directed towards sensitising and supporting them in this regard.

### ***Monitoring and Evaluation***

1114. In line with the MoU with the Programme Aid Partners, Mozambique has to evaluate the success it achieves according to a matrix presented in the agreement. This involves evaluation of the performance of donors, lenders and the



government with respect to the implementation of indicators and targets specified in the performance matrices for all parts. The government matrix of more than 40 indicators (those against which donors evaluate the government's performance) is a subset of indicators and targets selected by donors from the government's PES. This subset does not necessarily represent the government's highest priorities but is consistent with donor and lender concerns.

1115. In this respect, the government's review of the PES, a half-yearly evaluation of the fulfilment of the PQG, is a useful measure of progress. It uses indicators drawn both from the IMF's Enhanced Structural Adjustment (ESAF) and from PARPA, and provides the government with an accurate qualitative and quantitative assessment of progress made in socioeconomic development.
1116. Further assessments and evaluations are the Annual Poverty Reports of 2004 and 2005, which are researched and compiled by CSOs within the framework of the OP, a consultative forum set up by the government, which represents employers, trade unions and non-profit organisations, in order to discuss and take action on poverty alleviation matters. These reports are particularly useful because, in contrast to government reports, which rely on statistical surveys conducted by the INE, they include qualitative data disaggregated down to the district level.
1117. A major weakness of official poverty measurement in Mozambique, however, has been precisely the aggregation of information to the provincial level, which does not provide an accurate picture of the real situation on the ground. The Annual Poverty Reports have made a contribution towards correcting this deficiency and are, for this reason, a very good source of information on what progress the country is making in meeting the goals it set out to achieve. Given that the reduction of poverty is the state's overriding objective, any assessment of progress in this regard may be deemed a good gauge of the country's performance.
1118. Crucially though, government officials know that, ultimately, those indicators selected by donors are the ones that matter most because of the implications they have for aid flows, even if they are not the most important for the sectors concerned from a development policy perspective. Government officials often noted that they considered these targets and indicators only for the period of the Joint Review and the Mid-Term Review, when they had to give account to donors and lenders. While these indicators are key in maximising aid flows, they might not be part of the core business plan of the government.

### **III. Recommendations**

1119. The APR Panel recommends that Mozambique should:
- Allocate 10 per cent of the budget to agriculture in line with NEPAD's Ma-

- puto Declaration [MF; Ministry of Agriculture (MINAG); local government];
- Strengthen the monitoring and evaluation system to ascertain progress on the attainment of targets set in PARPA and the MDGs [MF];
- Address the issue of youth unemployment by designing appropriate employment promotion programmes [government; private sector];and
- Increase national awareness on the importance of social protection in processes to reduce poverty [MF].

**Objective 3: To strengthen policies, delivery mechanisms and outcomes in key social development areas, including education and the fight against HIV/Aids and other communicable diseases**


**I. Summary of the CSAR**

***Policies and Delivery Mechanisms***

1120. The CSAR notes that PARPA and the PES provide the overall policy and strategic frameworks for the government to pursue its objectives of ensuring that all citizens are able to improve their social economic conditions, and to contribute effectively to the nation’s development by ensuring easy access to basic services including education, healthcare, food, clean drinking water, and sanitation. According to the CSAR, the development of human capital is key to achieving these objectives. Policies and strategies put in place under these frameworks are intended to be pro-poor.
1121. It is argued in PARPA that sustainable economic growth and the reduction of absolute poverty hinge upon the consolidation of peace, democracy and social stability, and the guaranteeing of citizens’ individual freedom and liberties. The PQG for 2005–09 spells out the state’s general objectives as being the reduction of the levels of absolute poverty and the promotion of fast, sustainable and all-inclusive economic growth.
1122. The CSAR notes that the government has made concerted efforts in this regard to develop social sectors by increasing budgetary allocations; formulating necessary policies and strategies; and initiating related programmes. However, no figures are given.

***Education***

1123. The CSAR notes that a National Education Policy (PNE) focusing on basic education was approved in 1995. Subsequently, two strategic plans for education were put in place in 1997 and 2006 respectively, with the objectives of expanding education and improving its quality. The plans also provide for the expansion of secondary and informal education, and vocational training.

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1124. According to the CSAR, Mozambique has made a concerted effort to rehabilitate the education infrastructure, most of which was destroyed during the 16 years of civil war. During this period, about 50 per cent of all primary schools and related infrastructure were destroyed. The situation was particularly severe in the rural areas of the northern and central regions of the country. The CSAR points out that the need to implement the Structural Adjustment Programme had limiting effects on the rehabilitation of the social economic sectors, including education.
1125. Notwithstanding these constraints, the CSAR notes that the government has achieved considerable progress in this sector, especially in the area of basic education. Critical measures that have contributed to making advances in improving access to basic education are the post-war rehabilitation of schools; the construction of new classrooms; and the training of teachers.
1126. The CSAR further notes that there has been remarkable progress in reducing the asymmetry in girls' and boys' access to EP1 education. However, it is pointed out that the equity decreases substantially as the school level increases. The CSAR suggests that most of the impediments contributing to the prevailing inequity in the numbers of girls and boys who have access to education are related to a non-conducive school environment, or to sociocultural and economic factors.

### ***Health***

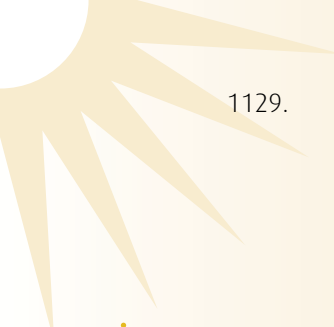
1127. The CSAR notes that the government's health policies and programmes are in line with the Constitution which, in Article 89, defines the right of all citizens to medical and sanitary services. According to the CSAR, the main objectives of the health sector consist of improving and expanding the coverage of primary healthcare, especially targeting vulnerable groups, such as women and children; holding a sustained campaign to reverse the current expanding trends of the HIV/Aids pandemic; and bringing endemic diseases under control, particularly malaria, tuberculosis and leprosy.

### ***HIV/Aids***

1128. According to the CSAR, Mozambique is still among the ten most-affected countries in the world, with an HIV infection rate of 16.3 per cent. Some urban centres and transport corridors are experiencing higher rates of infection. The CSAR points out zonal variations in the infection rates. Sofala province is the worst affected, with a prevalence rate of up to 25 per cent, followed by Maputo city at 25 per cent, and Nampula at 9.8 per cent.<sup>26</sup>

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<sup>26</sup> Ministry of Health (MISAU). n.d. Report on the revision of HIV epidemiologic vigilance data for 2004 and 2005. Maputo: MISAU.



1129. Starting in 1986, the government put in place a number of programmes and strategies for fighting the pandemic. These include the launching of the National Programme to Combat Aids in 1988, and the establishment of the National Council for Combating HIV/Aids (CNCS) in 2000. The CNCS is mandated to coordinate, monitor and evaluate multi-sector activities aimed at combating the pandemic. The CSAR indicates that, under the coordination of the CNCS, a National Strategic Plan for Combating STDs/HIV/Aids (PEN) was initially launched in 2000.

1130. The CSAR notes that, despite all the measures the government has undertaken to address the problem, the situation is still worrying, given the growing trend in prevalence rates. The CSAR points out that some of the objectives pursued under the PEN are not being fully achieved due to various reasons.

### ***Malaria***

1131. Malaria is identified in the CSAR as being the biggest killer in the country, accounting for 30 per cent of registered deaths. It is also noted that nearly one-fifth of all pregnant Mozambican women are infected with the parasite. To combat malaria, the government has launched the National Programme to Combat Malaria (PNCM) under which preventive measures, such as the pulverisation of residences and the use of impregnated mosquito nets, are promoted and carried out. Also, the programme aims at facilitating access to treatment by the communities.

### ***Tuberculosis***

1132. According to the CSAR, Mozambique is among 22 countries in the world considered “high-burden countries”, and it is currently ranked 18th by the World Health Organisation (WHO) in terms of tuberculosis infection. The trend in the rates of infection rose between 2001 and 2006, showing an increase of 57 per cent. Tuberculosis remains one of the main causes of deaths of people living with HIV/Aids. Efforts to treat the disease are being made through the establishment of basic health centres, one for each of the 128 districts in the country. These centres are well equipped and have the necessary qualified staff to carry out related diagnostic tests, offer treatment and do recordkeeping. The CSAR also indicates that, since the late 1980s, the government has been pioneering the introduction of the WHO’s Directly Observed Treatment Short-Course (DOTS) programme.

## **II. Findings of the CRM**

1133. The CRM observed that, following the prolonged period of internal conflict during which much of the country’s economic and social infrastructure was destroyed, Mozambique has made sustainable efforts to reconstruct and revitalise its socioeconomic sector. Policies and strategies have been designed



and initiated for the development of this sector, with particular emphasis on education, healthcare, and the fight against HIV/Aids. The government has invested heavily in the social sector, which accounts for about 13 per cent of the national budget. In view of this investment, the remarkable strides made in reaching the country's socioeconomic objectives are acknowledged.

1134. Alongside these laudable accomplishments, however, stand a number of challenges that are likely to be amplified and could undermine national efforts to tackle critical social and economic issues effectively, if no corrective measures are taken in due time. Indeed, the eagerness to extend access to basic social services by all citizens throughout the country has meant stretching limited resources and capacity to the maximum, thereby compromising the quality and effectiveness of most of the services rendered.

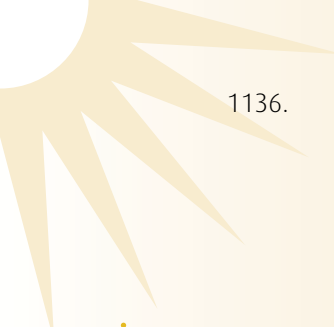
### ***Education***

1135. The CRM noted some achievements that have been accomplished in the area of education during the last 15 years, especially in basic education. As noted in the CSAR, the lower and upper primary education sector (EP1 and EP2) registered remarkable progress between 1999 and 2007. The number of public schools in EP1 increased from 8 007 in 2003 to 9 303 in 2007, while that in EP2 rose from 950 to 1 116 during the same period.<sup>27</sup> This saw an increase in the enrolment of pupils in EP1 and EP2 from 2 826 362 and 351 224 in 2003, to 3 866 906 and 616 091 in 2007, respectively. Modest increases were also recorded in secondary education, with enrolment in junior and senior secondary school rising from 141 802 and 18 291 in 2003, to 311 903 and 47 388 in 2007, respectively. A key area of concern is the imbalance between enrolment in primary and secondary schools (Box 6.8). Also, the high enrolments in primary school are not proportionally matched by the recruitment of additional teachers to maintain acceptable teacher-student ratios.

#### **BOX 6.8: THE IMBALANCE BETWEEN PRIMARY LEVEL EDUCATION AND SECONDARY AND TERTIARY EDUCATION**

The CRM noted with concern the serious imbalance between the expansion rate of basic primary education and that of secondary and professional-level education. The latter has not kept pace with expansion in the former, particularly at the EP1 level, which has registered considerable increases in enrolment and resulted in a huge imbalance between the number of pupils enrolled in primary education and those that reach secondary school. This imbalance has arisen from the nature of the education sector. The education system in Mozambique has a pyramidal structure, with the result that there are considerably more pupils in the lower grades than in the upper grades. Due to the huge imbalance between the two levels, large numbers of poorly trained primary school leavers, who could not access secondary level education, are regularly thrust upon the job market.

<sup>27</sup> INE (2008).

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1136. In the area of tertiary education, the CRM noted the critical role played by the government as the moderator and promoter of higher education. Enrolment in elementary and basic training schools rose from 937 and 19 149 in 2003, to 1 954 and 23 666 in 2007, respectively. The government's efforts to expand learning facilities throughout the country have been complemented by interventions from the private sector.
1137. As commendable as these achievements may be, there are still some important challenges to be tackled if the MDGs and the government's objective to prioritise the development of human capital, as a way of fighting absolute poverty, are to be achieved.
1138. From what the CRM was able to ascertain from various discussions in the provinces, there has also been a significant drop in the quality of education due to the high teacher-student ratio and the lack of necessary pedagogical equipment and other learning facilities, including desks.
1139. Although it can be said that all regions of the country have been able to reap the results of progress made in education, there remain notable disparities among regions, and between rural and urban areas, with regard to the quantity and quality of school infrastructure and equipment. The southern region and urban areas, especially around Maputo city, continue to maintain their lead in the number and quality of schools compared with the rest of the country. The northern region, with its sparse population and poor transport and communication infrastructure, shows greater weakness with regard to the level and extent of coverage of social services being delivered. Representatives from Niassa province informed the CRM that, in some parts of the province, pupils still have to travel more than 10 km from their home to reach the nearest school. Many participants also complained about the poor quality of furniture and other equipment in schools.
1140. Concerning technical and vocational training, notable strides have been made in developing this subsector. However, its capacity to absorb potential applicants is very limited. Given the large numbers of primary and secondary school leavers and the high rates of unemployment among young people, special attention should be given to this subsector, taking into consideration the need to create and upgrade skills, especially those aimed at promoting entrepreneurship and self-employment for young people (Box 6.9).


## BOX 6.9: THE IMPORTANCE OF VOCATIONAL TRAINING

The government's sustained efforts to promote and expand basic education throughout the country as a way to achieve one of the national goals, namely, to develop human capital, are indeed highly commendable. However, there is a need to ensure that the increase in education, especially in basic education, does serve a clear purpose, namely, to develop the necessary skills and knowhow in order for school graduates to engage productively in the development of the country.

A concern expressed by many stakeholders during CRM consultations was that education at all levels still suffers from a lack of professional or vocational training. Though some initiatives are being taken to redress this situation, greater and systematic efforts are required to promote and develop professional and vocational training in order to ensure the matching of education with job creation and employment opportunities.

Mozambique is blessed with great development potential, particularly in the agricultural sector (crop production, livestock and fisheries), all of which offers important opportunities for job creation and self employment. The critical contribution of these sectors to national development goals, coupled with the prevailing high levels of unemployment, especially among young people, necessitates the importance of defining and articulating a national policy and action strategies on how to achieve the best mix of development factors. These include the necessary skills training; financial investment; transport and communication infrastructures; marketing facilities; etc. to promote and develop employment opportunities, and to ensure the active and productive participation of the population in the country's development.

1141. In tertiary education, the CRM commends the government for the sustained progress it has accomplished in promoting higher education and facilitating the involvement of the private sector. The CRM was informed that universities are playing an active role in influencing the formulation of development policies and strategies through regular consultations with heads of state and sector ministers. Due to their heavy dependency on donor aid, donor-imposed "conditionalities" and the lack of qualified research personnel, however, Mozambican universities have been unable to initiate independent research projects.
1142. On the issue of gender equity in education, the CRM learnt of the existence of inequality in the enrolment of boys and girls, especially in EP2 and at secondary school levels. Some of the reasons for these imbalances are well highlighted in the CSAR. However, the CRM was encouraged to note that sustained efforts are being made in all of Mozambique's 11 provinces to address the issue of gender inequality in education. Consequently, some modest progress is being made in narrowing the enrolment gap, especially at secondary level.
1143. The CRM cautions that gender imbalance should not be viewed simply as a problem of access to education by girls, but also as a fundamental problem embedded in, and intertwined with, the prevalent social structures and values



in society. It is these structures that influence girls' rights, duties and opportunities. Therefore, the effectiveness of the outcomes of ongoing government initiatives in this regard will greatly depend on the level of integration, coordination and inclusiveness of related policies, strategies and programmes.

1144. In interactive sessions with stakeholders, the CRM was informed of situations involving a lack of transparency in school admission. In some provinces (such as Zambézia and Nampula) it was claimed that parents sometimes have to pay bribes in order for their children to be admitted to a school, or to pass from one school level to the next. Some irregularities concerning contracting for school construction work were also brought to the CRM's attention. A number of participants in Nampula province pointed out that some contractors were not honouring their obligations fully after winning a contract to construct classrooms or other school infrastructure. These contractors take the money and use most of it for other purposes. They end up doing shoddy work, which allegedly does not last for more than 3–5 years. The stakeholders claimed that this occurred with the full knowledge of some local administrative authorities, as there were weaknesses in the government's monitoring mechanism.
1145. Another challenge repeatedly brought to the attention of the CRM is the acute shortage of qualified teachers, especially in remote rural areas. Besides, there are other constraining factors, including a lack of incentives and the linguistic diversity. Some discussants in Nampula province observed that the education system continues to suffer from poor working conditions for teachers, and that the teaching profession is not much appreciated. The use of vernacular languages in teaching the basic level of education is also seen as a limiting factor in recruiting qualified teachers from other parts of the country. Furthermore, it is unclear what the existing national policy guidelines on incentives to teachers in different teaching conditions are and how these are packaged, administered and monitored.
1146. On the issue of adult literacy, although some marginal progress has been made in increasing the literacy rate from 43.3 per cent in 2000 to 46.4 per cent in 2003, the level of illiteracy in the country is still very high and constitutes a serious impediment to its development. Illiterate people are unable to take full advantage of the information and knowhow conveyed through various media; to better their lot; and to participate actively in the country's development. The CRM noted that ongoing government efforts have not yielded the desired results and the situation needs to change. Consequently, there is a need to review current policies and strategies in order to ascertain their effectiveness.

## **Health**

1147. The CRM observed that notable progress has been achieved in various aspects of developing the health sector, including policy and strategic frameworks, infrastructure development, and training. During the past few years, more public health centres have been built and equipped. As a result, there has been a marked improvement in geographical coverage and access to healthcare services. The number of rural hospitals increased from 31 in 2003 to 41 in 2007, while that of health centres rose from 683 to 859 during the same period.<sup>28</sup> Despite this progress, the national health system remains structurally weak. The key challenge that this sector faces arises from the uneven provision of health services across the country, with large disparities among regions and between rural and urban areas. It is estimated that 80 per cent of Mozambicans have to walk more than 5 km from their homestead to the nearest health facility. The quality of services remains inadequate due to limited qualified medical staff and the lack of essential medical infrastructure and equipment, as indicated by many stakeholders during the provincial consultations. The number of national health staff, including doctors and nurses, declined from 17 786 in 2003 to 17 549 in 2007.<sup>29</sup>
1148. Another problem highlighted during the visit to Zambézia province is the lack of transparency in the delivery of health services. The CRM was alerted to the fact that, in some instances, patients in rural areas are requested to pay money in order to obtain health services. It was suggested that the government should establish an independent monitoring body at the district level, with a clear mandate to help ensure that the transparency and quality of services delivered, be it in the health or education sector, are not compromised. As with the education sector, the CRM concluded that the health sector suffers from a lack of clarity about national policy guidelines on incentives for medical personnel working under different conditions, and on how these incentives are packaged, administered and monitored.

## **HIV/Aids**

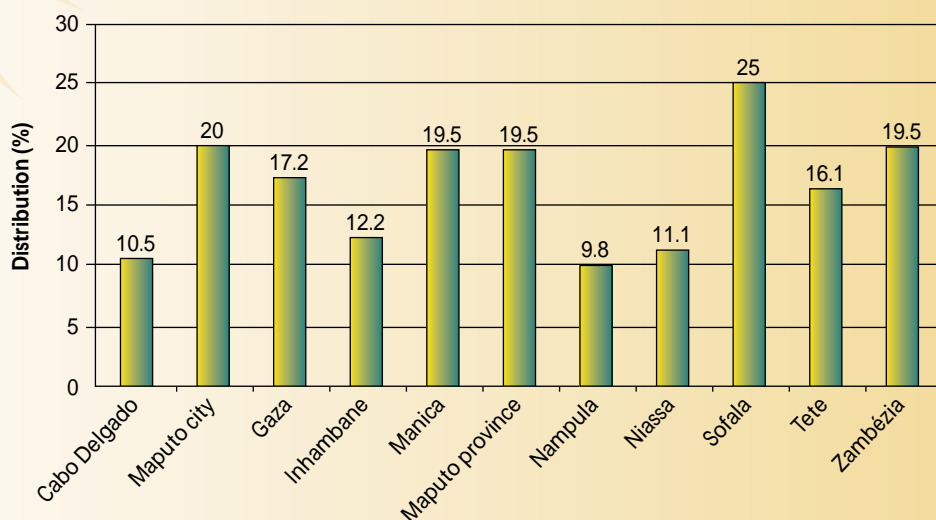
1149. It is estimated that more than 1.4 million Mozambicans are infected with HIV/Aids, corresponding to a prevalence rate of 16 per cent. This represents an increase in the rate of 13.6 per cent in 2002. Every day, there are 500 new HIV/Aids infections. Women, both adults and children, but especially girls, have been the most vulnerable in this regard. The HIV prevalence rate varies from region to region, province to province, and between urban and rural areas, with Sofala province leading the way with a prevalence rate of 25 per cent (Figure 6.1).

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<sup>28</sup> Ibid.

<sup>29</sup> Ibid

**Figure 6.1: Provincial Distribution of HIV/Aids in Mozambique <sup>30</sup>**



1150. The devastating effects of HIV/Aids on the economic and social sectors in a province such as Sofala cannot be overestimated. The concentration of the infection in the most active segment of the population (persons 15–50 years of age) places a disproportionate weight on the age group that plays a central role in the development of the economy and the social sector. Though some successes have been registered during the past few years, the disease continues to claim victims and, in some provinces, the rate is on the rise.

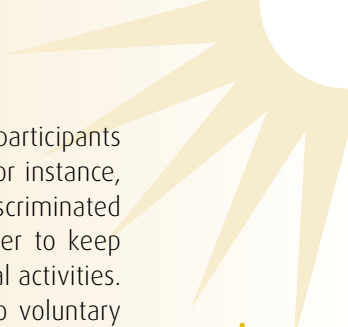
1151. However, the CRM was delighted to learn from stakeholders in Manica and Tete provinces that there is a declining trend in the HIV/Aids prevalence rate, which dropped from 19.7 per cent in 2004 to 16 per cent in 2007. According to the provincial health officials concerned, the breakthrough is attributable to a number of factors, including:

- Making antiretroviral treatment available in all health centres in the districts and in some health units in a total of 25 locations;
- Counselling and encouraging voluntary testing at all health centres and by mobile teams; and
- Adopting a multi-sector approach to disseminating information and raising awareness on HIV prevention.

1152. The CRM considers the outcome of anti-HIV/Aids initiatives in Manica and Tete very encouraging, as they could serve as models for the rest of the country in determining the most effective approach in the fight against HIV/Aids. Overall, however, the rising trend of the pandemic necessitates reviewing and adapting current policies and strategies to accommodate prevailing socioeconomic and cultural realities across the country.

<sup>30</sup> MISAU (n.d.).



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1153. The problem of stigmatisation was widely highlighted by many participants during the CRM's provincial consultations. In Zambézia province, for instance, it was indicated that because of fear of being castigated and discriminated against by their family and community, affected individuals prefer to keep their sero status a secret, while still engaging in unprotected sexual activities. Stigmatisation also makes it difficult for many people to undergo voluntary testing, or to comply fully with a treatment regime. Activities undertaken to address the problem remain very limited and uncoordinated. As demonstrated in the cases of Zambézia and Sofala, efforts to educate families and communities about, and sensitise them to, their supportive role in fighting the HIV/Aids pandemic and stigmatisation have yet to yield tangible results.
  1154. Access to antiretroviral treatment in Mozambique is low. This is partially attributed to the problem of ignorance of the majority of the population. What also came out of the CRM's discussions in various parts of the country is the recognition of serious weaknesses in linkages between different channels of communication through which information is disseminated to different stakeholders. Ignorance, coupled with poor communication channels, can only yield distorted messages. This situation needs to be remedied urgently.
  1155. The CRM noted that more women and girls (58 per cent) than males are affected by the HIV/Aids in Mozambique. Yet, no special role has been assigned to women and girls in sensitising Mozambican society to the pandemic and mobilising them.
  1156. Concerning support from other stakeholders and external partners, the CRM was informed that both the private sector and the CSOs are playing an active role in supporting the government's fight against HIV/Aids. The Bill Clinton Foundation is also helping with the supply of necessary drugs and equipment for testing and treating affected persons. However, it was observed that this foundation's programme, although very useful in making critical drugs and other medication for HIV/Aids treatment available, has had some negative effects on national efforts for institutional building. This is mainly because it is being implemented independently outside of the existing national institutional frameworks.
  1157. The CRM was informed that well-qualified national health technicians are regularly lured into abandoning their positions in government institutions to join the Bill Clinton Foundation because of better incentives. This brain drain has in some ways undermined the government's efforts to build strong institutional capacity in fighting the HIV/Aids pandemic. The dangers of such a dual system need to be brought to the attention of the donor partners, in order to ensure that their interventions are complementary to, and supportive of, national programmes rather than substitutions.

## ***Malaria***

1158. As noted in the CSAR, malaria is the leading killer in Mozambique despite the fact that the disease is both preventable and can be treated. It is estimated that 26 per cent of hospital deaths are due to malaria. The prevalence rate in children under 5 years of age fluctuates between 35 and 60 per cent. Malaria constitutes an especially high-risk factor to pregnant women and is the major cause of many premature births. Nearly 35 per cent of affected pregnant women are paralysed and more than 60 per cent are afflicted with associated anaemia. About 45 per cent of all observed cases in external consultations, and nearly 56 per cent of internments in paediatric wards, are attributable to malaria.<sup>31</sup>
1159. The government has undertaken various efforts in response to the threat of malaria. Measures to contain the spread of the disease, including intra-domicile spraying, distributing mosquito nets treated with long-life insecticide, and launching a sensitisation campaign, have been initiated and yielded some positive results. For instance, the CRM was told in Tete and Manica provinces that during the short period of 2007–08, the malarial infection rate had already decreased.
1160. Although some headway is being made in reducing both infection and fatality rates, as in the case of Tete and Manica, malaria continues to be a huge public health challenge. Like in most other African countries, the disease tends to be assigned second-level priority compared with the HIV/Aids pandemic or other epidemics, such as cholera, even though it is the number one killer in the country. It is a sickness associated with the quality of the environment in which people live, and consequently it is often taken to be a normal occurrence.
1161. Some of the challenges the government will have to address consist in:
- Expanding and intensifying the coverage for intra-domicile spraying and the distribution of mosquito nets, from 35 and 15 per cent respectively in 2008, to 60 and 80 per cent respectively by 2015, as targeted for the MDGs;
  - Launching a sustained and intensive campaign for the sensitisation and involvement of communities, giving special attention to rural areas;
  - Increasing access to quick diagnosis and proper treatment by improving the capacity of health centres throughout the country in terms of appropriate equipment, necessary medication and trained staff; and
  - Making the malaria awareness campaign an integral part of the prenatal care package, as is currently done with regard to the fight against HIV/Aids.

## ***Tuberculosis***

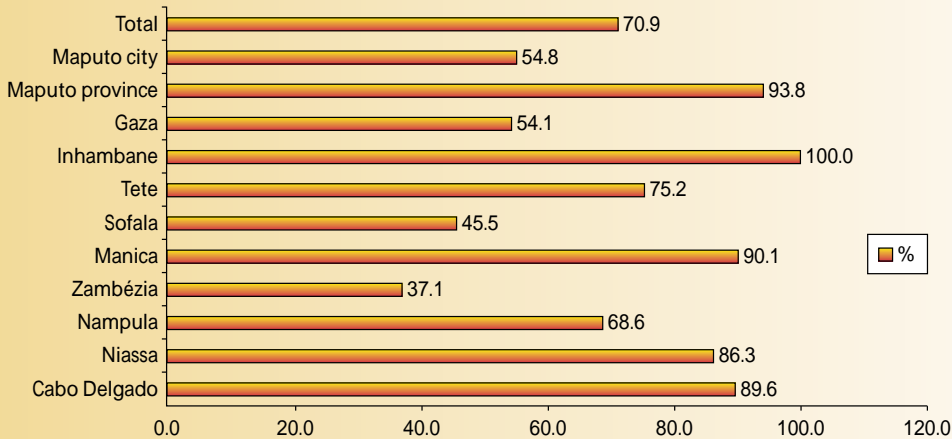
1162. Thanks to commendable ongoing efforts, the tuberculosis (TB) infection rate is showing a decline. Currently, the national prevalence rate is estimated at 624

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<sup>31</sup> MPD (2008).

per 100 000, down from 636 per 100 000 people. The DOTS programme pioneered by the government has yielded notable results (Figure 6.2). The impact of different anti-tuberculosis activities has been a net reduction in the number of cases, as indicated above. Also, during the period between 2006 and 2008, the mortality rate dropped from 129 to 117 deaths per 100 000 inhabitants.

**Figure 6.2: Tuberculosis Infection Rates in Mozambique**



1163. Despite encouraging results in the fight against TB, the infection still poses a serious health challenge to the country, particularly in view of its close association with the HIV/Aids pandemic. Progress recorded in the treatment of, and recovery from, TB has not been matched by any tangible increase in the detection rate. It is estimated that the proportion of TB cases detected in the ambit of the DOTS programme regressed from 77 per cent in 2003 to 47 per cent in 2007.

### III. Recommendations


1164. The APR Panel recommends that Mozambique should:
- Undertake a comprehensive review of its pyramidal structure of education in order to broaden access at the secondary, technical and tertiary levels [Ministry of Education (MEC)];
  - Establish guidelines on standards and quality monitoring for the education and health sectors [MISAU];
  - Establish an integrated multi-sectoral framework for the fight against HIV/Aids, tuberculosis and malaria [MISAU];
  - Bring traditional leaders, religious leaders and other opinion makers in communities to the forefront in the fight against HIV/Aids [MISAU];
  - Involve young people and women actively in the fight against HIV/Aids [MISAU; CSOs];
  - Take the necessary measures to extend and intensify the coverage of the

DOTS programme by involving communities and capacitating health centres to provide quality diagnostic and laboratory services [MISAU].

**Objective 4: To ensure affordable access to water, sanitation, energy, finance, markets, ICTs, shelter and land for all citizens, especially the rural poor**

**I. Summary of the CSAR**

1165. The CSAR notes that access to basic infrastructure, such as water, sanitation, energy, finance, markets, information and communication technologies (ICTs), shelter and land for all citizens, especially the rural poor, has generally been distributed unequally – not only among provinces, but also between urban and rural dwellers and among the socioeconomic strata of the population. This has serious implications for improving the wellbeing of Mozambicans and for attaining the MDGs.
1166. According to the CSAR, the approval of the National Water Policy in August 1996 marked the beginning of an aggressive attempt to achieve the MDGs by increasing the spatial coverage in the provision of drinking water and sanitation services in Mozambique. Hitherto, about one third of the urban and rural areas were supplied with potable drinking water in 1992/93, and only 4 per cent of the urban population were linked to sewage systems. Access to clean water varies across provinces. The CSAR indicates that the southern provinces have better access than the central and northern provinces, with Nampula and Zambezia having the least access. The focus of environmental sanitation in urban and rural areas is the provision of improved toilet facilities through the low-cost sanitation programme. As at 2006, a modest coverage of 36.5 per cent had been achieved in the provision of improved latrines in the rural areas.
1167. Concerning energy supply, the CSAR notes that Mozambique has great potential for electricity generation to meet its domestic needs and to export water to other southern African countries. However, this has not been achievable due to, inter alia, inadequate funding of the national electricity utility, EDM, established by law in 1991. Thus, during 2005, only 7 per cent of the urban population and 2 per cent of the rural population had access to electricity supply. In 2006, however, strategies were put in place to expand the distribution network of power supply and the commercialisation of liquid fuels.
1168. With regard to access to finance and markets, the CSAR points out the over-concentration of financial operators in the main urban centres, especially in Maputo city. This accounts for rural dwellers' limited access to credit for expanding their agricultural production activities and marketing their products. The government has intervened through the establishment of the Economic Rehabilitation Support Fund (FARE), whose main goal is to channel credit to



projects located in rural areas. It has also established the minimum capital requirement for microfinance operators, as well as branches of the Bank of Mozambique (BM) in the provinces. Nevertheless, inequality in the distribution of credit by activity sector remains, as commerce in the urban centres remains the priority sector.

1169. The CSAR indicates that access to ICTs, such as radio, television, telephones, the Internet and other means of communication, showed considerable increase between 1997 and 2003. During this period, in particular, access to radio increased from 29 to 65 per cent among rural dwellers. However, there is still wide disparity in access to other means of communication, especially telephones and the Internet, between urban and rural areas on the one hand and among provinces on the other hand, with the southern provinces having greater access than the central and northern ones.
1170. Although land constitutes a sizeable proportion of Mozambicans' assets, the CSAR indicates that the ownership of land is vested in the state. The Constitution stipulates that land may not be mortgaged or used as collateral for borrowing. Only about 11–15 of the 36 million hectares of arable land are currently being cultivated, with a further 46.4 million hectares of land under forestry. In terms of access to land, only two-fifths of the land are allocated through the customary system and less than 10 per cent through sales, particularly in urban centres. In addition, most households interviewed for the CSAR indicated that the level of access to land had showed considerable improvement over the past five years. The main issue in this regard, however, remains that of security of ownership, which only confers a right to use and not to transfer. Such ownership titles are not useful to banks as collateral.

## **II. Findings of the CRM**

1171. The issue of disparity (among provinces and between urban and rural areas) in the provision of basic facilities, such as water, sanitation, energy, finance, markets, ICTs and shelter, as contained in the CSAR, was confirmed by the CRM during its interaction with stakeholders. The CRM observed, and was informed, that there is a concentration of basic facilities in the southern part of the country. This has historical antecedents, in addition to the fact that the location of ports and other infrastructure in Maputo province has been attracting investors to the southern region since the colonial period.
1172. Stakeholders shared a general perception that communities in the central and northern parts of the country are poorer than the southern region with regard to the provision of affordable basic facilities. However, positive changes are being expected soon, with the growing emphasis on investment in education, especially the establishment of tertiary education, as well as the implementation of the government's strategy for rural development.

## Access to Water

1173. Access to drinking water and sanitation in Mozambique has historically been a major problem, in common with many African countries. In 1992, only one-fifth of the country's households had access to potable water, but the situation seems to have improved in recent years. The proportion of households with access to safe water rose to 44.3 per cent in 2007.<sup>34</sup> More households were provided with a safe water source in the rural areas (48.5 per cent) than in the urban areas (40 per cent) in 2007 (Table 6.4).

**TABLE 6.4: A COMPARISON OF URBAN AND RURAL WATER PROVISION COVERAGE IN MOZAMBIQUE, 2004–08 (%)<sup>33</sup>**

Province	Year									
	2004		2005		2006		2007		2008	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
Niassa	10	59.2	11	59.3	11	62.9	11	70.5	23	67.7
Cabo Delgado	41	52.6	41	49.9	42	52.2	55	48.4	64	54.1
Nampula	25	19.6	20	18.9	19	22.0	24	23.6	49	31.2
Zambézia	06	22.8	11	27.0	11	28.5	19	26.6	53	32.1
Tete	38	42.4	40	45.5	40	41.8	48	45.5	57	52.8
Manica	05	50.7	08	39.9	07	41.1	16	50.8	20	56.2
Sofala	18	69.0	19	67.0	20	65.9	31	71.5	49	59.7
Inhambane	16	55.4	16	63.2	17	67.1	35	67.7	71	73.5
Gaza	27	56.3	28	51.5	27	50.5	47	49.7	67	62.9
Maputo	59	54.9	41	67.9	40	60.8	47	62.5	49	70.7
Total	36	39.9	37	41.0	38	42.1	40	43.2	50	48.5

1174. However, figures for 2008 indicate that half of the residents in the urban areas were provided with potable water during the year, as against 48.5 per cent in the rural areas (Table 6.5). Nevertheless, the disparity among regions persists, with the southern regions having better access to potable water in the urban and rural areas. In interactive sessions, stakeholders attributed the increase in access to safe drinking water to the policy of distributing chlorine tablets to purify water from doubtful sources. In addition, in the central and northern regions, where access to safe water is limited, water sources are protected by the Community Water and Sanitation Committee in order to minimise pollution.

<sup>32</sup> MPD (2008).

<sup>33</sup> CRM findings in 2009.



**TABLE 6.5: URBAN WATER SUPPLY COVERAGE BY PROVINCE IN MOZAMBIQUE, 2004–08** <sup>34</sup>


Province	2004		2005		2006		2007		2008	
	Pop.	%	Pop.	%	Pop.	%	Pop.	%	Pop.	%
Niassa	201 897	10	201 452	11	219 355	11	228 623	11	219 803	23
Cabo Delgado	194 259	41	201 385	41	208 780	42	216 452	55	208 077	64
Nampula	771 160	25	801 086	20	832 514	19	865 531	24	814 934	49
Zambézia	461 067	06	484 144	11	508 432	11	534 005	19	386 660	53
Tete	155 388	38	162 552	40	170 047	40	177 891	48	152 909	57
Manica	330 787	05	344 561	08	358 764	07	373 399	16	309 208	20
Sofala	648 027	18	670 292	19	693 154	20	716 617	31	578 627	49
Inhamitane	215 129	16	224 946	16	235 177	17	245 830	35	169 762	71
Gaza	291 282	27	304 289	28	317 828	27	331 905	47	260 188	67
Maputo	1 189 594	59	1 905 541	41	1 965 002	40	2 024 656	47	1 774 524	49
Total	4 458 590	36	5 300 248	37	5 509 053	38	5 714 909	40	4 941 696	50

1175. The CRM was further informed that there is a plan to involve the private sector in the provision of potable water supply in urban centres, as contained in the document of the Second National Water Development Project of 1998. The CRM regards this as a good example of a public-private partnership.
1176. Access to safe drinking water in Mozambique is likely to increase even more with the implementation of the Second National Water Development Project. The project aims to improve the quality, reliability and sustainability of water services in the cities of Beira, Maputo, Nampula, Pemba and Quelimane, through the promotion of greater private sector participation in the provision of water services. However, the good practice of the Water Regulatory Board reviewing the tariff structure twice a year should be maintained in order to ensure affordability by urban residents.

### ***Recommendations***

1177. The APR Panel recommends that Mozambique should:
- Formulate a strategy for enhancing and implementing public-private partnerships in the provision of safe water to urban dwellers [municipal governments; private sector];
  - In addition to the steady progress being made in urban water coverage,

<sup>34</sup> Based on 2009 records of the Directorate of Resources, Government of Mozambique, Maputo. Note: Pop. = Total urban population (%).



improve on the current drive to ensure that the proportion of the population with access to safe water in the rural areas meets the MDG goal of 70 per cent in 2015 at the minimum [national government]; and

- Pursue vigorously the campaign for the use of clean water for healthy living [national, provincial and district governments; CSOs].

### ***Sanitation***

1178. As noted under Objective 3 above, 25 638 pit latrines were constructed in rural areas across the country in 2007, representing coverage of 39 per cent and an increase of 6.4 per cent from 2003.<sup>35</sup> On the other hand, there was a decline in the proportion of the urban population with access to improved sanitation, from 71.7 per cent in 2003 to 47.3 per cent in 2007. The reason for this decrease is not clear.

1179. In an interactive session, stakeholders claimed that the decline could be due to the transfer of the responsibility for maintaining sanitation to the municipalities. Although the government is trying to address the disparity in the provision of improved sanitation in the regions, stakeholders believe that the problem will persist longer than expected in some provinces in the central and northern regions because of high population growth and inadequate numbers of health workers to train household members on the construction and use of the improved latrines. Nevertheless, stakeholders believe that awareness campaigns on healthy living at the community level could increase access to affordable sanitation in Mozambique.

1180. The CRM noted the promotion of composting latrine technology by WaterAid, especially in the Sofala and Niassa provinces, where compost from latrines has been used to boost the yields of agricultural crops, such as maize and fruit trees.

### ***Recommendations***

1181. The APR Panel recommends that Mozambique should:

- Strengthen the capacity of municipal governments by providing skilled staff and funding to assume full responsibility for the provision of improved sanitation, especially solid waste management [national and provincial governments]; and
- Improve the training of district staff, CSOs and household members in the construction of improved latrines in rural areas [provincial governments].

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<sup>35</sup> MPD (2008).

## **Energy**

1182. Approximately 80 per cent of the energy consumed in Mozambique comes from woody biomass, with an annual consumption estimated at 16 million cubic metres. This is the equivalent of about US\$706 million annually. Wood energy (mainly charcoal) remains the main source of domestic energy in urban areas, which poses not only a huge threat to forest resources in many areas, especially those near to towns and cities, but also an unsustainable development for future generations. Other sources of energy in the country include gas and coal, with a production figure of 104 519 840 tonnes and 23 602 tonnes respectively in 2007, which represents a 2.3 and –82.9 per cent change from the figures for 2006. Currently, most of the gas and coal are exported to other SADC countries.
1183. The CRM noted the National Energy Strategy's main reform to expand domestic access to modern energy and promote export-oriented energy projects through private sector participation. Also, the reversion and control of the Cahora Bassa Hydroelectric Plant will not only ensure an additional supply of energy for internal consumption, but also guarantee concession fees and a better fiscal regime for the Mozambican government.
1184. The CRM confirmed that all major cities have been connected to the national grid. Currently, the EDM is connecting more than 90 000 families to the distribution grid each year, with an annual investment of around US\$50 million to US\$60 million. Stakeholders confirmed the electrification of 82 out of 128 district headquarters, representing about 64 per cent coverage. Despite this, less than 5 per cent of Mozambicans have access to electricity in rural areas.

## **Recommendations**

1185. The APR Panel recommends that Mozambique should:
- Formulate a comprehensive national energy policy that will promote the use of renewable energy sources, as well as address the domestic consumption of gas and coal in order to reduce the rate of deforestation [Ministry of Energy];
  - Speed up the electrification process, especially in rural areas, in order to promote the development of agro-processing industries and minimise rural-urban migration [Ministry of Energy]; and
  - Address the issue of insufficient data on energy in the relevant ministries [Ministry of Energy].

## **Finance and Markets**

1186. As noted in Chapters Four and Five, the CRM confirmed the disparity between urban and rural areas in the number of microfinance banks. Stakeholders also

confirmed the inability of small-scale farmers to access microcredit due to high interest rates and unaffordable requirements for collateral.

1187. Stakeholders complained about the inadequate and poor storage facilities for agricultural products in Mozambique and the lack of agro-processing industries in most districts, which limit access to markets by small-scale farmers.
1188. The CRM noted the average-to-good conditions of interprovincial roads and the poor states of intraprovincial roads. It commends Mozambique for the provision and fair distribution of airports and facilities in the three regions. The CRM also observed the extensive use of bicycles as a means of transportation in urban and rural areas of the southern and central regions of Mozambique. However, cyclists and their passengers are prone to regular and fatal accidents as a result of competition with other road users, especially in urban areas.

### ***Recommendations***

1189. The APR Panel recommends that Mozambique should:
- Provide improved storage infrastructure and training in post-harvest handling for small-scale farmers [MINAG]; and
  - Rehabilitate existing and establish more agro-processing industries, and provide regular, up-to-date marketing information to farmers [MINAG].

### ***Transport Infrastructure***

1190. The volume of goods and passengers handled by the five modes of transportation in Mozambique in 2006 and 2007 are shown in Tables 6.6A and 6.6B.

<b>TABLE 6.6A: TRANSPORTATION OF GOODS IN MOZAMBIQUE BY MAJOR MODE OF TRANSPORTATION (IN 106 TONNE-KILOMETRES) <sup>36</sup></b>			
<b>Mode</b>	<b>2006</b>	<b>2007</b>	<b>% Change</b>
Rail	775.1	736.3	-3.6
Sea	178.8	217.8	21.8
Road	1 238.3	1 534.5	21.6
Air	6.0	8.1	34.8
Pipeline	102.1	137.9	35.1

<sup>36</sup> INE (2008)

**TABLE 6.6B: TRANSPORTATION OF PASSENGERS IN MOZAMBIQUE BY MAJOR MODE OF TRANSPORTATION (IN 106 PASSENGER-KILOMETRES) <sup>37</sup>**

Mode	2006	2007	% Change
Rail	342.3	319.6	-6.6
Sea	9.0	9.4	4.4
Road	26 486.8	28 769.6	8.6
Air	662.3	845.8	27.7

1191. As shown in Tables 6.6A and 6.6B, roads are the most important mode of transportation for goods and passengers in Mozambique, accounting for more than half (58.3 per cent) of the volume of goods and 96.1 per cent of passengers transported in the country in 2007. However, as shown in Table 6.6C, only 17.9 per cent of the total lengths of roads in the country are paved or tarred. A further 25.4 per cent are graded or gravelled, while 56.7 per cent are footpaths. The CRM observed that most interprovincial roads are tarred, whereas municipal and district roads are in a poor condition. Most rural roads are footpaths, which are at best gravelled or graded.

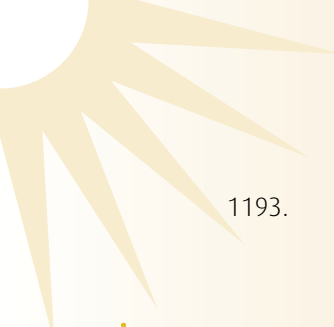
**TABLE 6.6C: TYPE OF ROAD SURFACES BY PROVINCE IN MOZAMBIQUE, 2007 (IN KILOMETRES) <sup>38</sup>**

Province	Tarred or Paved	Graded or Gravelled	Footpath
Niassa	161	379	2 257
Cabo Delgado	668	883	1 893
Nampula	516	1 411	2 133
Zambézia	351	858	3 037
Tete	837	215	1 889
Manica	581	924	939
Sofala	567	912	896
Inhambane	622	450	1 822
Gaza	464	1 039	1 024
Maputo	478	378	740
<b>Total</b>	<b>5 245 (17.9%)</b>	<b>7 449 (25.4%)</b>	<b>16 630 (56.7%)</b>

1192. Mozambique has five seaports – Beira, Maputo, Nacala, Pemba and Quelimane. In 2006 and 2007, there was an increase in the volume of goods and passengers handled by the seaports, with a higher percentage change (21.8 per cent) in the volume of goods than in the volume of passengers (4.4 per cent). Sea

<sup>37</sup> Ibid.

<sup>38</sup> Ibid.



transport for passengers was the least used among the major modes of transportation in the country in 2007.

1193. Unlike other modes of transportation, the use of railways for the movement of goods and passengers decreased by 3.6 and 6.6 per cent respectively, between 2006 and 2007. The CRM observed that this could be due to the rail system running from east to west, with no direct link between north and south, where the exchange of goods and services is highest in the country. In addition, most of the equipment owned by the country's railway corporation, particularly the coaches, is old and dilapidated, thus discouraging the use of this mode for moving goods and passengers. Nonetheless, the railway system in Mozambique is well linked with neighbouring countries, thus promoting international trade.
1194. The CRM noted the equitable distribution of the nation's airports among the three regions and the ranking of the national carrier, LAM Airlines, as one of the best in Africa in terms of punctuality. In addition, there was a significant increase in the volume of goods and passengers transported by air between 2006 and 2007.

### ***Recommendations***

1195. The APR Panel recommends that Mozambique should:
- Develop a national plan for improving the network of serviceable roads in the provinces to facilitate the timely and adequate evacuation of agricultural products from the farms to markets in urban centres [Ministry of Public Works and Housing (MOPH)];
  - Create cyclists' lanes when constructing and rehabilitating new roads in urban and peri-urban areas [MOPH; municipalities];
  - Link the northern and southern regions directly through the rail system in order to facilitate an efficient internal trade system [MPD; MOPH]; and
  - Improve the use of sea transport for the movement of passengers and goods along the country's 2 700 km coastline [MPD; MOPH].

### ***Information and Communication Technology***

1196. The CRM noted the wide coverage in the provision of postal services in the country. There were 11 central, 77 primary and 17 secondary post offices and three postal posts in Mozambique in 2007. In the same year, the 108 postal facilities handled more than 6 million letters, about 65 000 express mail service items, and more than 7 000 parcels.
1197. A significant increase (57.1 per cent) in the number of subscribers to mobile telephone services by the two providers (MCEL and Vodacom) between 2005 and 2006 was noted. By contrast, the fixed network had an increase of only



1.1 per cent for the same period. Although it is difficult to establish the number of Internet service providers and registered cyber cafés in the country, the CRM noted the availability of Internet facilities in all provincial headquarters and some other municipalities, with a relatively low coverage in rural areas.

### **Recommendation**

1198. The APR Panel recommends that Mozambique should:
- Improve access to affordable Internet and other information technology facilities in both urban and rural areas, in order to facilitate the effective dissemination of information [Ministry of Communication].

### **Shelter**

1199. Immediately after independence, the government completed the nationalisation of rented housing and buildings. This put an end to speculative practices in housing and made it possible to structure the occupation of houses abandoned by the Portuguese. At the time, an average of 50–60 per cent of the urban population was living in informal settlements and marginal areas, in houses made of light, unstable material.<sup>39</sup>
1200. Stakeholders confirmed the development of shanty towns and slums in many cities, with high population densities and uncontrolled high rentals for housing. The high housing rents along the coast lines of Maputo and other cities are unaffordable for most government workers, who are now being forced to live in slums around the cities with low housing and environmental qualities.
1201. In general, the CRM noted the following challenges to Mozambique's housing industry:
- The weak housing policy as a result of inadequate skilled human resources in the Housing Unit of the MOPH;
  - The high cost of building materials in the country, to the extent that relatively less expensive building materials are imported from South Africa, with implications for the local building industries;
  - The land policy in the country and the difficulty in obtaining plots of land for building, especially in urban areas (about 4 000 plots are approved annually);
  - The negligible budgetary allocation to the Housing Unit of the MOPH annually, as against the budgetary allocation of 5 per cent recommended by the African Ministerial Council on Housing and Urban Development;
  - The low quality of houses in both urban and rural areas, with almost 50 per cent and over 90 per cent of houses in urban and rural areas, respectively, having thatched roofs; and

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<sup>39</sup> According to a study by the MOPH/DNH and UNDP-HABITAT (Monograph of Maxaquene neighbourhood). Referred to in [http://www.unhabitat.org/downloads/docs/4399\\_91753\\_CWS%20Moz\\_final%20eng%20ver%20with%20figs.pdf](http://www.unhabitat.org/downloads/docs/4399_91753_CWS%20Moz_final%20eng%20ver%20with%20figs.pdf).

- The difficulty in obtaining data on housing and the disability-unfriendly design of houses and public buildings in Mozambique. The CRM confirmed the non-availability of reliable data on housing in Mozambique.

### **Recommendations**

1202. The APR Panel recommends that Mozambique should:
- Address the issue of the paucity of data on housing and initiate a coordinated housing policy in all urban centres and rural areas [Ministry of Local Government; municipalities];
  - Increase budgetary allocation to housing in line with the recommendation of the decision of the African Ministerial Council on Housing and Urban Development [Ministry of Local Government; MF]; and
  - Build capacity in the National Housing Directorate (DNH) of the Ministry of Local Government to be able to carry out surveys and other tasks on housing demand and supply [Ministry of Local Government].

### ***Land for All Citizens, Especially the Rural Poor***

1203. As previously noted, Mozambique possesses 36 million hectares of arable land, of which 20 million hectares are of low climatic risk; 5 million are of medium climatic risk; 3 million are of high climatic risk; and 9 million are not viable for climatic reasons. With an estimated population density of 20 people per square kilometre, land availability in general terms and in the short term is not a constraining factor to increased agricultural production.
1204. The production of basic staples, notably maize, has increased, with a concomitant reduction in the level of food aid needed to meet the country's food requirements. At an aggregate, national level, the country is currently virtually self-sufficient in terms of food grain production, with the exceptions of wheat and rice. This growth, however, has been uneven regionally and does not provide any indication of the widening disparities between urban and rural areas in terms of levels of poverty and food insecurity. Moreover, this growth has often failed to go hand in hand with nutritional improvements at the household level. There is a need, however, to devise policies and strategies that will guarantee sustainable exploitation of the country's land and water resources.
1205. The CRM notes, however, that state ownership of land in Mozambique is a major constraint to wealth creation. The sale and use of land as collateral are prohibited, which makes it difficult to access credit for productive purposes. Significantly, land in Africa, as in other parts of the world, is not only a means of producing wealth, but also conveys a sense of cultural identity that links past, present and future generations.
1206. Highlights of the 1997 Land Law currently in use include the following:
- The possession of customary rights (for individuals as well as groups),

a co-titling regime, the role of local communities in resource management and conflict resolution, and their position when new investment comes to an area;

- The fact that women are seen as having full rights, independent of the household or family unit of which they are a part;
- The recognition of usufructural rights by nationals of Mozambique;
- The possibility that foreigners can obtain land use rights easily; and
- The fact that exclusive rights over land still require that licences for new economic activities be issued by sectoral bodies (tourism, mines, forestry, etc.) and that licences on their own do not confer a land use right.

### **Recommendations**

1207. The APR Panel recommends that Mozambique should:
- Rehabilitate and establish small-scale irrigation facilities in order to ensure adequate use of agricultural land for food security [government; agricultural extension workers]; and
  - Initiate the process of amending the 1997 Land Law in order to add value to land through the creation of a land market [government; political parties; parliamentarians].

**Objective 5: To make progress towards gender equality in all critical areas of concern, including equal access to education for all girls at all levels**

### **I. Summary of the CSAR**

1208. The CSAR notes that the government has put in place the necessary institutional and policy framework for addressing the issue of gender equality. The principle of gender equality and rights has been adopted under provisions of the Constitution (Articles 35 and 36). At policy level, gender equality is addressed by the PQG and PARPA II. Other sectoral plans have gender mainstreaming in them, for example, the education and culture sector prioritises gender issues in its Strategic Plan for 2006–10/11.
1209. In order to realise the set goals and objectives, Mozambique has, among others, established an institutional framework that includes the Ministry of Women and Social Affairs (MMAS) established in 1995; gender focal points in ministries set up in 2003; and the National Council for the Advancement of Women (CNAM) created in 2004, which has a technical group comprising all sectors and provincial and district councils. The CNAM was established to promote and monitor the implementation of the government's gender policies. On this basis, it can be argued that there is a juridical, political and institutional structure in Mozambique that is favourable to the promotion of gender issues and the empowerment of women.

1210. The CSAR notes that, since 2005, the MMAS has been training representatives of sectors and provinces in gender mainstreaming in development programmes. Remarkable progress has been made in increasing women's representation in Parliament and in some top government positions. The country has also made progress in closing the gender gap in primary education. The CSAR notes, however, that illiteracy rates are still high for women; the dropout rate for girls is high in upper primary school; and the enrolment rate in secondary education is low.

## II. Findings of the CRM

1211. The CRM noted that Mozambique has supportive policies, laws and an institutional framework for guiding efforts to achieve gender equality and equal opportunities for all individuals (Box 6.10). The government has signed several regional and international instruments that promote the equal rights of women and men, as listed in Box 6.10. These initiatives commit the signatory countries to revise discriminatory laws and to formulate new policies and programmes for the benefit of women.

### BOX 6.10: LEGAL FRAMEWORK FOR GENDER EQUALITY IN MOZAMBIQUE <sup>40</sup>

- International and regional instruments;
- Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) (1993);
- Optional Protocol to the CEDAW (OP-CEDAW);
- UN Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children (2003);
- SADC Declaration on Gender and Development (1997);
- The Prevention and Eradication of Violence Against Women and Children (Addendum to the SADC Declaration on Gender and Development), 1998;
- Protocol to the African Charter on Human and Peoples' Rights on the Rights of Women in Africa (2005);
- Solemn Declaration on Gender Equality in Africa;
- African Charter on the Rights and Welfare of the Child;
- National provisions;
- Constitution of the Republic of Mozambique (1990);
- Land Law (1997);
- Family Law (2004);
- Labour Law (Law No. 23/2007);
- Law on the Prevention and Combat of Trafficking of Human Beings, especially Women and Children (2008);
- Second National Plan for the Advancement of Women (PNAM 2007–09); and
- Gender Policy (2007).

<sup>40</sup> APRM field notes, Mozambique, 7 February to 2 March 2008.

1212. National-level provisions include the Constitution; the Land Law; the Family Law; the Law on the Prevention and Combat of Trafficking of Human Beings; the Labour Law; and policies and plans to promote gender equality. The 1990 Constitution proclaims the equality of men and women in Article 36. The Land Law of 1997 clearly recognises the right of women to land by stating that both men and women have the right to use and benefit from land. The Family Law provides for the following:

- The recognition of customary unions, allowing women married under customary law to claim property and custody rights;
- The recognition of informal unions, giving women who have lived with their partner for more than one year the right to inherit;
- An increase in the minimum age of marriage to 18 years (from 14 and 16 years for boys and girls, respectively); and
- The elimination of the principle of male supremacy, by giving the man and the woman joint administration of property.

In addition, polygamous unions are not permitted by law. The Law on the Prevention and Combat of the Trafficking of Human Beings, especially Women and Children, criminalises trafficking and protects the rights of women and children.


1213. In 2007, the country approved a Gender Policy, of which the general objective is to “develop the main action lines, in an integrated manner, aiming at promoting gender equality, regard for human rights and strengthening women’s participation in the development of the country”. The implementation strategy focuses on the political, economic, legal, sociocultural, defence and security aspects of activities. Mozambique also has the PNAM for 2007–09 (Box 6.11).

**BOX 6.11: GOOD PRACTICE: THE NATIONAL COUNCIL FOR THE ADVANCEMENT OF WOMEN <sup>41</sup>**

The CNAM consists of 12 women and four men. It meets every three months and holds extraordinary meetings, when necessary, to discuss a full range of issues at the highest level. Replicas of the CNAM exist at district level, which is intended to encourage women at the lowest levels to discuss issues that affect them. It is through this coordination mechanism that gender activities are implemented. Members of civil society and religious groups are also part of the process.

1214. As noted in the CSAR, in order to facilitate implementation of these laws and policies, the country has put in place an institutional framework that includes the MMAS; gender focal points; the CNAM; the Parliamentary Commission on Social, Gender and Environmental Affairs; and the Forum for Women Parliamentarians.

<sup>41</sup> APRM field notes, Mozambique, 7 February to 2 March 2008.

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1215. Although a very supportive legal and institutional framework therefore exists, the CRM found that many Mozambican women, especially in rural areas, are still largely unaware of their rights. If they are aware of their rights, they often do not know how to exercise them. The main challenge to gender equality that the CRM noted was the dominance of customary law, which favours patriarchy.

### ***Major Role of the Civil Society in Advocating for Gender Equality***

1216. The CRM found that there is an active civil society in Mozambique, which has been responsible for mobilising wide-based support for gender equality through direct campaigns. The civil society undertook a great deal of advocacy work towards the enactment of the Family Law in 2004. It has also been responsible for advocating for a proposed law on domestic violence.

### ***Gender Mainstreaming and Gender-responsive Budgeting***

1217. The CRM was informed that the MMAS has been undertaking training in gender mainstreaming and gender-responsive budgeting for sector ministries and local governments. Through consultations with stakeholders, the CRM learnt that the guidelines were a good initiative for mainstreaming gender budgeting into the planning and resource allocation processes and the CRM would urge the government to accelerate implementation of this initiative.

### ***Gender Parity in Primary and Secondary Education***

1218. The CRM noted that Mozambique has made progress in addressing gender disparity in primary education, with the net schooling rate for girls increasing from 78.1 per cent in 2005 to 90.1 per cent in 2007.<sup>42</sup> However, girls are significantly more likely to drop out of school than boys. Although girls and boys enrol in first grade in a roughly equal ratio, only 39.4 per cent of Grade 11–12 pupils in 2007 were girls.<sup>43</sup>

1219. The CRM learnt from discussions with stakeholders that the major challenges affecting girls' attendance in primary and secondary schools include long distances to school; a lack of resources to buy school materials, such as uniforms and stationery, even though primary education is free; a lack of resources for secondary school fees; parents' preference to send boys to school; and early marriage and pregnancies. Discussions in Maputo province revealed that a ministerial decree of 2003 states that all school girls who become pregnant will have to attend night school or leave school. These girls therefore often drop out of school. Stakeholders complained that the decree puts the girl-child at a disadvantage and that it should be reviewed. The new Family Law, passed in 2004, raises the legal age for marriage to 18 years (with parental consent)

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<sup>42</sup> Government of Mozambique & UNDP (2008)..

<sup>43</sup> INE (2008).



and 21 years (without parental consent). However, despite public awareness campaigns, many girls and young women remain unaware of its existence and, in some areas, early marriages continue to occur.

1220. The CRM also noted that significant regional gender inequalities exist among provinces, or districts in the same province. The key indicators of education, such as enrolment, completion and teacher qualification levels, are substantially lower in the northern and central regions, compared with the southern region of the country.
1221. The CRM noted that Mozambique is putting in a great deal of effort and has made some progress towards improving girls' access to education (Box 6.12). However, more needs to be done. The CRM recommends that the country should intensify its efforts to address the factors causing high dropout rates; take care of regional and gender inequalities; and encourage the participation of women in the teaching profession. It must be noted that the MEC already has a strategy in place to encourage the participation of women in teaching. This needs to be re-emphasised.

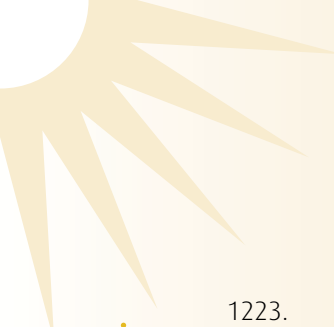
**BOX 6.12: EFFORTS TO ENCOURAGE THE PARTICIPATION OF GIRLS IN EDUCATION IN MOZAMBIQUE** <sup>44</sup>

The country has embarked on many strategies for improving the participation of girls in school. Some of the strategies that were identified in consultations with different stakeholders include the following:

- The number of female teachers as role models is increasing. The percentage of female teachers increased from 23 per cent in 1997 to 30 per cent in 2007. (In 2007, the proportion of female teachers in EP1 was 34 per cent, in EP2 27 per cent, in lower secondary education 16 per cent and in higher secondary 19 per cent.)
- The government, in collaboration with the World Food Programme (WFP), provides a snack or meal at school and a food basket for girls in primary education. Committees are in place to monitor and raise awareness among families.
- Secondary schools have been established close to communities, so that girls can attend.
- Girls in the primary and secondary levels are targeted with scholarships to ensure access to education for girls.
- Different strategies are used to sensitise communities to the education of girls, including the Commission of Fathers established to sensitise fathers, the Parent-Teacher's Association, school councils and others.
- A book or film on children's rights could be used to create awareness in communities.

1222. Participants in provincial CRM consultations emphasised that efforts to encourage the participation of girls in school should go beyond the school-feeding programme. They stressed the need to raise parents' sensitisation to, and

<sup>44</sup> APRM field notes, Mozambique, 7 February to 2 March 2008.



awareness of, the importance of sending young girls to school. They also emphasised that school councils should be proactive in sensitising parents to the need to eliminate the practice of early marriages.

### ***Gender Parity in Tertiary Education***

1223. In consultations with the chancellors of institutions of higher education, the CRM learnt that Mozambique has made progress in increasing the participation of women in some universities, especially private universities, where the proportion of women is more than 50 per cent. Some universities have an affirmative action policy for women, which includes a fee waiver targeted at girls so as to encourage their participation. Notably, more women are taking science courses and in general they perform better academically than men. In public universities, however, the participation of women remains much lower than that of men, averaging between 25 and 30 per cent. Overall, the participation rate of females in university education continues to remain far below that of males, even though the situation is improving. The CRM suggests that greater effort should be made to have girls enrol and complete higher education.

### ***Adult Literacy***

1224. The CRM noted that the literacy rate for women in Mozambique (37.5 per cent) is considerably lower than that for men (67 per cent).<sup>45</sup> However, the country has made some progress towards reducing the illiteracy rate of adult women, which stood at 74.1 per cent in 1997 and had dropped to 66.2 per cent by 2004. Enrolments for adult literacy classes increased between 2005 and 2007, having achieved a total of 599 114 first- and second-year students, of which 345 941 (58 per cent) were women. The country is making special efforts to have more women attend adult literacy classes. The CRM recommends that these efforts be intensified, because women's literacy is of crucial importance in addressing wider issues of gender inequality and family welfare.

### ***Women and Health***

1225. The CRM noted that Mozambique has made great efforts to improve maternal health and access to healthcare. The MMR declined from 1 000 deaths in 100 000 births in the 1990s, to 408 in 2003 and 340 in 2008. The proportion of births attended by health personnel increased from 44.2 per cent in 1997 to 47.7 per cent in 2003. However, the proportion of births attended by health personnel in urban areas (71.4 per cent) is higher than in rural areas (28.6 per cent).
1226. There are also large disparities among the regions with regard to maternal health. The CRM learnt that improvements in maternal health were due to the implementation of the National Plan and Strategy for the Reduction of Mater-

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<sup>45</sup> CSAR data for 2005.

nal and Newborn Mortality. Participants in provincial consultations noted that health services in health centres had been expanded in rural areas. The CRM is impressed by the progress made, but wishes to emphasise that maternal health is a very important factor. The country should therefore scale up efforts to reduce the MMR further; address rural-urban disparities; and strengthen the health workforce.

1227. The CRM noted that the HIV/Aids pandemic in Mozambique has a “woman’s face”, as more women (60 per cent) than men are currently living with the disease. The prevalence rate is particularly higher among younger women than among men. As noted elsewhere in this chapter, the prevalence rates are also higher in some regions, for example, the southern as opposed to the northern region.
1228. The underlying factors explaining the high levels of HIV infection among women and young women need to be addressed. In different meetings, stakeholders informed the CRM that the higher prevalence of HIV among women is caused by cultural and traditional practices that contribute to the subordination of women and the spread of HIV, such as early marriages, wife inheritance, care giving, domestic violence, illiteracy and poverty. The CRM observed that the country has been doing some work to address these gender-related issues that have led to the feminisation of the HIV epidemic in Mozambique. However, this is an area where more needs to be done.
1229. The CRM observed that the country has made some progress with regard to the prevention of mother-to-child transmission (PMTCT) (Box 6.13).

**BOX 6.13: BEST PRACTICE IN REDUCING MOTHER-TO-CHILD TRANSMISSION OF HIV IN MOZAMBIQUE** <sup>46</sup>

The CRM noted that the number of PMTCT sites in Mozambique had increased to 386 by December 2007, up from 222 by end 2006. Almost 800 health centres with antenatal care facilities offer PMTCT services. In 2006, the total number of pregnancies in Mozambique was estimated at 760 000, and 35 per cent of these women (269 084) received antenatal care at a health facility offering PMTCT services.

The proportion of HIV+ pregnant women receiving antiretroviral prophylaxis to the overall population of HIV+ pregnant women increased from 0.2 per cent in 2002, to 8.3 per cent in 2006 and 29.7 per cent in 2007. <sup>47</sup> The CRM also learnt that the number of HIV+ women who receive antiretroviral therapy (ART) for their own health has increased. Overall the CRM was impressed by the progress that has been made in improving the access of pregnant women and women living with HIV/Aids to ART. However, the CRM observed that there is still a large unmet demand, and urges the country to continue scaling up efforts to improve access to PMTCT and ART.

<sup>46</sup> CRM interactive sessions in provinces, February, 2009.

<sup>47</sup> Government of Mozambique. 2008. Mozambique progress report for the United Nations General Assembly special session on HIV and Aids, 2006–2007, January 2008. [http://www.unaidsrtesa.org/.../GASS\\_Progress\\_Report\\_2006-2007\\_Final\\_Ingles.pdf](http://www.unaidsrtesa.org/.../GASS_Progress_Report_2006-2007_Final_Ingles.pdf).

## Women and Participation in Decision Making

1230. The CRM's findings indicate that Mozambique has made substantial progress in promoting the representation of women in politics and decision making, with women currently accounting for 37.2 per cent of the Members of Parliament (MPs) (Table 6.8). This percentage reflects a 2 per cent increase over the period 1999–2004. Both the Prime Minister and the Vice-President of the Parliament are women. The CRM was informed that FRELIMO uses a quota system to ensure the representation of women in politics.

	2004	2008
Executive and Governmental Institutions		
Ministers	15.3	21.9
Vice-Ministers	16.3	31.5
Provincial Governors	11*	18.1
Ministerial Permanent Secretaries	11.7	31.5
Provincial Permanent Secretaries	36.3*	45.4
Provincial Directors	8.4	20.7
Legislative Institutions		
Members of Parliament	28	37.2

1231. Although there has been a significant increase in the number of women leaders in Mozambique, it is necessary to assess the extent to which the increased number of women participating in decision making has led to improved gender equality on the ground.
1232. The CRM noted that the level of participation of women in the local council system has also improved through the use of affirmative action, which reserves 30 per cent of these positions for women. However, at consultation meetings in Gaza, Inhambane and Nampula, participants indicated that women are not fully involved in decision making at the local level (Box 6.14).

### **BOX 6.14: LOW PARTICIPATION BY MOZAMBIKAN WOMEN IN DECISION MAKING AT LOWER LEVELS** <sup>49</sup>

Although women are encouraged to sit on school councils and community consultative councils, few accept due to traditional customs. In some cases, their husbands do not allow them to participate in the councils. Other constraints that women face include taboos; lack of confidence and self-esteem; lack of power; and illiteracy. There is, therefore, a clear need for strengthening the effective role of women's participation at local levels through training programmes that strengthen their leadership skills, confidence, advocacy and self-esteem.

<sup>48</sup> MMAS, 2008. Note: \* 2005 figures.

<sup>49</sup> APRM field notes, Mozambique, 7 February to 2 March 2008.

## ***Women's Access to Productive Resources and Formal Employment***

1233. The CRM noted that Mozambique has made progress towards improving women's access to land. The Constitution, the Land Law and the Family Law provide for gender equality in accessing land, and this was confirmed in discussions with stakeholders. However, the customary law that favours male ownership of property still dominates and women, especially those in remote areas, are still unaware of the supportive laws.
1234. The CRM was informed that women have limited access to credit. Formal banks require collateral, which most women do not have, and access to credit also requires some documentation in the form of identity cards, which some people do not have. The country has made an effort to address the issue of improving access to credit for women. The CRM learnt about several initiatives that the government, CSOs and communities themselves are undertaking to improve access to credit for women, including the 7 million meticaís for district funds. Consultations revealed that women are disciplined in terms of productively utilising and repaying credit. Despite these efforts, there is still a large unmet demand for credit among women, and it is important to develop strategies to meet this demand, which could ultimately contribute to poverty eradication.
1235. In the area of employment, the CRM noted that the share of economically active women in wage employment in the non-agricultural sector was only 10.1 per cent in 2003, compared with 30.7 per cent for men.<sup>50</sup> The country has adopted the Labour Law (Law No. 23/2007), which supports implementation of the principle of equal opportunity by increasing the participation of women in the labour market.<sup>51</sup> Implementation of this law will go a long way towards opening up opportunities for women in the formal sector. The CRM recommends that this law be fully operationalised, so that it can translate into real benefits for women on the ground.
1236. The CRM noted that the majority of women are in agricultural production. Strategies for economically empowering women in Mozambique should be aimed at improving their agricultural productivity, access to markets, and agro-processing capacity, as noted earlier under Objective 2.

## ***Gender-based Violence***

1237. CRM consultations in Mozambique revealed that the forms of gender-based violence most prevalent in the country include domestic violence; childhood

<sup>50</sup> Chankseliani, M. 2008. Gender inequality in Mozambican primary education: Problems, barriers and recommendations. *Political Perspectives*, 2(1). Graduate Journal, Harvard Graduate School of Education. <http://www.politicalperspectives.org.uk/.../V2-1.../8-Chankseliani-Maia.pdf>.

<sup>51</sup> The Labour Law, among other things, recognises equal rights for both men and women with regard to remuneration; provides for sanctions for sexual harassment; and, for the first time, introduces paternity leave.

sexual abuse, mostly in the form of sexual abuse occurring within the family, most often perpetrated by a father, stepfather, grandfather, uncle or brother or other male in a position of family trust, or a female relative; sexual abuse, especially of girls in educational institutions; harmful traditional practices, such as early marriage, and a preference for having sons; trafficking in women and forced prostitution. In the Inhambane and Zambézia provinces, it was reported that childhood sexual abuse when committed by a father to his daughter is linked to traditional rituals of wanting to get rich. Once done, the family keeps it secret and could force the child to drop out of school.

1238. Gender-based violence disproportionately affects more women than men in Mozambique. As shown in Table 6.9, women form the largest proportion of the number of cases of violence reported to the police in the first six months of 2008. The CRM learnt that older women in Mozambique also experience gender-based violence.

**TABLE 6.8: NUMBER OF REPORTED CASES OF VIOLENCE IN MOZAMBIQUE IN THE FIRST HALF OF 2008, BY PROVINCE <sup>52</sup>**


Province	Men	Women	Children	Total
Maputo city	343	2 050	197	2 590
Maputo province	144	319	185	648
Gaza	53	166	80	299
Inhambane	106	373	158	637
Sofala	318	1 090	224	1 632
Tete	65	292	36	393
Manica	289	456	171	916
Zambézia	78	267	76	421
Nampula	87	837	215	1 139
Niassa	117	393	104	614
Cabo Delgado	2	163	52	217
<b>Total</b>	<b>1 602</b>	<b>6 406</b>	<b>1 498</b>	<b>9 506</b>

1239. However, Table 6.9 does not include those victims who looked for support from other institutions or who kept silent and did not report the abuse. The CRM learnt that gender-based violence was prevalent in the country, mostly against women and girls, but consultations with stakeholders revealed that violence against men is on the increase. <sup>53</sup>

<sup>52</sup> Ministry of the Interior, 2008 data quoted in the magazine Essential.

<sup>53</sup> The CRM learnt that out of a total of 875 cases of domestic violence reported in Tete province, 190 of the victims were men. Consultations revealed that domestic violence in the form of rape of young girls is usually committed by close family members.



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1240. Factors attributing to violence against women include economic factors related to poverty; sociocultural factors; conflict; and insecurity. Poverty and marginalisation are widespread among women and are causal factors leading to violence against women and to the consequences of violence. Lack of economic autonomy; denial of property rights; lack of access to shelter; illiteracy; and fear of losing their children restrict women's ability to escape violence in order to obtain protection and access the criminal justice system. Poverty also forces women and girls to stay in violence-based sexual alliances as a survival strategy, thereby increasing their vulnerability to HIV infection. Social and cultural practices manifested in unequal power relations between men and women, such as patriarchy, and traditional and harmful practices, result in different forms of violence against women. In consultations held in the provinces, the CRM learnt that violence against men is mainly a result of women trying to protect themselves.
1241. The CRM takes the view that gender-based violence needs to be addressed urgently, because it has a wide range of health, social, psychological and economic consequences. Violence against women has several health, human rights and socioeconomic impacts on affected women and their families. Abused women are more likely to suffer from mental health problems, such as depression; anxiety; psychosomatic symptoms; eating problems; and sexual dysfunctions. The effects of violence may also be fatal as a result of intentional homicide, severe injury, or suicide. Many rape victims sustain severe injuries and/or become unconscious. Rape can be followed by mental illness and death. Rape victims are nine times more likely than non-victims to attempt suicide.<sup>54</sup> Due to the sexual abuse of school going children, affected girls may drop out of school. The traditional practice of early marriage also leads to many young girls dropping out of school.
1242. Gender-based violence leads directly to a drain on the economically productive workforce and generates a climate of fear and insecurity. Overall, if such violence remains unchecked, there is a perpetuation of gender inequality. Yet, it is widely acknowledged that gender equality is required for the achievement of the MDGs for health, poverty, education and environmental sustainability.
1243. The CRM learnt that trafficking of human beings, in particular women and children, is experienced in Mozambique. Most of those trafficked are taken to South Africa and abroad. The primary purpose of trafficking is exploitation, including prostitution, forced labour and the removal of organs. The CRM commends the country for approving the Law on the Prevention and Combat of Trafficking of Human Beings, especially of Women and Children (2008). It is recommended that the country should operationalise and enforce the law.

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<sup>54</sup> United Nations Population Fund (UNFPA). 2001. A practical approach to gender-based violence. New York: UNFPA.

## ***Progress Made on Initiatives to Curb Gender-based Violence***

1244. The CRM learnt that the government and CSOs have taken several actions to curb domestic violence, including training police in women's rights and in giving assistance to victims of violence; creating counselling services to assist victims; creating a database on domestic violence; creating 151 centres for abused women and children; and installing SOS lines. More needs to be done, however, especially with regard to prevention and creating awareness. There is also a need to improve sensitisation, especially through community leaders, such as traditional and religious leaders, to the importance of valuing each other's rights. Discussions in the provinces revealed that there is a need to sensitise children and build their skills at schools.

### ***Challenges***

1245. Key challenges in addressing gender-based violence include:
- A slow change in attitude;
  - Inadequate legal aid and psychosocial services in support of the victims of violence;
  - A weak legal framework;
  - A lack of accurate and comparable data;
  - Limited linkage of gender-based violence with other themes, such as the economic empowerment of women; and
  - Weak institutions.

### ***Resource Allocation for Gender and Development***

1246. The allocation of resources to the MMAS is low, and was a meagre 0.7 per cent of the budget in 2006. The MMAS runs a number of social development programmes that are important for sustaining social development. The country has well-formulated and documented policies on gender and other key issues falling under the MMAS, which relate to the disabled, the elderly, and children.
1247. However, these policies have not been fully operationalised, largely because the MMAS has limited human and financial resources. Although it receives donor aid, it is important that resources from the government be increased, as they are more sustainable. Consultations with vulnerable groups confirmed concerns that the MMAS is not receiving adequate resources to meet its needs.

### ***Vulnerable Groups***

1248. Apart from women and girls, other vulnerable groups include persons with disabilities (PWDs); young people; internally displaced persons (IDPs); orphans and vulnerable children (OVCs); and the elderly.

## ***Persons with Disabilities***

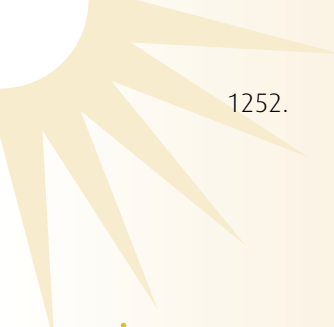
1249. PWDs have difficulty in accessing education and employment. The major reasons for limited access to the former include a lack of disability-friendly facilities; a lack of resources to buy school materials, such as uniforms; a lack of education materials prepared for PWDs; a lack of teachers at levels higher than Grade 8, as well as teachers for particular disabilities; and the limited number of official sign language interpreters. Moreover, the transport system does not make special provision for PWDs and they find it difficult to access public buildings, such as banks. They have problems in obtaining treatment for HIV/Aids. Although antimalarial services are available, these are not enough to deal with everybody. PWDs find it difficult to obtain a wheelchair, a walking stick or other equipment to assist them. Discussions with a group of PWDs revealed that, although they feel that they are integrated in development, they are not well represented in Parliament. This is because PWDs in Parliament have been elected through the political party and are not necessarily the focal persons for PWDs.

## ***Youth***

1250. Agenda 2025 states that young people are the future of the nation, and commits the country to training and educating a dynamic, responsible, self-esteemed and self-confident youth that is participative, creative, innovative and committed to a prosperous future. The CRM found that young people are involved in various development processes in Mozambique. The CNJ has representation at province and district levels, and young people participate at national and lower levels through this mechanism. The youth have formed various associations that are used to access funds for different projects, and to discuss ways of addressing development issues, including unemployment and HIV/Aids. For many young people, unemployment and limited access to credit constitute major challenges. The CRM learnt that the country has established a youth fund targeted at the youth, with a view to developing self-help and income-generating projects.

## ***Internally Displaced Persons***

1251. The CRM visited a group of IDPs in the Murumballa district of Zambézia. The site has 615 households that were displaced from the flooded lowland areas of the Shire River Valley in 2006. The CRM found that the government is providing for most of their social needs, including building materials; health services; primary education up to Grade 10; clean water; larger plots of land; agricultural extension services; and food in the form of maize every month. IDPs have the flexibility of visiting their old homes and plots and are allowed to resettle in any other community, if they so prefer.

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1252. The CRM also learnt that the IDPs are participating in development activities in their communities and in district development processes through the Community Consultative Councils (CCCs). Major challenges noted in the discussions are the large percentage of young mothers who drop out of school at lower primary level, and the shortage of food being experienced because of drought. The CRM interviewed a young mother of less than 20 years old who already has two children, a 7- and a 3-year-old. The CRM recommends that the government should find ways to reinforce the sources of livelihood of displaced communities, particularly by strengthening their agricultural potential by providing irrigation facilities. It should also address the problem of early marriage of girls.

### ***Orphans and Vulnerable Children***

1253. In 2006, approximately 1.6 million children under 18 years of age were orphaned, which represents 12–16 per cent of the total population.<sup>55</sup> The number of orphans is highest in areas with a high prevalence of HIV/Aids. OVCs are more likely to live in poor households headed by women, elderly people and/or an uneducated person. The CRM learnt that some households are headed by a child, or the children have to act as the main providers due to the illness or disability of the adult family members. They have very limited means of generating income and thus often have to resort to risky coping strategies, such as early marriage, transactional sex and hazardous child labour. They also have limited access to basic services, such as healthcare; education; food; and legal, financial and psychosocial services. In addition to these challenges, children orphaned as a result of Aids often live with social stigma and discrimination, and potentially face exclusion from their communities.

### ***Older Persons***

1254. It was noted that older people in Mozambique lack opportunities to earn an income or livelihood because of their age, and have limited access to social services and social security. Most of them are reportedly poor. Due to HIV/Aids, many older persons, especially women, have found themselves losing support from their children, who are either sick or have died from Aids. These women subsequently take on roles as income earners and active caregivers for their own children and grandchildren. The government is providing a food subsidy of 100 meticaís, which participants in consultation meetings reported to be inadequate, especially for older women caring for dependants affected by HIV/Aids. The CRM also noted that older Mozambican women branded as witches were subjected to violence.

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<sup>54</sup> Government of Mozambique (2008).

## Country Initiatives

1255. The country has approved, and is implementing, the following plans relating to vulnerable groups, namely the:
- National Plan of Action for Children (2006–10);
  - National Plan of Action for Orphans and Vulnerable Children (2006–10);
  - National Plan of Action for Older People (2006–11);
  - National Plan of Action on Disability (2006–10); and
  - Second National Plan for Women and Gender (2006–10).
1256. The country has put in place an institutional framework that includes the MMAS with officers in the provinces, and an Institute of Social Welfare.

## Challenges

1257. The CRM noted that Mozambique faces a number of challenges in addressing the socioeconomic development of vulnerable groups, including the following:
- The country has very good plans in place, but their implementation is hampered by inadequate human and financial resources.
  - Disaggregated statistics on vulnerable groups and those living in poverty by locality are available or not up to date. Such data is important for targeting social welfare and for monitoring and evaluation.
  - The country is prone to recurrent natural disasters, including chronic drought situations in the southern provinces; floods in the Zambezi basin; and cyclones in the coastal regions. These calamities cause the destruction of homes, hospitals, schools and crops, and render vulnerable populations even more vulnerable.<sup>56</sup>

## III. Recommendations

1258. The APR Panel recommends that Mozambique should:
- Accelerate and intensify the implementation of strategies to retain girls in primary and secondary school, and to encourage them to undergo training in vocational skills as a strategic tool for empowering Mozambican women [MEC];
  - Speed up the enactment of the Domestic Violence Law, which addresses gender-based violence [Parliament];
  - Develop a nationwide programme to train and sensitise law enforcement agencies and communities to issues of gender-based violence [MMAS];

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<sup>56</sup> For example, following the floods of 2007, four of the provinces that were affected were also provinces with a high prevalence of HIV (Tete 16.6 per cent; Sofala 26.5 per cent; Zambézia 18.4 per cent; and Manica 19.7 per cent), causing a double emergency of HIV and floods. It is important that the country should be able and prepared to deal with the drought in a timely manner in order to minimise its vulnerability.

- Accelerate implementation of the PNAM, and of gender budgeting [MMAS];
- Strengthen the effective role of women's participation at local level through training programmes that enhance women's leadership skills, confidence, advocacy and self-esteem [Ministry of Local Government];
- Develop gender-monitoring indicators for assessing progress with gender mainstreaming and gender budgeting [MMAS; CSOs]; and
- Accelerate the implementation of national plans developed for vulnerable persons by improving the resources allocated to social welfare [MMAS].

### **Objective 6: To encourage broad-based participation in development by all stakeholders at all levels**

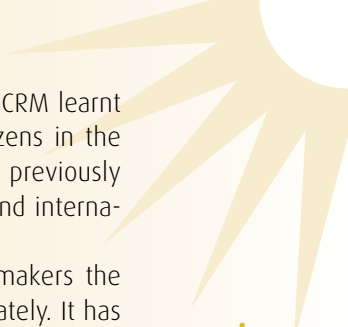
#### **I. Summary of the CSAR**

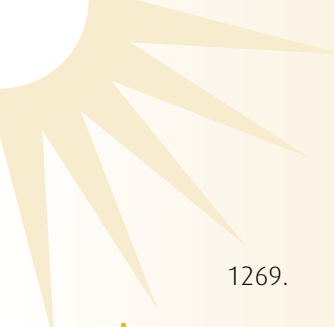
1259. Although Mozambique is a young democracy, the country has scored a number of gains in the democratisation process. The CSAR indicates that Law No. 8/1991 of 8 June 1991 provides the legal framework for the participation of all citizens in the country's development. The Constitution also provides for the rights of participation by all in development, including freedom of speech and the right to information.
1260. The government is promoting decentralisation at local government level. In this regard, the CSAR notes that the country has adopted a number of measures to ensure that the districts become the "development poles". There is active participation by stakeholders and other institutions in the planning and decision-making processes.
1261. The CSAR further notes that CSOs are the major means by which the citizenry is represented in the country's development planning, programme implementation and monitoring and evaluation. Civil society has participated actively in the design process of Agenda 2025, the Land Law, the recently approved Law No. 8/2003 on local boards, and PARPA II, which was approved in May 2006; and in the development observatories regulation (OPP/D2007). The CSAR cautions that CSOs are distributed inequitably across the provinces.

#### **II. Findings of the CRM**

1262. The CRM is impressed that, since the GPA was signed in 1992, Mozambique has embarked on a protracted process of democratic decentralisation and civil society building. Provision has been made for elected local governments in certain urban municipalities, which has greatly facilitated the participation of citizens in the development process. Since 1992, the country has held three presidential and parliamentary elections, including two council elections in 33 municipalities.



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1263. In consultation meetings with different groups in the country, the CRM learnt that Mozambique has allowed for greater participation of its citizens in the monitoring of the implementation of PARPA II through the OP. As previously noted, the OP is a consultative forum for the government, CSOs and international partners to follow up the implementation of PARPA.
1264. The OP's main function is to bring to the attention of decision makers the views of those whom the political system cannot integrate adequately. It has become part of the Joint Annual Review process. The CRM learnt from consultation meetings that the participation of CSOs through the OP was a major step forward and a good achievement for CSOs, because previously civil society was not listened to nor taken into consideration.
1265. However, although the OP formalises the inclusion of civil society in the design of measures for poverty alleviation, it has a shortcoming. It has no legal basis and has been limited to a consultative body with no channels for feedback and social accountability. At present, the OP provides no assurance that citizens' concerns and ideas are taken into account seriously. Representatives of CSOs may criticise these measures, but they have no legally guaranteed way of asserting themselves. It is important that Mozambique upgrades the role of the OP, so as to strengthen accountability in poverty reduction.
1266. The CRM noted other mechanisms in place at district and provincial levels for consultation in the form of sector-specific (e.g. water, irrigation and school) committees. These comprise members elected from the community and who represent the interests of the community in the development, use and maintenance of the different infrastructures. The CRM was informed that, at community level, participation is inclusive of young people, men, women, IDPs and PWDs. However, it was observed that, in Zambézia, women's participation in the CCCs was limited due to cultural reasons. By contrast, participants in Sofala, Manica and Tete provinces indicated that women's participation has improved greatly.
1267. Commendably, Mozambique has developed national councils for specific groups, namely, one for the youth (in 1996) and one for the advancement of women. The objective of these councils is to provide a structured way of consulting on issues related to the group concerned, and to serve as a legitimate interlocutor between the group and the government. The branches of the national councils are found at provincial and district levels, and they participate in development processes at national, provincial and district levels. The CRM also learnt that the country is preparing to establish national councils for children, the elderly and PWDs in the near future.
1268. In consultation meetings with stakeholders, the CRM learnt that, in order to strengthen the voice of the national councils, it is important for them to have representation in Parliament. However, the CRM noted that representation of



existing councils in Parliament is closely linked with the two major political parties. The current Constitution only allows seats in Parliament through political parties. In addition, the parties do not necessarily select the democratically elected representatives of the national councils.

1269. The CRM noted the following challenges affecting effective participation at community level:

- Illiteracy at community level impacts negatively on the level of participation.
- Inadequate information is available for the local population to monitor the delivery of services effectively.
- CSOs do not have adequate technical capacity, especially in rural areas. Participants noted that CSOs are not very well organised in rural areas and they are unable to create one strong voice on certain issues.
- There is limited participation in Parliament by vulnerable groups, such as PWDs and young people. The laws do not allow PWDs to participate and be represented in Parliament as a group, as representation is only possible through a political party.

1270. The CRM was further informed that there is some participation by local people in the financial management of the district's resources through the CCCs. The government has earmarked 7 million meticaï for direct use by districts on the basis of locally taken decisions. The development fund is earmarked for investment projects that can generate income, which is then injected back into the fund. District councils make decisions on behalf of the community on the allocation and use of the 7 million meticaï set aside for this purpose. These are consultative bodies that include members from civil society groups and community representatives, together with politicians and civil servants. Most of the provinces that the CRM visited indicated that the fund is playing a major role in the socioeconomic development of their communities, and that they are able to participate in the management of the fund through their CCCs.

1271. However, CRM consultations with stakeholders in some provinces revealed that the major challenges to effective community participation in managing these resources include the following:

- Capacity to manage the money is lacking. There is a need for programmes to train community members how to manage the funds so that they can be used effectively.
- Some participants indicated that the selection criteria of the community members who participate in the district councils are not very transparent. Those selected are often a part of the "trust buddies" of the government or affiliated to some political party.
- Participants were not fully aware of the aim of the development fund and how it differs from regular provincial or budgetary resources.

- Participants noted that the amount of 7 million meticaís is inadequate to fund the priority areas in their communities.

1272. The CRM found that, as stated in the CSAR, the development of sector-based plans (for example, in education, health, agriculture and social action) adopts participatory approaches. The CRM was informed that institutions of higher education and the private sector participate effectively in the development planning consultations. They have direct access to the President through his open-dialogue process, where they can discuss impending development issues with him, such as corruption, poverty, international relations, and other matters.
1273. Despite the above measures aimed at promoting local participation in decision making, some stakeholders informed the CRM that Mozambique's level of dependence on foreign aid makes the country more accountable to donors than to the Mozambican electorate. They suggested that the country needs to strengthen its accountability to its own people and institutions.

### ***Diminished Space for Policy Initiative in Mozambique***

1274. The CRM observed a wide awareness among Mozambicans of the need for local ownership of the development process. In plenary sessions, many stakeholders across the country informed the CRM that development should not depend heavily on the assistance of donors. Without doubt, ordinary people view donor dependence as undesirable in the long term.
1275. As noted previously, donors and lenders seem to have penetrated each area and level of policy debate and decision making in Mozambique, given the country's heavy dependence on foreign aid. This raises questions about the extent to which participation in the decision-making processes at lower levels is effective, compared with that of donors. From this perspective, it appears that the heavy dependence on financial aid creates policy rigidities and reduces policy space in Mozambique.
1276. The CRM believes that Mozambique can lay a firm foundation for development if it follows the example of the "aid graduates" – Official Development Assistance (ODA) graduates – which succeeded by ceasing their dependence on aid. ODA graduates vigorously pursued broad-based and diverse macroeconomic policies that were critical to their development of dynamic processes of productive capacity and accumulation (Box 6.15).

### BOX 6.15: USING AID TO ELIMINATE AID DEPENDENCY IN MOZAMBIQUE

Mozambique needs to make the transition from aid dependency and aid-dependent development to endogenous processes of political, social and economic transformation and sustained accumulation. This means that the country should seriously begin to focus on broad-based, diversified, innovative, well-articulated and inclusive productive capacity development and trade.

Although Mozambique could learn from the experience of other countries to reduce its heavy dependence on donors, the government should become even more ambitious. It needs to begin working on changing the structure and dynamics of public expenditure, so as to support and crowd in private investment and the development of viable, sustainable and competitive productive and trade capacities. Part of this includes creating a strong enabling environment for SME development. It also requires consistent and adequate investment in education and human resource development.

### III. Recommendations

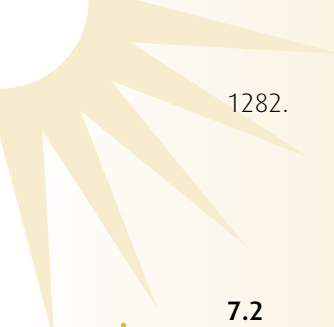
1277. The APR Panel recommends that Mozambique should:
- Initiate capacity-building programmes for local communities and CSOs in order to enable them to participate effectively in planning, implementation and monitoring and evaluation processes for improved service delivery [MPD; Ministry of Local Government; CSOs];
  - Ensure the representation and participation of all marginalised groups in the country's development processes [MPD; Ministry of Local Government; CSOs];
  - Strengthen the role of the OP so that it can guarantee that citizens' views are addressed adequately and feedback is provided [MPD]; and
  - Strengthen the dissemination of information about, and sensitisation to, laws that promote broad-based participation [MPD; Ministry of Local Government].

# CHAPTER SEVEN

## 7. CROSS-CUTTING AND SPECIAL ISSUES

### 7.1 Overview

1278. As has now become the tradition of the African Peer Review Mechanism (APRM), the preceding four chapters appraised Mozambique within the framework of the four thematic areas of the APRM, namely, democracy and political governance; economic governance and management; corporate governance, and socioeconomic development.
1279. This appraisal is in line with the current governance agenda of the African Union (AU), which has at its epicentre the objectives of deepening democratic practices, strengthening achievements, disseminating best practices and rectifying underlying deficiencies in governance and socioeconomic development processes in member states. Care was taken to ensure that the assessment of governance in Mozambique was based on key APRM essential principles. These include national ownership and leadership of the process by the participating country; inclusiveness and broad-based participation; accountability; technical competence; credibility; and freedom from manipulation.
1280. In line with the APRM's requirements, the assessment of governance in Mozambique was informed by the Country Self-Assessment Report (CSAR), the Background Paper and the Issues Paper prepared by the APR Secretariat, as well as the information made available to the CRM during the wide-ranging country consultations. The key outcome of the assessment is an increased understanding of Mozambique's performance in governance, including areas in which the country has made considerable progress or more still needs to be done.
1281. It is obvious from the preceding four chapters of this report that Mozambique has made remarkable progress in all four thematic areas of governance. The report notes the country's emergence over the past 20 years from economic decline, conflict and a repressive political system to macroeconomic stability, high levels of growth and considerable political freedom. Mozambique is to be commended for its successful record of policy implementation, which has brought stability and rapid economic growth to one of the world's poorest countries. From being a fragile country that was supervised by the United Nations (UN) peacekeeping force mission, UNOMOZ, until 1995, Mozambique has come into its own. This turnaround represents a major example of success with post-conflict transition, which offers valuable lessons to other countries.

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1282. This chapter seeks to highlight the major cross-cutting issues identified in this report that featured prominently in all of the thematic areas. It also appraises some special issues of interest. These issues are multifaceted in nature and have wider ramifications for the various dimensions of governance in Mozambique. They must therefore be addressed and resolved.

## **7.2 Cross-cutting Issues**

1283. The following are 13 major cross-cutting issues emerging from this report:
- Poverty and Inequality;
  - Interwovenness of party, government and business;
  - HIV/Aids;
  - Land ownership;
  - High levels of illiteracy;
  - High aid dependency;
  - Information flow and paucity of data;
  - Political inclusivity;
  - Crime, safety and security;
  - Domestic violence;
  - Capacity constraints and implementation challenges;
  - Elections; and
  - Corruption.

### **7.2.1 Poverty and Inequality**

1284. The global phenomenon continues to defy logic. At a time of unprecedented prosperity in the history of the world, poverty has continued to rise in some regions, especially in sub-Saharan Africa (SSA). A current estimate of more than 1.4 billion people live in poverty so extreme that they can barely survive, and around 25 000 people die from hunger each day. The call for a global safety net has never before been so urgent, compelling the attention of the international community to transform economic priorities and guarantee the universal securing of basic human needs.
1285. Poverty is a fundamental issue for human development in Mozambique. There is no doubt that the country has experienced one of the most dramatic reductions in poverty in the world in recent decades. Based on a national poverty line, income poverty fell from 69.4 per cent of the population in 1997, to 54.1 per cent in 2003. Measures of the depth and severity of poverty declined even more. Nevertheless, Mozambique remains among the poorest countries in the world. Moreover, the country's poverty reduction efforts have had uneven results across regions. In particular, poverty rates increased in Maputo city and province. A recent report by the World Bank provides evidence of a "nutri-




tional paradox".<sup>1</sup> While real consumption levels have risen across the country, chronic malnutrition has not declined apace and has even worsened in some areas (Gaza, Inhambane, Maputo province, Sofala and Zambézia).

1286. Household survey data that would permit poverty rates to be updated since 2003 is not available. However, a poverty and vulnerability survey carried out by the Eduardo Mondlane University in 2006, in conjunction with the World Bank, suggests that poverty reduction may be slowing and that inequality is an increasing problem. Some 40 per cent of poor households surveyed reported that their level of income – low to begin with – had remained the same or deteriorated over the previous five years. Rising national income is apparently not leading to the alleviation of poverty across the board, particularly in rural areas where more than 60 per cent of Mozambicans live. In short, the gains from growth are apparently not reaching many of the poor.
1287. Mozambique has also not escaped the impact of soaring food prices that has engulfed several countries in recent years. In a country where 54 per cent of the population lives below the national poverty line, 34 per cent of households are food insecure and face perpetual hunger. It is having a dramatic impact in urban areas, where all city dwellers are paying more for their food and the poor are no longer able to purchase adequate and nutritious food. As a result of persistent natural disasters in productive areas, poor farming and transport infrastructure, scarcities of inputs, including fertilisers, and a general lack of investment in the agriculture sector, Mozambique has perennially struggled to produce enough food to meet the needs of its citizens. Consequently, the country annually imports about 890 000 tons of cereals, leaving it susceptible to global increases in food prices.
1288. A modelling exercise was conducted by the Mozambican Ministry of Planning and Development (MPD) to estimate the impact of soaring food and fuel prices on poverty in the country. The study indicated that these combined effects could result in an overall increase in the poverty headcount from 51.5 per cent to over 58 per cent. This would reverse recent gains in poverty reduction and threaten the target of the second Plan of Action for the Reduction of Absolute Poverty (PARPA II) of reducing the poverty headcount to 45 per cent in 2009. Plans being developed and implemented by the government and its development partners seek to mitigate the impact of rising food prices and, ultimately, continue to reduce poverty in Mozambique.
1289. In response to this challenge, the government established an interministerial committee in April 2008, chaired by the Ministry of Agriculture (MINAG). The committee presented an ambitious three-year Food Production Action Plan

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<sup>1</sup> World Bank. 2007. Beating the odds: Sustaining inclusion in a growing economy. Mozambique Poverty, Gender and Social Assessment. Africa Region, Poverty Reduction and Economic Management, Report No. 40048-MZ. Washington DC: World Bank.



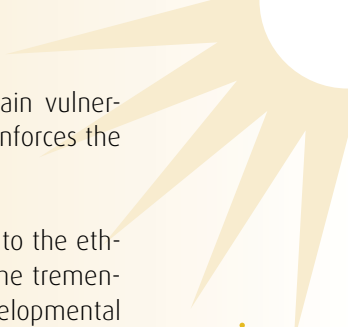
that was approved by the Council of Ministers in June 2009. The plan has two key objectives: first, to eliminate the deficit of a group of major food commodities in three years; and second, to reduce the nation's dependency on food imports. The plan covers three agricultural seasons (2008/09 to 2010/11) and is budgeted for at around US\$600 million, of which some 25 per cent is to be funded by private investment and 75 per cent by the state budget. The government is currently reviewing its financing options, both through mobilising external resources and reallocating existing resources.

1290. Related to the challenge of poverty in Mozambique is the issue of inequality – the gap between rich and poor. Inequality is a fundamental issue for human development. Extreme inequalities in opportunities and chances in life have a direct bearing on what people can be, and what they can do; that is, on human capabilities.
1291. In particular, a growing body of evidence from around the world shows that inequality:<sup>2</sup>
- Wastes talent, especially if certain social groups, including women, are excluded from high positions or high levels of economic activity;
  - Undermines society and its institutions, particularly where elites “capture” governments and other institutions and use them to further their own interests, rather than the overall economic good;
  - Undermines social cohesion, with “vertical inequality” among individuals resulting in increases in crime, while “horizontal inequality” between different social groups in society increases the likelihood of conflict;
  - Limits the impact of economic growth on poverty, with the benefits of growth unevenly spread in society;<sup>3</sup> and
  - Transmits poverty from one generation to the next.
1292. Inequality also matters because it violates the widely held notion that all people, wherever they are, enjoy certain basic rights. Deep disparities based on wealth, region, gender and ethnicity are bad for growth, democracy and social cohesion.
1293. The causes of inequality are numerous, including a lack of individual responsibility, bad government policy, exploitation by people and businesses with power and influence, or some combination of these and other factors. In this respect, ignoring inequality in pursuit of development is perilous. Focusing exclusively on economic growth and income generation as a development strategy is ineffective, as it leads to the accumulation of wealth by a few and deepens the poverty of the many. Besides impeding poverty reduction and the achievement of the Millennium Development Goals (MDGs), failure to address

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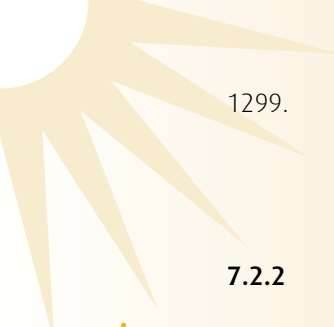
<sup>2</sup> Green, D. 2009. From poverty to power: How active citizens and effective states can change the world. Oxfam Great Britain: Oxford.

<sup>3</sup> “A one percentage point increase in growth will benefit poor people more in an equal society than in an unequal one” (Green, 2009:6).



inequalities means that communities, countries and regions remain vulnerable to social, political and economic upheavals. Inequality also reinforces the spread of diseases, such as HIV/Aids, especially among women.

1294. In Mozambique, inequality is multifaceted, but is especially linked to the ethno-regional dominance of the south. This is reflected not only in the tremendous economic gap related to investment concentration and developmental indicators, but also in terms of political representation. It is also embodied in the domination of the technocratic elite within the state apparatus. Leading positions within the bureaucracy and FRELIMO are mainly filled by people from the south (Gaza and Inhambane provinces).
1295. The danger is that current economic divisions may harden into permanent social divisions, setting in motion a self-perpetuating cycle of social disadvantages. The other concern is that an increase in inequality in the distribution of resources can lead to social conflict. Moreover, inequalities in health, education and income are key components of human development, which matter deeply to social wellbeing.
1296. Persistent inequalities in human resource development and access to essential infrastructure in various regions of a country tend to impede the prospects for poor people to share in the aggregate economic gains spurred by economic reforms. The geographic dimensions of inequalities and the associated disparities in resources and governmental capabilities, therefore, loom large as policy concerns for Mozambique.
1297. This means that addressing inequality is essential if Mozambique is to live up to its obligations under the international human rights framework established by the UN, namely, to guarantee equal civic and political rights and to promote the realisation of economic, social and cultural rights. This requires introducing policies that specifically target the gaps and ensure that the poorest segments of the population are able to overcome their disadvantages. This is an ethical and social imperative.
1298. In some countries, government policies of taxation and redistribution of income have helped to counteract widening inequalities, but this cannot be the only response in Mozambique. The APR Panel suggests that the government should also improve its policies in other areas:
- Education policies should aim to equip people with the skills they need in today's labour market.
  - Active employment policies are needed to help unemployed people find work.
  - Access to paid employment is key to reducing the risk of poverty.
  - Welfare-in-work policies can help hard-pressed working families to have a decent standard of living by supplementing their incomes.

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1299. In Mozambique, dealing with the challenges posed by inequality is critical to future growth and prosperity. Policy in the country should focus on the specific dimensions of inequality that create or preserve unequal opportunities for participating in the gains from future economic growth.

### **7.2.2 Interwovenness of Party, Government and Business: The Moral Conundrum**

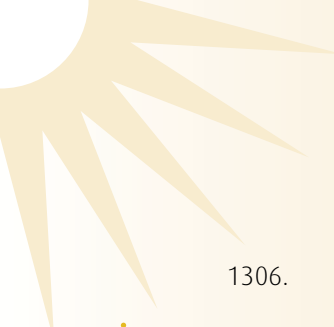
1300. African countries are confronted with unresolved dilemmas in growing their economies and ensuring equitable distribution and redistribution of the socio-economic and welfare benefits of their policies. In the face of mass poverty, massive infrastructural gaps, low levels of human capital development and unfavourable terms of trade, many African leaders resorted to ideological prescriptions in their search for development paradigms of emulation. The choices ranged from capitalistic and African socialistic to Marxist-Leninist models of social and economic organisation. None of these models succeeded in mobilising all available social capital through popular participation, or ensured equitable distribution to promote social integration and nation building. The futility of these approaches was shown in the collapse or stagnation of African economies by the 1980s.
1301. The adoption of the New Partnership for Africa's Development (NEPAD) at the dawn of the new millennium opened up the vista of renewed commitment by African leaders to the fight against poverty with a well-mapped-out design for achieving sustainable economic development, rebuilding and strengthening institutions, minimising conflict and promoting good governance. The APRM was established to implement the decision of acceding countries to subject themselves to self-assessment in order to review progress in the achievement of mutually agreed targets and compliance with mutually agreed standards, as noted in Chapter One. The APRM identifies corruption as one of the key impediments to sustainable development and specifically targets its eradication in two of its thematic areas (democracy and political governance; and economic governance and management). However, such is the cross-cutting nature of corruption that it features prominently also in the thematic areas of corporate governance and socioeconomic development.
1302. The commitment of African states to fight corruption collectively and severally is demonstrated by their endorsement of, and becoming party to, international conventions against corruption. Mozambique, like most African countries, is party to the African Union Convention on Preventing and Combating Corruption, which it signed on 15 December 2003 and ratified on 2 August 2006. It has also signed the Southern African Development Community (SADC) Protocol Against Corruption. These two documents define corruption very broadly and make similar wide-ranging recommendations for checking corruption in the public and private sectors. For example, Article 4 of the AU Convention defines the following acts, among others, as corrupt:

- The solicitation or acceptance, directly or indirectly, by a public official or any other person, of any goods of monetary value or other benefit, such as a gift, favour, promise or advantage for himself or herself or for another person or entity, in exchange for any act or omission in the performance of his or her public functions;
- The offering or granting, directly or indirectly, to a public official or any other person, of any goods of monetary value or other benefit, such as a gift, favour, promise or advantage for himself or herself or for another person or entity, in exchange for any act or omission in the performance of his or her public function; and
- Any act or omission in the discharge of his or her duties by a public official or any other person for the purpose of illicitly obtaining benefits for himself or herself or for a third party.

1303. Defining corruption so broadly makes the giver, the receiver or the self-serving public official equally guilty of acts of corruption. Recommendations for fighting corruption range from strengthening the national integrity system, for example by establishing an anticorruption agency, revamping audits, declaring assets, specifying and monitoring a national code of conduct and having a transparent public procurement system, to creating ample scope for the participation of civil society in fighting corruption.

1304. What is critically missing from the scope of measures for fighting corruption is an explicit and unambiguous definition of the ethical boundary that government or senior ruling party officials and their families should not cross in carrying out business while still in office. This problem is not peculiar to Mozambique; rather it is a major gap in many African national integrity systems. In Mozambique, the problem is more acute because, at the time of independence and as a result of the severely predatory Portuguese colonial policy, the size of the national elite was quite small and exclusively political in character. Post-independence civil war further stunted the development of the economic elite, especially as virtually all economic infrastructures were ruined during the war.

1305. When the government embarked on structural adjustment of the economy in the 1990s and privatised several public companies, some government officials inevitably saw it as part of the reward for their tenacious struggles against colonialism and internal rebellion to buy off privatised public companies and take over the reins of the economy. Through strong equity participation, management consultancies, partnerships and fronts, senior government and party officials and their families have over the years held the economy in their stranglehold to such an extent that it is difficult to imagine the state autonomously regulating the economy as it ought to. In Mozambique, senior FRELIMO politicians are the party, the party is the government, and the government is the state. Thus, Mozambican state bureaucracy is not only still deeply entangled with the FRELIMO party apparatus, but it also bears over-formalised and over-



bureaucratised features inherited from the Portuguese colonial administration. Consequently, what senior politicians decide is their interest is the state's interest. Little wonder, then, that the battle against corruption is not succeeding as well as it should.

1306. During the CRM, some participants at workshops disclosed that the government does not frown on, but rather encourages, public servants to own and operate businesses to supplement their incomes. This has led to a tendency among public servants to have divided attention and loyalty; to enter into procurement contracts with their own departments and offices; and to compete with the private sector in securing government contracts. It was also reported that contracts are frequently not performed to specifications, and that sanctions are hardly, if ever, applied effectively, as the contractors are public servants. Also, because members of the General Assembly sit part-time, many ruling party members are engaged in businesses with the very departments and agencies that they have oversight responsibility for.
1307. Businesspeople are far from complaining, however, because in the prevailing environment of the party/government stranglehold over the economy, half a loaf as a partner or front of a senior party or government official is seen to be better than none. Some argue that the situation is not only tolerable, but welcome, compared with the era of one-party rule and a nationalised economy.
1308. The government needs to consider defining an ethical code that will regulate the participation of senior party and government officials and their families in business so as to avert the corrosive impact of unbridled economic activities on public morality.

### **7.2.3 HIV/Aids**

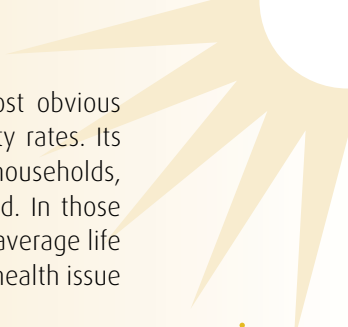
1309. Since its discovery in the early 1980s, HIV/Aids has become a global pandemic that has consumed the world, with SSA bearing the heaviest brunt. UNAIDS and the World Health Organisation (WHO) estimated that by December 2004, the pandemic had killed more than 20 million people, and that a total of between 35.9 and 44.3 million people worldwide were living with the virus. Of these, 25.4 million (57 per cent) are in SSA, although this region accounts for little more than 10 per cent of the world's population. <sup>4</sup>
1310. The SADC is the region most affected by the HIV/Aids pandemic. Although accounting for less than 2 per cent of the global population, it has the highest HIV infection rates in the world, with approximately 14.9 million (39 per cent) of the global population living with HIV/Aids at the end of 2006. <sup>5</sup>

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<sup>4</sup> Joint United Nations Programme on HIV/Aids (UNAIDS) & World Health Organisation (WHO). Various Global Reports, 2002–06. Geneva: UNAIDS/WHO.


<sup>5</sup> Chirambo, K. (Ed.). 2008. The political cost of Aids in Africa. Cape Town: Institute for Democracy in South Africa (Idasa), page 17.



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1311. HIV/Aids has caused immense human suffering in SSA. The most obvious effect of the pandemic has been the high morbidity and mortality rates. Its impact has certainly not been confined to the health sector, as households, schools, workplaces and economies have also been badly affected. In those countries that are worst affected, especially in southern Africa, the average life expectancy has dropped by 20 years. This has transformed a mere health issue to a major development challenge.
  1312. The economic and social impact of HIV/Aids on households can be very severe. The pandemic is also taking the lives of major income earners, forcing those left behind (spouses, children and the elderly) to find ways to support themselves, often in a tough economic environment. Taking care of a person with Aids is not only an emotional strain for household members, but also a major strain on household resources. The economic impacts of Aids on a household begin long before the death of an infected person. An HIV-positive breadwinner gradually loses the ability to earn an income. At the same time, the household resources are severely strained by the expense of providing healthcare, medicine, food and other necessities for the patient.
  1313. Although no part of the population is unaffected by HIV, it is often the poorest sectors of society that are most vulnerable to the epidemic and for whom the consequences are most severe. Loss of income, additional care-related expenses, caregivers' reduced ability to work and mounting medical fees push affected households deeper into poverty. It is estimated that, on average, HIV-related care can absorb one-third of a household's monthly income.
  1314. In the corporate sector, Aids damages businesses by limiting productivity, adding costs, diverting productive resources and depleting skills. Company costs for healthcare, funeral benefits and pension fund commitments are likely to rise as the number of people dying or taking early retirement increases. As the impact of the epidemic on households grows more severe, market demand for products and services can fall. Productivity is affected through increased absenteeism. Comparative studies of East African businesses have shown that absenteeism can account for as much as 25–54 per cent of company costs. Through its impact on the labour force, households and enterprises, Aids is playing a significant role in the reversal of human progress. In many SSA countries, the pandemic is erasing decades of progress made in extending life expectancy.
  1315. HIV/Aids also has a significant political impact. Recent research indicates that SADC countries using electoral systems that constitutionally demand a by-election in the event of a Member of Parliament (MP) dying or vacating the seat are highly vulnerable to HIV/Aids. These countries have experienced an unusually large proportion of costly by-elections caused by MPs dying of Aids-related diseases.<sup>6</sup>

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<sup>6</sup> Chirambo (2008).

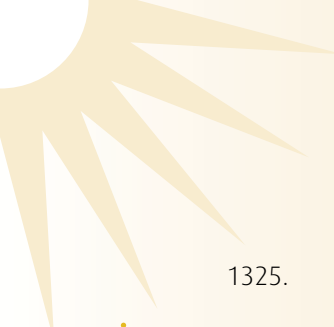
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1316. Mozambique has not been spared the adverse impact of the HIV/Aids pandemic. With an estimated HIV prevalence of 16.3 per cent among adults (aged 15–49 years) in 2005, Mozambique ranks among the ten most affected countries in the world. An estimated 500 people are infected every day. The impact is not uniformly distributed among adults living with the disease, as an estimated 57 per cent are women. They are generally infected at much earlier ages than men and therefore lose more years of life than men. This gendered pattern of HIV infection is typical of the subregion as a whole. It is clearly related to the low educational level and exceedingly high illiteracy rates among women, as well as to women’s subordinate economic, social and political position.
1317. The national rate of HIV prevalence masks considerable regional differences in Mozambique, with adult prevalence rates being estimated at 13.2 per cent for the south, 16.5 per cent for the centre and 5.7 per cent for the north of the country. Mozambique also suffers co-epidemics of tuberculosis and malaria, in addition to seasonal cholera outbreaks, all of which exacerbate the impact of HIV/Aids.
1318. While the pandemic is currently receiving considerable attention from all major stakeholders, much wider access to HIV prevention, treatment and care services is urgently needed. As Mozambique scales up its HIV/Aids programmes and more people are reached with prevention, treatment and care, it is vital to strengthen the capacity of individuals and institutions to manage and deliver these services. Mozambique has approximately three physicians for every 100 000 people.<sup>7</sup> Shortages of other health providers, such as nurses, pharmacists and laboratory technicians, are comparable. Outside of the health system, where the multi-sectoral response to HIV/Aids depends fundamentally on community-based initiatives and volunteers, Mozambique also is severely disadvantaged, with an adult literacy rate of only 46.5 per cent (31.4 per cent among women) and high levels of stigma and discrimination.
1319. Noteworthy also is the realisation that Aids is linked to many other problems, such as poverty and poor public infrastructure. Efforts to fight the epidemic should take these realities into account and look at ways in which the country’s general development can progress. In particular, interventions to strengthen the economy can help Aids-affected individuals and their households to survive the shocks caused by the pandemic, thereby stabilising the household economic situation and preventing it from deteriorating into absolute destitution. They can also reinforce existing formal and informal support systems by making it possible for family and community members to maintain or expand their economic and business activities. This can help increase the resources that infected and affected individuals and households have available to support themselves.

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<sup>7</sup> United Nations Development Programme (UNDP). 2006. Human Development Report 2006. Washington DC: UNDP.

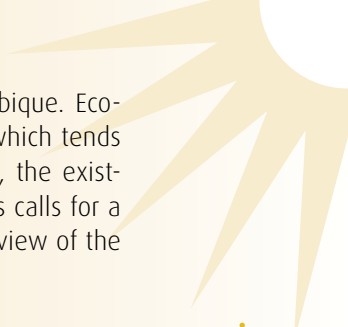
#### 7.2.4 Land Ownership

1320. As in many African states, land is an emotive and controversial issue. Land ownership matters have been central to the battle for independence in Mozambique and in its post-independence policy. There is increasing recognition that access to land is critical if vulnerable households are to secure a sustainable rural livelihood. Secure access to land, whether through formal, informal, customary or other means, is necessary for rural households to enjoy sustainable livelihoods and is an important part of sustainable development. Problems with land tenure are often important contributors to food insecurity and restricted livelihood opportunities, and therefore also to poverty. Secure access to land should therefore be considered when designing solutions for specific situations of rural development or food insecurity. In the case of Mozambique, this requires that problems relating to land tenure be recognised and dealt with.
1321. The regime of rights to land in Mozambique has undergone radical changes in the last few years. The successive and rapid amendment to legislative instruments dealing with land issues culminated in a new Land Policy, which was adopted in 1995.
1322. In 1979, the state promulgated a land law that vested land in itself and earmarked areas for socialist-oriented enterprises. It also restricted rural families to certain areas in order to encourage agricultural cooperative development and provide labour for state enterprises. The Land Laws (No. 6 of 1979 and No. 1 of 1986) permitted individuals to obtain titles to their land and established that titles issued by the government would be the only mechanism for foreign access to land. Demand for land accelerated in the late 1980s due to the successful negotiation between RENAMO and the government and the introduction of the programme for economic reconstruction.
1323. By the early 1990s, it had become clear that the national legal and regulatory framework governing land use rights did not provide secure tenure rights to either smallholders or larger commercial interests. In addition, the amended Constitution had obliged the state, for the first time, to recognise rights acquired through inheritance or occupation. Together, these heralded the subsequent revision of the Land Law, and led to the legal recognition of customary and other rights to land, as well as the development of registration mechanisms for recording and managing these new rights.
1324. The rapidly changing social and economic context following the General Peace Agreement (GPA) prompted a new land policy, *Politica de Terra*, in 1996, and led to the promulgation of the Land Law the following year. The new policy continued to vest all land in the state, under a system of 50-year leases but, very importantly, recognised customary law and the role of traditional leaders in land allocation. It also allowed transfer of land use titles between national



companies and individuals. Under this interim policy, peasants were generally able to defend their land rights, but were often removed from former state farms, which they occupied during the war and which were later taken over by foreign companies.


1325. A new land law was passed in 1997. The landmark 1997 Land Law (Lei de Terras 19/97), which provides the legal foundation for current policy, emerged from a process widely described as one of the most participatory and democratic in recent Mozambican history.
1326. While the policy-making process revealed a wide range of divergent interests around the question of property rights, substantial consensus was achieved on three core issues: continued state ownership of land; the protection of existing rights, particularly on communal land; and the opening up of land and other natural resources to the private sector. Mozambique has gone further than other countries in the region, in extending legal protection to the rights of communal land users.
1327. Pursuant to the mode of Portuguese law, the new Land Law of 1997 is a concise set of Articles, setting out principles with minimal detail or procedural guidance. Nonetheless, its promulgation was marked by prompt concern as to possible ambiguities and gaps – concerns that were not entirely remedied by the regulations of the following year. The law neither met the ambitions of most citizens nor the keenest expectation of the donor community to have a clear legal environment for the development of private property and a free market in land. At the same time, the law devolves more authority and autonomy to private investors and assumes a more conciliatory approach towards capital, both foreign and national. The considerable consultation process had the effect of diluting consistent policy and rendering the law more a platform for understanding between the different role-players and interests, than a strategy of reform.
1328. A key legal tenure change provided by the Land Law is the requirement that communities should participate in the administration of natural resources and the resolution of conflicts (Articles 10 and 21). This does not extend to a right of veto. Another critical change is that communities, as well as individuals, may hold land and may be titled as such (Article 7). Verbal evidence is accepted in the law as the basis of a recognised right to land. Application of the law is proving less satisfactory than these clauses suggest, however. This is partly because of the absence of clear community organisation and representation, and partly through the retention of complex and expensive titling procedures that are unfavourable to the poor majority.
1329. There is a clear need to improve the way in which land rights can be used to foster development. The CRM noted that the present land tenure system



is a major hindrance to social and economic progress in Mozambique. Economically, people cannot use land as collateral to secure a loan, which tends to constrain economic activities, especially in agriculture. Socially, the existing land tenure system has constrained housing development. This calls for a careful review of the current land tenure system in the country in view of the economic situation.

### **7.2.5 High Levels of Illiteracy**

1330. The traditional definition of literacy involves the ability to read and write, and to use language to read, write, listen and speak. In modern contexts, the word refers to reading and writing at a level adequate for communication, or at a level allowing a person to understand and communicate ideas in a literate society, so as to take part in productive activities in society. Literacy involves a continuum of learning to enable individuals to achieve their goals; to develop their knowledge and potential; and to participate fully in the wider society.
1331. There are different forms of illiteracy. Common to many countries is functional illiteracy, a term used to describe reading and writing skills that are inadequate for coping with the demands of everyday life. This is contrasted with illiteracy in the strict sense, meaning the inability to read or write simple sentences in any language.
1332. Literacy rates can vary widely from country to country or region to region. This often coincides with the region's wealth or urbanisation, though many factors play a role, such as social customs that limit the education of females in some countries. In modern times, illiteracy is seen as a social problem to be solved through education.
1333. A casual comparison of adult literacy rates in four southern African countries shows that Mozambique has the lowest rate. While the adult literacy rate was well over 80 per cent in South Africa, about 80 per cent in Zambia and slightly below 80 per cent in Botswana, that of Mozambique is just slightly above 40 per cent. Despite some improvements in recent years, the gender disparities in adult literacy are still very strong in Mozambique, with just over 30 per cent of women aged 15 years and above being literate, compared with over 60 per cent of all men aged 15 years and above.
1334. The government has made notable progress in ensuring access to schooling. During the period of PARPA I, access to primary education increased from 2 million learners in 2001 to almost 4 million in 2006. Nonetheless, significant challenges remain. For example, the primary completion rate is still below 50 per cent. The enrolment of girls, especially at post-primary levels, lags significantly behind that of boys. Mozambique is thus at risk of being unable to achieve the MDG for universal primary education and gender equity in education. Progress



in improving access to post-primary education has also been slow. Only 500 000 students are enrolled in secondary education programmes and 30 000 in tertiary programmes. Significant disparities remain between rural and urban locations, and are exacerbated by the demand for secondary, technical and tertiary education, which is higher in wealthier urban areas. This makes it more difficult for government education policies to be effectively pro-poor.

1335. The quality and relevance of education continue to be a cause for concern. Of the 7 million people active in the labour market, more than 90 per cent have completed only five years of primary education or less. There is a significant shortage of technical and higher-level skills, especially in mathematics and science. Of the 30 000 students enrolled in the 16 higher education institutions, less than one-third major in natural sciences, agriculture, engineering and health sciences, and fewer eventually graduate. Nationwide, fewer than 300 people have doctoral degrees.
1336. In addition to the challenges of coverage and quality, corruption in the education sector diminishes the efficiency and quality of service delivery, especially to the poor. Due to diversion of funds, less money than intended reaches beneficiaries. The CRM was informed at several provincial forums that corruption occurs mainly at the level of individual teachers, with children and their parents being subjected to varying illegal practices. These include unauthorised charges levied on school admission forms; bribes to obtain good grades or examination scores, or to buy examination questions; forced payment for private tutoring in order to get quality instruction; and sexual coercion of students. These abuses particularly affect poor children, as their parents are less likely to have the means, knowledge and access to counter them.
1337. Based on the evidence presented in this report, it may take several years before Mozambique is able to close this gap, unless drastic measures are taken and adequate incentives are put in place to motivate adults to improve their reading and writing abilities. This may be crucial, as the development of an economy is a function of the quantity and quality of its educated population. More significantly, high literacy levels have high economic and social costs.
1338. In political terms, uninformed citizenry or illiterate voters in a democratic society are not likely to appreciate the importance of the vote in improving their welfare. As the awareness of the middle class or more wealthy sectors of the population increases, the tolerance rate for extreme poverty and other social problems is likely to drop considerably.
1339. Economically, literacy rates are considered a crucial measure of a region's human capital. This claim is made on the grounds that literate people can be trained less expensively than illiterate people; they generally have a higher socioeconomic status and enjoy better health and employment prospects.



Policy makers also argue that literacy increases job opportunities and access to higher education.

1340. In the health sector, high literacy levels, especially among females, lead to high health outcomes. In Kerala, India, for example, female and child mortality rates declined dramatically in the 1960s, when girls who were schooled according to the education reforms after 1948 began to raise families.
1341. Socially, illiteracy entails a high cost to social life and family life, as well as human costs. It brings about shame and harms confidence. It may negatively impact the development of social capital in communities, and may also seriously undermine upward social mobility.
1342. In gender terms, the higher illiteracy rate among females has serious implications, as paid jobs are likely to be dominated by men. This gender gap poses a serious challenge to policy makers, especially in the light of the impact that gender and education issues have on employment and poverty.
1343. High illiteracy levels also mean that many victims of gender-based violence, especially women, are often reluctant to report incidences of violence against their perpetrators. Their fear of the consequences, or the fact that they do not speak Portuguese and are illiterate, prevents them from being able to negotiate the system.
1344. Notable progress has been achieved in promoting adult literacy in Mozambique and projections of continued positive trends due to the development and expansion of the literacy campaign are encouraging. Nevertheless, the current high rate of illiteracy is likely to have very negative implications on the extent to which the majority of the population contributes to the development efforts of the country.
1345. Illiteracy undermines Mozambican citizens' chances to take advantage of education and information opportunities in order to contribute fully to national development efforts and, at the same time, to make full use of social and economic opportunities. The fight against poverty cannot be won unless ignorance due to the lack of education, especially illiteracy, is eradicated.
1346. The important role of education in advancing economic and social development and in reducing poverty cannot, therefore, be overemphasised. Mozambicans who are functionally illiterate may be subject to social intimidation, health risks, stress, low income and other pitfalls associated with their lack of reading and writing skills. The inability to function normally in society due to functional illiteracy may increase the friction these people experience with mainstream society. It might increase the likelihood of people becoming involved in antisocial activities, such as crime, or in self-destructive activities. For this reason, it is

important for Mozambique to improve the literacy rate in communities through strengthening the education system and adult literacy programmes.

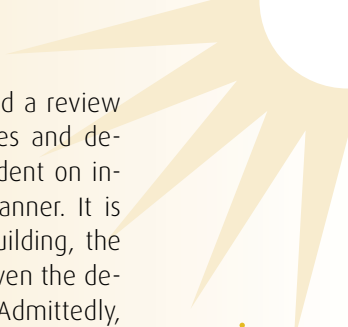
### 7.2.6 High Aid Dependency

1347. In the early decades of independence in Africa, development assistance or aid was underpinned by an economic logic that stressed its contribution to filling up “gaps” constraining development. Arguments in favour of aid include, among other things, the fact that it supplements savings and enhances investment, which makes the expansion of productive capacity possible. In addition, it furnishes foreign exchange for essential imports, such as machinery and, in many cases, fuel and food, and also finances infrastructural projects.
1348. Over the past 50 years, aid has undergone significant changes in terms of its objectives and composition. By the 1990s, some observers claimed that aid was in crisis and its achievements were questioned by many shades of opinion.
1349. At present, a strong view is held that aid dependency does not lead to the development of dynamic processes of productive capacity and accumulation in the long run. Despite encouraging international resolutions, which include the 2005 Paris Declaration on Aid Effectiveness (PDAE) and the Accra Agenda for Action (AAA), among others, empirical evidence continues to point to a number of obstacles associated with aid modality, management, donor accountability and harmonisation.
1350. Since the end of the civil war, Mozambique has consolidated its position as one of the largest recipients of aid in the world, both in per capita and absolute terms. The country’s known reputation on various fronts has made it a major destination of Official Development Assistance (ODA). A group of 18 donors,<sup>8</sup> known as the “G-18”, currently provide budget support to Mozambique. The volume of ODA received has grown steadily, with aid inflows into the country increasing from around an annual average of just over US\$900 million during the 1990s, to an annual average of over US\$1.3 billion between 2000 and 2005.<sup>9</sup> However, the degree of aid dependency in Mozambique is likely to be larger than these figures suggest, despite their magnitude. In addition to strong dependence on funds made available by the international donor and financial community (the financial gap constraint), Mozambique also has a strong dependence on foreign expertise in all areas of the economy (a capacity gap constraint), which within the government is usually provided in the form of technical assistance programmes.

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<sup>8</sup> The 18 key donors include three multilaterals (the World Bank, the African Development Bank and the European Union) and 15 bilaterals (Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom).

<sup>9</sup> Warren-Rodriguez, A. 2008. Putting aid on budget: A case study of Mozambique. Study for the Collaborative Africa Budget Reform Initiative (CABRI) and the Strategic Partnership with Africa (SPA), April. [http://www.mokoro.co.uk/AOB-Mozambique\\_Report\(April08final\).doc](http://www.mokoro.co.uk/AOB-Mozambique_Report(April08final).doc).

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1351. Interactions with stakeholders, especially government officials, and a review of evidence availed to the CRM by various government ministries and departments, suggest that Mozambique has become heavily dependent on international aid in a multidimensional, structural and dynamic manner. It is dependent with respect to finance, policy choices, institutional building, the culture of civil service and civil society organisations (CSOs), and even the development and dynamics of political institutions and the economy. Admittedly, Mozambique has been a pioneer in establishing coordination mechanisms between the government and donors, and a testing ground for the so-called “new aid” modalities. However, claims were repeatedly made that aid is often not aligned to national priorities and programmes, and that the government has little choice but to accept them. Ministers and officials spend a great deal of time dealing with donors and so have insufficient time left for their responsibilities. Combined with the fragmentation of the planning and budgeting system, this makes it very difficult for the government to develop alternative strategies due to a lack of capacity and the brain drain. Thus, the fundamental question in the case of Mozambique is not how to manage aid dependency, but how to reduce it considerably. Critical to this is how aid could be used to help achieve this goal.
1352. Admittedly, for a country like Mozambique emerging from the destabilisation of a long civil war, an interim phase of managing aid properly as a development resource may be required. However, managing aid for the development of endogenous capacities is one thing, whereas managing aid for the sake of keeping it flowing in, and seeking more of it, is another.<sup>10</sup>
1353. At present, the extent to which Mozambique is attempting to use aid to create endogenous development is unclear, as is reflected in the absence of an aid exit strategy. Under aid dependency, relationships and bargaining power between agents are highly unequal, and their social, political and economic development interests and priorities may differ substantially.
1354. Donors usually take the upper hand in a context of negotiation of influence and agendas between agents with unequal capacities and bargaining power, and who pursue different goals in a contested, dynamic and asymmetric environment. Inevitably, the space for policy initiative and innovation in an aid-dependent country is considerably diminished.
1355. Mozambique should sincerely begin to address the issue of using aid to build strong and dynamic productive capacities. The country should also begin work in earnest on changing the structure and dynamics of public expenditure in order to support and crowd in private investment and the development of viable, sustainable and competitive productive and trade capacities.

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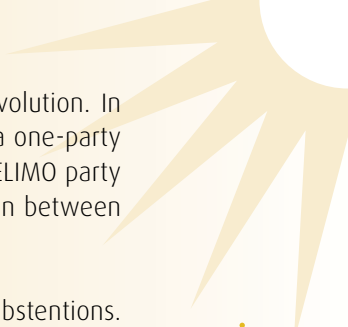
<sup>10</sup> Castel-Branco, C.N. 2008. Aid dependency and development: A question of ownership? A critical view. Institute of Social and Economic Studies Working Paper No. 01/2008, February. Barcelona/Madrid: IESE.

### **7.2.7 Information Flow and Paucity of Data**

1356. The role of accurate and reliable data in policy formulation is crucial. Information forms a critical part of any governance system, especially information that is readily available to citizens. Equally important are the quality and reliability of the information, even in its crude form.
1357. A problem with the quality of information in Mozambique is deeply tied to the nature of the governance system. It is a highly centralised system operating on the basis of highly aggregated data that does not allow for detailed views of situations. While the country has made significant progress in this regard, particularly as far as Internet presence is concerned, there are still many gaps in information that need to be addressed, also as part of the development of Mozambique's governance structures.
1358. In this respect, it is important to strengthen the capacity of the National Institute of Statistics (INE). The INE is the central executive organ of the national statistics system and its regulations govern statistical procedures in detail. It reports to the Council of Ministers and its senior management is appointed by the President.
1359. Despite its up-to-date and comprehensive legal mandate, the INE still needs to strengthen its administrative and technical capacity for managing the country's basic statistics. Public information is still sporadic, and is restricted to that derived from the census (which, in principle, is conducted every ten years), the National Statistics Yearbook (produced in July, with a summary appearing in February/March) and the price index.
1360. A lack of quality, reliable and up-to-date data makes it difficult to do proper economic forecasting and projections. This tends to create difficulties for policing and programming, not only for government officials, but also for commercial enterprises. The country is yet to apply all the standards stipulated by the General Data Dissemination System (GDDS) of the International Monetary Fund (IMF).
1361. In social development, the CRM noted the paucity of data on poverty and various social indicators, most of which is available just up to 2003. As in the case of the economic and commercial spheres, a lack of recent data tends to complicate policy making and programming.

### **7.2.8 Political Inclusivity**

1362. Political inclusivity in a post-conflict society is critical to reconciliation and reconstruction. In Mozambique, the emerging pattern of plural politics shows a disturbing trend. While there are many indications that the country is moving




in the right direction, there is some concern about its political evolution. In particular, there is much concern that Mozambique is sliding into a one-party state. Many stakeholders expressed the concern that the ruling FRELIMO party appears to dominate the public sphere, thus blurring the distinction between state and party.

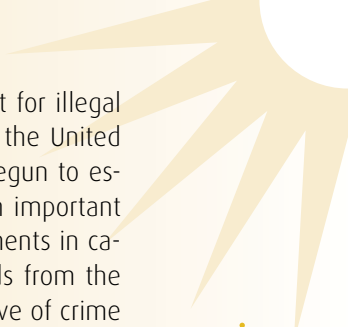
1363. The 1998 elections saw a boycott by RENAMO and widespread abstentions. RENAMO is a significant political force with strong regional bases, and heads a coalition with a large number of seats in Parliament. The Mozambican state bureaucracy is nevertheless still deeply entangled with the FRELIMO party organisation. Many Mozambicans strongly feel that the ruling party has been pursuing a more aggressive policy of self-assertion requiring loyalty to the party in exchange for positions in the state apparatus. It is felt that the party is increasingly committing itself to the political aim of reducing opposition parties to insignificance. These fears should not be taken lightly, particularly since recent highly influential older politicians, veterans of the war of colonial liberation, made public pronouncements contemptuous of democracy and opposition parties.
1364. Commendably, though, this apparent setback to political development in Mozambique is offset by interesting developments in society. In fact, both the Constitutional Council and the Administrative Tribunal (National Audit Office) recently ruled against decisions that seemed to be party-politically motivated. The newly created Civil Service Higher Authority had imposed on all state institutions the use of a FRELIMO party slogan, which the Constitutional Council found unconstitutional and asked to be withdrawn. Similarly, the Administrative Tribunal gave a devastating review of public accounts, pointing to criminal irregularities. Most importantly, it found the decision by the Eduardo Mondlane University, a public institution, to ask academics who joined the opposition RENAMO party to step down from their senior positions in the university's administrative structure illegal, and ruled that they should be reinstated. Given the widespread belief that the country is in the tight grip of FRELIMO, this obvious show of resistance from two institutions that have the task of safeguarding and protecting the rule of law is encouraging. It is also an indication that Mozambican society may be moving in a direction that renders democracy less dependent on individual goodwill, but more structurally ingrained.

### **7.2.9 Crime, Safety and Security**

1365. Crime is a major impediment to development. In most African countries, high rates of crime and violence are undermining growth, threatening human welfare and impeding social development. Crime and violence generate and sustain an insecure environment, as well as a sense of insecurity among citizens, while sowing pain, mourning and trauma in society. Crime also destroys public trust and undermines the basic social functions that are essential for healthy societies.

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1366. In the corporate sector, crime is a major hindrance to investment. In many countries, as crime increases, access to financing declines; spending on formal and informal security measures increases; and worker productivity declines. High crime rates directly raise the cost of doing business. For instance, foreign and domestic businesses and wealthy individuals spend considerable resources on providing security for their valuable machinery and inventories, and for their employees. Crime also contributes to the emigration of skilled labour.
1367. Crime rarely occurs in isolation. Often it is one of a range of co-factors associated with underdevelopment. Globally, crime is strongly associated with high levels of income inequality, rapid urbanisation, a high share of unemployed young people and poorly resourced criminal justice systems. High rates of crime are often the result of corrupt police and the Judiciary, who make little effort to apprehend criminals or prevent crimes. Acceptable standards of behaviour by officials and others also tend to decline when crime is commonplace.
1368. In a country with a fledgling independent media and a lack of reliable crime statistics, it is difficult to gauge just how bad the situation has become. Anecdotal evidence, however, indicates that street crimes, including mugging, purse snatching and pick-pocketing are common, both in Maputo and in secondary cities. Hijacking of vehicles is increasingly common.
1369. Official statistics indicate that levels of crime in Mozambique remain relatively low in comparison with other southern African countries. Only 1 per cent of all the crime recorded in the SADC region occurred in Mozambique. The number of recorded crimes in the country declined slightly in 2008, compared with the previous year, but there was an increase in crimes committed with firearms. The Attorney-General's recent annual report presented to the country's Parliament, the Assembly of the Republic, indicated that the total number of recorded crimes fell from 41 902 in 2007 to 40 312 in 2008, which is a decline of 3.8 per cent. However, the number of crimes in which firearms were used rose from 703 to 740.
1370. Maputo, the capital, is also the "crime headquarters". In 2008, 36 per cent of all crimes in the country were committed in Maputo city and Maputo province, which is a fall from the 42 per cent in 2007. However, 635 of the firearm-related offences (86 per cent of the total) were committed there. Of particular concern is the spread of mob violence, as crowds take the law into their own hands and lynch people they believe to be criminals. There were 68 lynchings and attempted lynchings in 2008, in which 54 people were murdered and 26 were injured. Fifty-two people were arrested in connection with these crimes. An apparent spike in crime, and the police force's inability to deal with it, was said to be behind the lynching.
1371. There is also an international dimension to crime in Mozambique, as the country is increasingly being afflicted by transnational organised crime. Due to its



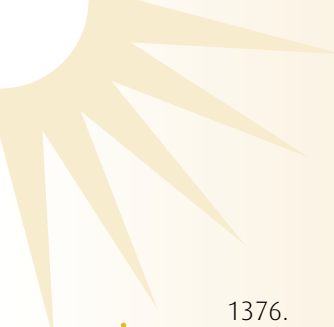


porous border, Mozambique is fast becoming a major transit point for illegal narcotics from South Asia and Central Asia bound for Europe and the United States. There are also signs that primarily Pakistani gangs have begun to establish drug laboratories in Mozambique. It is also turning into an important regional centre for money laundering, primarily by way of investments in casinos, hotels, shopping malls and mining activities, in which triads from the former Portuguese enclave of Macau are very active. This new wave of crime is no longer confined to the capital, but the Manica, Sofala and Zambézia provinces in the centre and north of the country have also been witnessing a sharp increase in crime rates since early 2006. The growing number of foreigners involved in criminal activities has given the country's war on crime a potentially xenophobic component, a situation that is further exacerbated by the antforeigner riots in neighbouring South Africa, in which many Mozambicans were victims.

1372. Confronted with an ever-more violent criminal element and the loss of many of its members, the Mozambican security services have responded with equal violence. The Mambas and the Criminal Investigation Police (PIC) have been regularly accused of summary executions and torture of alleged criminals.
1373. Greater investment in intelligence and community policing will likely prove to be more effective than the use of brute force. Although there probably is no ideal approach for preventing crime and violence, interventions such as projects to upgrade slums, initiatives for youth development and reform of the criminal justice system can contribute to reducing crime and violence rates. Creating mechanisms for increasing parliamentary oversight over the security services and establishing an effective unit to deal with police corruption might improve the effectiveness of the police. The international community and Interpol should continue to play a vital role in supporting the Mozambican government in such efforts.

#### **7.2.10 Gender-based Violence**

1374. "Gender-based violence" is still an emerging and developing term. Originally, it was used most often to replace the term "male violence against women". Those advocating the new term wanted to emphasise that violence against, or by, women is a phenomenon that is related to the gender of both victim and perpetrator. Many definitions continue to focus solely on women being victims of violence, for example the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) of the United Nations High Commission for Refugees (UNHCR) states that it is "violence that is directed against a woman because she is a woman, or that affects women disproportionately".
1375. However, there is a development towards extending this definition to all forms of violence that are related (i) to social expectations and social positions based




on gender, and (ii) to not conforming to a socially accepted gender role. In this way, gender-based violence is increasingly becoming a term that connects all acts of violence rooted in some form of “patriarchal ideology”. It can be committed against both women and men by women and/or men, with the purpose of maintaining social power for the perpetrator.<sup>11</sup>

1376. CRM consultations revealed that the forms of gender-based violence most prevalent in the country include domestic violence, such as childhood sexual abuse occurring within the family (e.g. by a father, stepfather, grandfather, uncle or brother or other male in a position of family trust, or a female relative); sexual abuse, especially of girls in educational institutions; harmful traditional practices, such as early marriage and a preference for having sons; and trafficking in women and forced prostitution. In the Inhambane and Zambézia provinces, it was reported that childhood sexual abuse, when committed by fathers to daughters, was linked to traditional rituals of wanting to get rich. Once this was done, the family kept it as a secret and it could force the child to drop out of school. Factors contributing to violence against women include economic issues related to poverty; sociocultural factors; and conflict and insecurity.
1377. Poverty and marginalisation are widespread among women and are causal factors leading to, and also consequences of, violence against women. Lack of economic autonomy, denial of property rights, lack of access to shelter, illiteracy and fear of losing their children restrict women’s ability to escape a violent environment in order to obtain protection and access to the criminal justice system. Poverty also forces women and girls to stay in violence-based sexual alliances as a survival strategy, thereby increasing their vulnerability to HIV infection. Social and cultural practices manifested in unequal power relations between men and women, such as patriarchy or other traditional and harmful practices, result in different forms of violence against women. In consultations held in the provinces, the CRM learnt that violence against men is mainly a result of women trying to protect themselves.
1378. The APR Panel takes the view that gender-based violence needs to be addressed urgently, as it has a wide range of health, social, psychological and economic consequences. Violence against women has several health, human rights and socioeconomic impacts on affected women and their families. Abused women are more likely to suffer from mental health problems, such as depression, anxiety, psychosomatic symptoms, eating problems and

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<sup>11</sup> This makes gender-based violence an umbrella term for any harm that is perpetrated against a person’s will; that has a negative impact on the person’s physical or psychological health, development or identity; and that is the result of gendered power inequities that exploit distinctions between males and females, among males, and among females. Although not exclusive to women and girls, gender-based violence principally affects this group across all cultures. Violence may be physical, sexual, psychological, economic or sociocultural. Categories of perpetrators may include family members, community members, and those acting on behalf of, or in proportion to, the disregard of cultural, religious, state or intra-state institutions.



sexual dysfunctions. Women who have been sexually abused as children are at greater risk of having unprotected sex as adolescents and adults, and thus of contracting HIV/Aids. Affected women may suffer from reproductive health problems, such as sexually transmitted diseases (STDs), including HIV/Aids, gynaecological problems and unplanned pregnancies. These consequences may in themselves act as risk factors for further aggression, forming a cycle of abuse. The effects of violence may also be fatal as a result of intentional homicide, severe injury or suicide. Many rape victims suffer severe injuries, unconsciousness, mental illness and even death following rape. Rape victims are nine times more likely than non-victims to have attempted suicide.<sup>12</sup>

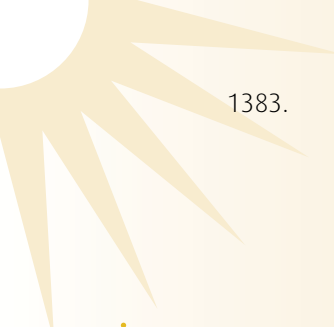
1379. The linking of gender-based violence to other themes, such as the economic empowerment of women, is still limited. Economic empowerment is still the single-most important intervention for changing the status of women. In a state of poverty, women cannot afford to take the risk of “rattling the cage” that is their safety net. This is why harmful traditional practices, such as early marriages, are prevalent in the poorest of communities. Strategies for reducing poverty should include programmes to address the special needs of all women in order to empower them economically.

### **7.2.11 Capacity Constraints and Implementation Challenges**

1380. At the heart of development lies capacity building with a view to developing not only a capable state, but also a capable nation and society. The essence of such capacity and capability is the ability to identify goals and objectives, and to marshal all the resources of the nation to meet them. Central to this, is the ability to meet challenges and solve problems.
1381. This nexus between capacity building, sustainable development and the transformation of a society has been widely recognised and is embodied in NEPAD. In many ways, it is the central challenge facing African countries in promoting good political, economic and corporate governance and accelerating sustainable economic and social development.
1382. For understandable reasons, capacity weaknesses are inherent in Mozambique. These manifest themselves in institutional weaknesses, low development of human resources, problems with coordination and management, a lack of comprehensiveness, challenges of knowledge generation and information management, and weaknesses in ownership and donor coordination. The lack of human resource and institutional capacity is a significant constraint to development in Mozambique, regardless of sector, region or issue.

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<sup>12</sup> United Nations Population Fund (UNFPA). 2001. A practical approach to gender-based violence. New York: UNFPA.

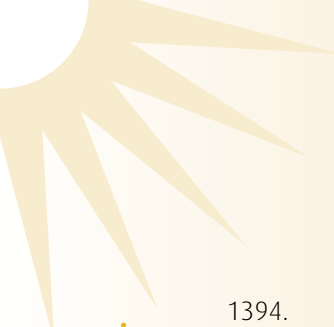
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1383. The country gained independence amid a chaotic and often violent exodus of Portuguese settlers, including almost all of the technical and managerial elite. Property and productive infrastructure were sabotaged and abandoned, and the country was left with a largely dysfunctional economy and an unskilled human resources base. Shortly thereafter, the country was engulfed in a civil war. In the immediate aftermath of the conflict, training programmes were hurriedly established under the pressure to demobilise over 90 000 former soldiers. While these programmes have had some success, they have also created frustration and unfulfilled expectations. While school enrolment has increased over time, the educational system, especially at the tertiary level, has not been able to meet the demand for critical skills.
1384. Mozambique has articulated a clear vision of its future in its constitution, economic and poverty reduction strategies, and sectoral plans. Legislation, decrees and policies have been adopted, and institutions and mechanisms put in place to realise this vision. However, the country needs to improve on these constitutional, legal and institutional frameworks and fill in existing gaps. At present, the critical challenge facing the country is the need to implement these measures energetically, comprehensively and effectively, and to find a way in which to make the system work as it was intended to.
1385. The CRM noted that legislation and policies exist to promote governance in all four thematic areas, but these are often not implemented. While institutions have been established, they function ineffectively, and well-intentioned and clearly articulated goals are set aside. Although there may be a number of reasons for the gap between plans and their implementation, the principal reason, if not the lack of political will, appears to be deficiencies and gaps in capacity. Accordingly, as a matter of top priority, the government and people of Mozambique should concentrate their efforts on building the capacity of the state to implement policies and programmes effectively and efficiently.
1386. Capacity building is required more at the local level than at the level of the state. In the case of Mozambique, the evidence shows that, invariably, capacity gaps are stronger at the provincial and district levels compared with the national level. Capacity building should therefore be a central feature of the decentralisation process. The goal should be to empower local communities fully, so that they become increasingly responsible for their own destinies within the framework of a common national vision.
1387. Equally important is the need to recognise that capacity building is a goal, not only for the state, but also for the nation as a whole. Often, genuine good political and economic governance is negated by deficiencies in the capacities of other stakeholders, notably CSOs. These organisations fall short in their role as effective advocates of the people and agents of development. Often, they also fall short in their ability to address some of their challenges through their

own efforts, rather than relying all, or most, of the time on the government or donors to solve these problems for them.

1388. There is a need to strengthen economic management. Mozambique also requires capacity building in road, rail, energy and telecommunication infrastructure. This is critical to laying a firm foundation for development. It would be very difficult for any African country to develop without good infrastructure.
1389. Related to enhanced capacity in economic management is the need to boost capacity building in corporate governance. Institutions such as the Investment Promotion Centre (CPI) need strengthening. Measures should also be taken to strengthen the capital market.
1390. In the delivery of social services, a large pool of well-trained, motivated people is required to run state institutions, and sound systems and processes should be put in place. These should be complemented by adequate and necessary equipment and facilities. The individuals, institutions and organs entrusted with various functions should be empowered, but also held accountable for their stewardship. Flexibility, adaptability and a process of continuous learning should also be built into these arrangements.
1391. In Mozambique, as elsewhere in Africa, capacity building will depend mainly on the state playing a leading role in its implementation. The government should in this respect articulate a comprehensive strategy for capacity building within the state organs; coordinate efforts; empower and motivate other institutions in society to play their role; and monitor the entire process. A national mechanism composed of senior officials from the government and all stakeholders would be required to monitor and evaluate progress in this regard.

### **7.2.12 Elections**

1392. After a short wave of euphoric expectations of what multiparty democracy could accomplish for Africa in terms of political accountability, economic development and peace, the current perception both internationally and within SSA appears to be pessimistic. To a large extent, the changing attitudes relate to the role of the electoral institutions and to what extent multiparty elections have actually had any real effect on decision making in the region since multiparty democracy was introduced in 42 African nations in the early 1990s.
1393. The litmus test of the electoral process is the possibility of a peaceful change in government. Beyond formal party pluralism, the opposition should have a real chance of winning the next elections. As a result, it is not possible to conceive of democracy without elections. However, the lesson emerging thus far from SSA's experiences with multiparty democracy is that it is possible to have elections but no democracy. While many African citizens are, in principle,



free to choose their own leaders, in a substantial number of cases incumbent leaders have found ways to win electoral mandates despite clamping down on extensive political liberties and participation. Furthermore, political freedoms and civil rights may be formally recognised, but are imperfectly observed in practice, particularly in between elections.

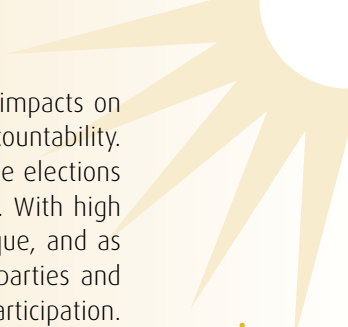
1394. Other disturbing trends witnessed are the qualitative decline in the holding of elections from the first to the second elections, and the fact that the level of participation is low and declining. This gloomy picture is partly due to the quality of the electoral process but, perhaps, most of all, to the lack of significant political change emanating from the electoral process.
1395. Despite these challenges, some feel that the notion that elections constitute meaningful political exercises in terms of giving citizens meaningful choices over the distribution of resources is the “fallacy of electoralism”.<sup>13</sup> As several observers have stressed, while a competitive political system cannot itself be equated with democracy, it is a cardinal precept of liberal democracy. According to its own precepts, liberal democracy involves free and fair electoral competition which, among other things, includes the possibility of fair representation and of holding politicians accountable for their decisions.<sup>14</sup>
1396. Mozambique is not immune to accusations of electoral malpractices. Admirably, while all elections since the introduction of multiparty democracy have been marred by accusations of fraud, the government has responded by pursuing the reform of electoral instruments, strengthening electoral bodies and installing a state council consisting of representatives from different political parties and civil society. These measures should be understood as statements of Mozambique’s commitment to the consolidation of democracy; at the same time, they document the country’s willingness to uphold international standards. However, more needs to be done to strengthen the electoral system and processes and, in particular, to promote accountability of the elected representatives to the electorate.
1397. Mozambique’s parliamentary system, which lacks direct representation, has left citizens without the leverage to influence or hold their parliamentary representatives to account. Not surprisingly, the country’s General Assembly has been very ineffective in holding the Executive to account. This situation has not been helped at all by the current configuration of government and leading party.
1398. This situation points to the existence of a democratic deficit in one form or another in Mozambique. The notion of “democratic deficit” refers to the failure of established, liberal notions of representative or participatory democracy to

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<sup>13</sup> Buccus, I. & Hicks, J. 2008. Crafting new democratic spaces: Participatory policy-making in KwaZulu-Natal, South Africa. In Pretorius, J. (Ed.), *African politics: Beyond the third wave of democratisation*. Cape Town: Juta.

<sup>14</sup> Cowen, M. & Laakso, L. 2002. Elections and election studies in Africa. In Cowen, M. & Laakso, L. (Eds), *Multi-party elections in Africa*. Oxford: James Currey.





link citizens with the institutions and processes of the state. This impacts on the quality and vibrancy of democracy and results in reduced accountability. It also tends to promote a sense of disappointment as to how little elections have improved the government's accountability and performance. With high and probably rising levels of poverty and inequality in Mozambique, and as citizens become increasingly sceptical and distrustful of political parties and institutions of corruption, there is evidence of declining political participation. Under the current electoral system, links between citizens and state are weak. The result may be "weak democracy" marked by poor representation.

1399. It is important that citizens should be the guardians of democracy and hold whatever government comes to power to account. The connection between state and party should be replaced by the promotion of accountability in politics.
1400. Ultimately, the people of Mozambique should be the stewards of a democracy that operates through a government that respects the citizenry and the basic principles of democracy; is reconciliatory; and is transparent and accountable for its actions. This is the dream towards which the country should strive. Mozambique should explore ways of how best to engage its citizens in the process of deepening democracy by focusing on governance institutions, the capacity of civil society and the interface between the two.

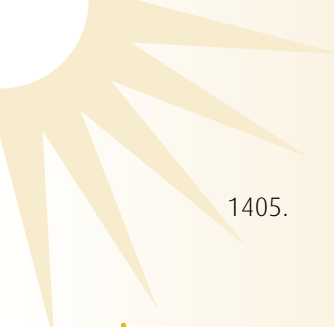
### 7.2.13 Corruption

1401. The scourge of corruption is a serious governance challenge in many countries. Research on public opinion shows that corruption is a major concern among people and leaders around the world, and is now part of all national and international development dialogues.<sup>15</sup>
1402. Corruption, as the term is generally understood in this report, refers to the use of public office for private gain. It can take on a multitude of faces and its scale can be grand or petty. In general, corruption can be categorised into three types: state capture; patronage and nepotism; and administrative corruption.
1403. State capture, which is often equated with political or grand corruption, refers to the "actions of individuals, groups or firms, both in the public and private sectors, to influence the formation of laws, regulations, decrees and other government policies to their own advantage".<sup>16</sup> This is seen as possibly the most subtle and venal form of corruption.
1404. Patronage and its close relation – nepotism – refer to favouritism shown to narrowly targeted interests by those in power in return for political support. The

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<sup>15</sup> World Bank. 2007. The many faces of corruption: Tracking vulnerabilities at the sectoral level. Washington DC: World Bank.

<sup>16</sup> World Bank. 2000. Anti-corruption in transition: A contribution to policy debate. Washington DC: World Bank, page xv.



granting of personal favours, awarding of “sole-source” contracts, or making of unmerited appointments to public office are examples.

1405. Administrative or bureaucratic corruption refers to the “intentional imposition of distortions in the prescribed implementation of existing laws, rules and regulations to provide advantages to individuals in and/or outside government through illicit, non-transparent means”.<sup>17</sup>
1406. Corruption has an adverse impact on all four dimensions of governance as defined by the APRM. In the political realm, corruption seriously undermines democracy and good governance. In elections and legislative bodies, it reduces accountability and representation in policy making and in the Judiciary, thereby eroding the rule of law. In this sense, corruption undermines fair play, justice and equal opportunities, equity and non-discrimination, which are the underlying principles of human rights.
1407. Economically, macro-level econometric-based studies have been able to establish a strong causal link between corruption and, more generally, poor governance on the one hand and weak private investment and growth on the other hand. This undermines a country’s development efforts.
1408. More recent studies have also shown that corruption distorts the allocation of resources by diverting budgetary funds towards activities where bribes and illegal commissions can more easily be made. This diversion tends to impose the greatest cost or burden on the poor, with serious implications for socio-economic development.
1409. These findings have both heightened the awareness of policy makers, donors, the business community and the general public of the undesirable effects of corruption and the urgency to address its root causes. They have also provided the much-needed impetus for policy makers to view the problem more seriously and take action.
1410. Corruption occupies a prominent place in Mozambique’s political and economic landscape. Transparency International’s Corruption Perceptions Index for 2008 ranked Mozambique 126th out of 180 countries surveyed, which is a downgrade in both relative and absolute terms. It ranked 111th out of 180 countries in both 2006 and 2007.
1411. As indicated in the CSAR, corruption continues to flourish in Mozambique, not only at the highest political levels through practices such as rent seeking and manipulation of procurement, but also in the shape of so-called “petty corruption”, through small bribes demanded by officials, such as traffic police and hospital staff. Despite government commitments to solve the problem,

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<sup>17</sup> World Bank. (2000: xvii).

progress remains slow due to bureaucratic inefficiency as well as a lack of judicial capacity.

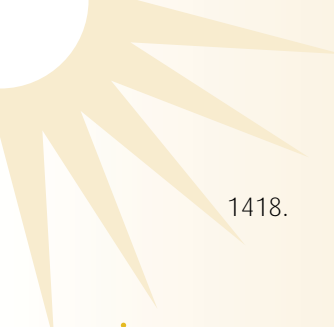
1412. Legal provisions in Mozambique concerning the governance and integrity of public institutions are still weak. The Anticorruption Act, established in 2004, does not give full prosecution powers to the Central Office for Combating Corruption (GCCC), thus impacting negatively on its general performance.
1413. While the introduction of the Anticorruption Act was regarded as a milestone in the anticorruption movement in Mozambique, increasing concern remains over the lack of investigative authority of the GCCC, its limited authority and the ineffective nature of whistle-blowing mechanisms. This raises doubt over the applicability and efficiency of the Act.

### **7.3 Special Issues**

1414. The findings of this report show that, besides cross-cutting issues, Mozambique also needs to address special issues emerging from broad consultations with stakeholders across the country.
1415. The special issues identified in this report are as follows:
- Climate change and natural disasters in Mozambique;
  - Landmines; and
  - The environmental situation in Beira.

#### **7.3.1 Climate Change and Natural Disasters**

1416. The emerging global scientific and political consensus is that rising concentrations of greenhouse gases in the atmosphere, largely induced by anthropogenic activities, are having a significant impact on the global climate. The increasingly more definite scientific evidence on climate change and its current and future impact on sustainable human development has helped to make concerns about climate change a leading global environmental and development issue in recent years.
1417. Although African countries contribute the least to global warming, they are the most vulnerable and bear the highest risk to their natural resources, as climate change and climate variability critically jeopardise their economic development and ability to reduce poverty. Mozambique is particularly vulnerable to climate change because of the country's overdependence on rain-fed agriculture. This is compounded by other factors, such as widespread poverty and weak institutional capacity to respond to the effects of climate change. The noticeable impacts of climate change include increased frequency of natural disasters, such as droughts, which cause stress on water resources and reduce food security; rising sea levels and flooding, which threaten human



settlements, agriculture, health and infrastructure, especially in coastal cities and regions.

1418. The CRM noted that Mozambique has produced and adopted a wide range of legal instruments that provide protection for natural resources. These include the Agrarian Policy, the Land Policy and the Environmental Policy. In particular, the Environmental Policy is, among other things, intended to ensure that the environment and natural resources maintain their functional and productive capacity for current and future generations.<sup>18</sup>

### ***Natural Disasters***

1419. Mozambique is vulnerable to climate change due to its geographical location at the downstream of many international rivers flowing into the Indian Ocean. Other factors contributing to the country's vulnerability include a high population growth rate, high levels of poverty and a high dependence on natural resources for people's livelihoods.<sup>19</sup> According to the Ministry for the Coordination of Environmental Action (MICOA),<sup>20</sup> and confirmed by the CRM at its meeting with the National Council on the Environment in 2009, the three major extreme weather events in the country are drought, floods and tropical cyclones. Nevertheless, it is pertinent to note that most devastating floods in the country, especially those of 2000 and 2007, were caused by torrential rains in the neighbouring countries of Malawi, South Africa, Tanzania, Zambia and Zimbabwe.<sup>21</sup> Generally, floods, drought and hurricanes are cyclical in nature, while earthquakes occur occasionally in the country.
1420. The cyclone season in Mozambique is from October to April, peaking between February and April. The cyclones are caused by tropical depressions originating from the Indian Ocean. Their effects are normally limited to the coastal regions and are characterised by strong wind and torrential rains. On 22 February 2007, tropical cyclone Favio hit the Vilankulo district of Inhambane province, killing nine people and affecting 160 inhabitants of the Inhambane, Manica and Sofala provinces by destroying food crops and thus threatening local food security. This was the latest cyclone to hit the country.

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<sup>18</sup> The policy was implemented through two legislative instruments: the National Environmental Management Programme and the National Conservation Strategy, within which an institutional and legal framework has been built for most relevant sectors and subsectors of national development.

<sup>19</sup> For example, by its geographical location, a significant proportion of the country's land area near the coastal zone is subjected to extreme weather events. This is because the tropical cyclones and depressions formed in the Indian Ocean cross the Mozambican Channel inland and affect landmasses along the coastal zone.

<sup>20</sup> Ministry for the Coordination of Environmental Action (MICOA). 2007. National Adaptation Programme of Action (NAPA). Maputo: MICOA.

<sup>21</sup> For example, in 2007, out of an average total flow of about 216 km<sup>3</sup> per year, only 100 km<sup>3</sup> per year (or 46 per cent) were generated within Mozambique, while the remaining 116 km<sup>3</sup> per year (54 per cent) originated from neighbouring countries.

## ***River Basins***


1421. Mozambique has an estimated 103 river basins, of which 13 have a drainage area of over ten square kilometres each. In addition, nine of the river basins are shared with other neighbouring SADC countries. In most cases, it is these basins that cause flooding in Mozambique. All 11 provinces are vulnerable to flooding, with the additional burdens of disease outbreaks, displacement of people, as well as loss of biodiversity and source of livelihoods.
1422. As noted by the National Institute of Disaster Management (INGC), the devastating floods of 2000 and 2001 resulted in the loss of more than 800 human lives and the destruction of an estimated US\$750 million's worth of properties. In 2007, weeks of heavy rain starting in December 2006 triggered flooding in the Zambezi River basin and its tributaries, washing away homes, bridges and livestock in the provinces of Manica, Sofala, Tete and Zambézia, all of which are located in the central region of the country.<sup>22</sup> The flood of 2007 was less devastating due to the relatively effective early warning system and the resettlement centres put in place by the government and local and international relief agencies. Nevertheless, the CRM noted that the centres in Pinda could be improved upon through the provision of better infrastructural facilities and the allocation of larger plots of lands to environmentally displaced people.
1423. The major drought-prone areas are the central and southern provinces, with occasional occurrences in the northern region. Droughts in Mozambique are generally associated with El Niño or the El Niño Southern Oscillation (ENSO). However, human activities, such as overuse of farmlands and overgrazing, are other contributing factors. In addition, significant water abstractions upstream from neighbouring countries reduce the availability of water in Mozambique during periods of drought. This increases the country's water vulnerability, especially for irrigation purposes, as well as the social cost of droughts, since most Mozambicans depend on natural resources for their livelihoods. In all, about 30 districts located in arid and semi-arid zones are usually affected by this extreme weather event every year.
1424. Mozambique is also susceptible to earthquakes. On 22 February 2006, an earthquake measuring 7.0 on the Richter magnitude scale affected Machaze and its environs, resulting in the death of four people and another 1 444 displaced. Areas prone to earthquakes include Lake Niassa, Sofala and Tete provinces, and north of Gaza province.

## ***Government's Response***

1425. The government has devoted considerable attention to mitigating the adverse impacts of natural disasters. The CRM was informed that, in order to reduce the

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<sup>20</sup> According to the INGC, about 183 000 people were affected and displaced. The displaced people were sheltered in resettlement centres created for this purpose, for example in Pinda in the Quelimane province.



negative impacts of natural disasters in Mozambique, the Council of Ministers at its 32nd session on 4 December 2007 approved the following four action plans and objectives:

- Strengthening the early warning system so that information reaches affected communities with minimum delay – this will involve the installation and/or rehabilitation of 15 synoptic stations to be evenly distributed across the country, and is expected to cost around US\$2.7 million;
- Strengthening the capacity of agricultural producers to cope with climatic change through the provision of drought-resistant seeds for cultivation;
- Reducing the impacts of climate change on coastal zones; and
- Managing water resources under climate change.

### **CRM's Observations**

1426. While the government's efforts so far are commendable, the CRM suggests that Mozambique should do the following:

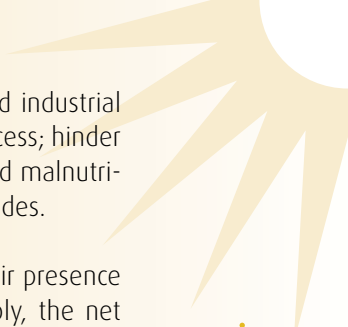
- Develop an appropriate strategy for climate risk management and adaptation that would safeguard natural resources and ecosystems, value the goods and services that they provide, and ensure that their use is environmentally sound and sustainable, as the economy is highly dependent on its natural resources;
- Strengthen the regulations governing the management of river basins shared with other SADC countries by setting up River Basin Commissions with a technical or scientific unit to carry out studies on the use of the basins, so as to alleviate poverty in addition to protecting biodiversity and preventing or reducing the incidence of flooding; and
- Strengthen the Natural Resource Information System (NRIS) by enhancing institutional capacity building for officials at community, district, provincial and national level in order to ensure effective management of the country's environmental resources, reduce to a minimum the negative impacts of climate change, and implement environmental regulations.

### **7.3.2 Landmines**

1427. Landmines are a problem of epidemic proportion in several countries that have been afflicted by armed conflict and war. According to United Nations estimates, there are more than 70 million landmines strewn across 69 countries of the world and, each year, an estimated 26 000 people are killed by landmines and unexploded ordnance (UXO).

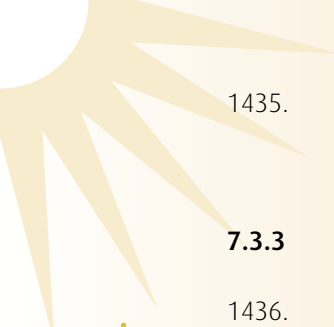
1428. These weapons remain long after the conflicts have ended and continue indiscriminately to maim and kill every year, thus devastating families and communities and hindering progress. The cumulative problems caused by landmines typically do not end with the personal, physical or even mental trauma inflicted on victims. Besides the resultant personal threat to the individual,





they prevent productive use of land, especially for agricultural and industrial purposes; preclude freedom of movement; deny road and travel access; hinder access to water and create food scarcities, leading to starvation and malnutrition; and hamper economic reconstruction and infrastructure upgrades.

1429. Landmines also have a paralysing effect on poor communities. Their presence cuts off access to markets, schools, water and farmland. Invariably, the net effect of multiple and frequent accidents is to inflict societal trauma on the country at large, via infrastructure and economic damage. They not only terrorise, but also impede development, holding people hostage and hindering their efforts to survive and improve their lives. These burdens, shouldered by a country already struggling for survival, can eventually spell national disaster and undermine political and economic stability.
1430. Mozambique is affected by landmines and explosive remnants of war, a legacy of nearly 30 years of conflict that ended in 1992. The devastation caused by mines is striking. In addition to farmable land, power lines, roads, bridges, railroads and airports, even schools, factories and cattle dip tanks were mined. Wildlife is also threatened by mines: elephants have been found maimed by antipersonnel mines and killed by antitank mines. Since the signing of the GPA in October 1992, demining has been under way, but the country has not yet met its targets, partly because of difficult access to mined areas.
1431. Clearly, Mozambique has advanced in dealing with the problem of mines and UXOs. With the support of development partners, the country is tackling the issue from all sides – from mapping and demining, to support for survivors and education programmes for children. In the process, it is taking bold steps towards greater security and prosperity.
1432. Recently, four of Mozambique's provinces – Cabo Delgado, Nampula and Niassa in the north, and central Zambézia – were declared free of landmines. However, tens of thousands of landmines remain in the rest of the country, posing a gruesome threat to civilian safety and rural economic recovery.
1433. In November 2008, Mozambique presented its request to the other member states of the Ottawa Convention, which bans the production, export, transport and use of landmines, requesting for an extension of the time granted under the convention for it to be declared a country free of landmines. The request was accepted, and the deadline for landmine clearance in Mozambique has been extended by five years, from 2009 to 2014.
1434. According to the Director of the Mozambican National Demining Institute, during this period US\$8.5 million will be spent on demining, of which US\$5.5 million is to come from the government's foreign partners and the remainder from the state budget.

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1435. The international community is enjoined to continue to support Mozambique in its demining programme, so that the country can meet the target of becoming a country free of landmines by 2014.

### **7.3.3 The Environmental Situation in Beira**

1436. With an estimated population of 436 240 people in 2007, Beira is the second largest city in Mozambique and the capital of Sofala province. It lies in the central region of the country, where the Pungue River meets the Indian Ocean. It also holds the regionally significant Port of Beira, which acts as a gateway for both the central interior portion of the country and the landlocked nations of Malawi, Zambia and Zimbabwe. Beira is also a major railway terminus, with links extending to the Democratic Republic of Congo, Malawi, South Africa, Zambia and Zimbabwe.
1437. The city of Beira has a relatively long history, having been founded in 1889 (it celebrated its centenary in 1989) as the headquarters of the Companhia de Moçambique (“Mozambique Company”) on the site of an old Muslim settlement. The city’s administration passed from the trading company to the Portuguese government in 1942 and then to independent Mozambique in 1975.
1438. Before Mozambique’s independence from Portugal, as a city of Portuguese Mozambique, Beira was noted for its well-equipped seaport, one of the major facilities of its kind in all East Africa, as well as for its tourism, fishing and trade. The city prospered as a cosmopolitan port with different ethnic communities, with Portuguese, Indian, Chinese and indigenous Africans employed in administration, commerce and industry.
1439. Due to a combination of several factors, the city is currently largely in ruins and the chaotic neglect is aptly depicted by its shabby form. Formerly a seaside resort town, the superb hotels and sweeping boulevards of grand houses have been reduced to weed-strewn shells with black-eyed windows.
1440. After independence from Portugal in 1975, many white ethnic Portuguese left the city. The city was at the epicentre of the civil war that ravaged Mozambique from 1977 to 1992, and its infrastructure was severely devastated. The city also suffered from repeated bombings of the Umtali-to-Beira railway line, first by Rhodesian guerrillas prior to Zimbabwe’s independence in 1980, and then by the Mozambique National Resistance Movement (MNRM) in the early 1980s. At one stage, the famous Grande Hotel was occupied by around 1 000 homeless people, and by the end of the civil war it was in near ruins.
1441. In 2000, the flood in Mozambique devastated Beira and the surrounding region, leaving millions homeless and severely damaging the local economy. As an erstwhile RENAMO core constituency and its political headquarters, the city’s fortune has also been taken hostage by intense politicking.

1442. A slow rejuvenation is currently under way, assisted by donors, especially in rehabilitating the port. In view of its historical and economic significance, as well as the environmental challenges, the government needs to channel considerable attention towards rebuilding the city.

#### **7.4 The Way Forward**

1443. The remarkable recovery that Mozambique has made since the end of the civil war in 1992 should make its people proud of their accomplishments. Mozambique presents a resilient society that has moved from deep crisis to regenerating and sustaining itself, with the help of other countries. Over the last two decades, Mozambique has made considerable progress in rebuilding its political, economic and social institutions, with noticeable socioeconomic progress.
1444. However, this report has identified numerous overarching and special issues, and the APRM seeks to assist Mozambicans in addressing these. There is no doubt that Mozambicans can build on the successes highlighted in this report, while addressing the challenges in a vigorous manner, in order for the country to move forward rapidly.
1445. Given the country's abundant natural resources, Mozambicans can exploit these for the benefit of the majority of the people. However, this will be difficult to achieve without pragmatic and innovative solutions to the challenges arising from both the thematic and cross-cutting issues identified by this report.

#### **7.5 Mozambique's National Programme of Action**

1446. The National Programme of Action (NPOA) helps Mozambique to identify priorities and the way in which the country seeks to address the challenges identified in both its CSAR and the Country Review Report (CRR). The country can use the NPOA to implement the necessary changes needed to improve its state of governance and socioeconomic development.
1447. The evidence from APRM pioneering countries is very encouraging. Where a country has made serious efforts to operationalise the NPOA, considerable progress has been achieved in all four thematic areas. Where there has been failure or little effort to do this, little progress has been achieved.
1448. Mozambique should make a concerted effort to operationalise its NPOA estimated at US\$390 997 million over the five-year period of 2010–14. This programme is a demonstration of the collective resolve of Mozambicans in view of a better future. The implementation of the NPOA can help the country to strengthen the democratic process and promote rapid, sustainable development. The challenges which the country faces are real and huge. Any complacency in implementing the NPOA is likely to compromise Mozambique's ability to promote rapid development for its people.

# APPENDIX I



## RESPONSE OF THE GOVERNMENT OF THE REPUBLIC OF MOZAMBIQUE TO THE APRM COUNTRY REVIEW REPORT

## DEMOCRACY AND POLITICAL GOOD GOVERNANCE – CHAPTER THREE

Mission Findings	Remarks
<p>Issues related to/residual to the GPA Paragraphs 198, 241, 242, 254</p>	<ul style="list-style-type: none"> <li>• In general, a civil war is understood as being an armed conflict between nationals of the same country but from different groups, engaged in a dispute on an economic or ethnic basis, among other things. Civil war is a result of an internal source. The armed conflict in Mozambique has a different profile, as its origin and support were laid down externally.</li> </ul>
	<ul style="list-style-type: none"> <li>• In 1975, the proclamation of national independence generated violent response by a minority and a racist regime group from Southern Rhodesia and apartheid South Africa. These two countries understood Mozambique's independence to be a threat to the survival of the quality of their discriminatory regime based on race. Hence, they trained military forces that invaded Mozambique and integrated Mozambican nationals, and later basically consisted of Mozambicans serving the interests of both countries at different stages.</li> </ul>
	<ul style="list-style-type: none"> <li>• With the fall of the Southern Rhodesian regime, the background training and support basis of RENAMO continued with the support of South Africa under the apartheid regime. The armed conflict was a war of Mozambican liberation values and political and economic independence, defending the country against the destabilisation promoted initially by Southern Rhodesia and later by South Africa under the apartheid regime.</li> </ul>
	<ul style="list-style-type: none"> <li>• With the fall of the apartheid regime, the armed conflict in Mozambique also ceased. We conclude that it was in fact a destabilisation war that affected the backbone sectors of the Mozambican society and economy. Definitely, RENAMO was an instrument established, prepared, equipped and supported for the purposes of destabilising the country. The existence of these armed forces in the country is not a real threat to the state's sovereignty. Efforts have been made to incorporate such men within the country's law and order forces.</li> </ul>

	<ul style="list-style-type: none"> <li>• Commitments by the government to incorporate demobilised RENAMO troops into the Armed Forces for the Defence of Mozambique (FADM) were fulfilled successfully. Incorporation was undertaken on a proportional basis for both parties, without any discrimination. There has never been any military demobilisation on a discriminatory basis (with the exception of cases of sickness proved by a doctor's certificate and other situations resulting from the FADM's organic restructuring).</li> </ul>
	<ul style="list-style-type: none"> <li>• There is no other military incorporation of RENAMO into other state institutions, as it was not foreseen in the GPA.</li> </ul>
	<ul style="list-style-type: none"> <li>• Pursuant to the GPA, the government has fixed invalidity pensions for former RENAMO forces, through Decree No. 21/94 of 21 June, and continues to fix and settle the respective payments. Therefore, all RENAMO soldiers were incorporated in line with the spirit of the GPA.</li> </ul>
<b>Issues related to the organisation within the platform of political power</b>	
Paragraph 203	<ul style="list-style-type: none"> <li>• According to Article 134 of the Constitution of the Republic, sovereign bodies are supported within the context of the separation and interdependency of powers.</li> </ul>
	<ul style="list-style-type: none"> <li>• It is a presidential government, where the President of the Republic and Government takes a relevant position in relation to other state bodies.</li> </ul>
<b>Rights, duties and freedoms</b>	
Paragraph 206	<ul style="list-style-type: none"> <li>• The Mozambican government, in accordance with Article 48 of the Constitution, secures the exercise of the right to freedom of expression, freedom of the press, as well as the right to information.</li> </ul>
	<ul style="list-style-type: none"> <li>• In this context, a legal framework was passed establishing conditions for the exercise of media activity in accordance with Law No. 18/91 of 10 August, including the right to freedom of association.</li> </ul>



## Alleged politicisation of the public service and legal system

<p>Paragraphs 209, 250, 360</p>	<ul style="list-style-type: none"> <li>• It is not true that the appointment of judges is made on the basis of party membership. In accordance with the terms of the Constitution and other legislation in force, judges are independent in the exercise of their duties. They operate in accordance with the law and enjoy impartiality and responsibility guarantees.</li> </ul>
	<ul style="list-style-type: none"> <li>• Presiding Judges of the Supreme Court and Administrative and Constitutional Tribunals are appointed by the President of the Republic in his capacity as Head of State, under the Constitution of the Republic. It should be noted that the appointment made by the President is subject to ratification by the House of Assembly, based on the principle of the separation and interdependency of powers. The remaining magistrates are appointed and transferred by the respective Magistrate Higher Councils.</li> </ul>
	<ul style="list-style-type: none"> <li>• The democratic right of state established in the Republic of Mozambique does not coadunate with the interference of political parties in the public service. There is a clear distinction between the state and the FRELIMO party. The state is identified as a political community of which all nationals form a part, regardless of their political colour. The state's performance is subject to principles foreseen in the Constitution and is founded on the legality of its actions.</li> </ul>
	<ul style="list-style-type: none"> <li>• Access to the public service is obtained according to the norms in force outlining the promotion of bids pertaining to recruitment, without any discrimination on the basis of party orientation. Such conditions do not constitute recruitment criteria.</li> </ul>
	<ul style="list-style-type: none"> <li>• The diagnostic part of the document on the Global Strategy for Public Sector Reform outlines these evils affecting the Mozambican public administration. In order to address these problems progressively, high priority was given to the professionalisation of the public service and to providing training through training systems in public administration aimed at strengthening civil servants' technical capacity. The internal and external control mechanisms were also strengthened (the Sectoral Inspection and Administrative Tribunal, in addition to the department tasked with fighting corruption).</li> </ul>

	<ul style="list-style-type: none"> <li>The government has approved the conceptual model of the Performance Management System for civil servants and passed Decree No. 54/2008, which defines the recruitment of permanent secretaries through public bidding.</li> </ul>
<b>Political environment of the last electoral processes in Mozambique</b>	
Paragraph 228	<ul style="list-style-type: none"> <li>The electoral registry follows the Electoral Law and is dealt with under the supervision of all interested political parties.</li> <li>The electoral campaign also follows the Electoral Law.</li> <li>Voting follows the Electoral Law under the supervision of all interested parties, as well as national and international observers.</li> <li>Violence is prevented through civic education and the support of the police forces.</li> </ul>
<b>Criminality</b>	
Paragraphs 259, 262	<ul style="list-style-type: none"> <li>The level of crime in Mozambique is decreasing. However, the level of violent crime in Maputo and Matola cities rose as a result of bank robberies and car thefts carried out with the use of guns. By 2009, this kind of crime had decreased considerably.</li> <li>Free circulation of weapons in Mozambique is prohibited. As a country emerging from past conflict, and with other neighbouring countries in the same position, many firearms are under the control of the authorities – a fact that is abused by criminals to carry out crimes.</li> <li>Mozambique, in collaboration with its neighbouring countries, has been undertaking the collection and destruction of firearms, including through the “Rachel” programme. At present we are in Rachel 16.</li> </ul>
<b>Corruption</b>	
Paragraphs 362, 937, 939, 944, 958	<ul style="list-style-type: none"> <li>In April 2006, the government approved the Anticorruption Strategy, including the respective action plans for combating corruption. These focus on five critical sectors, namely, the Ministries of Health, Finance, Education and Culture, Home Affairs, and Justice. The strategy is under implementation in the five sectors and has made considerable progress.</li> <li>At the education level, a process of standardising certificates is in progress in order to address the proliferation of false certificates.</li> </ul>

	<ul style="list-style-type: none"> <li>We acknowledge the need to strengthen the dissemination of laws and regulations coordinating illicit practices and corruption. The government as a whole has a global strategy for combating corruption involving all institutions. This is to say we disagree with the particularisation made in paragraph 941.</li> </ul>
	<ul style="list-style-type: none"> <li>It is not true that there is no understanding on the part of the country's political groups of the phenomenon of corruption, as this issue is addressed at all levels, including in Parliament.</li> </ul>
	<ul style="list-style-type: none"> <li>There is a sound political will to combat impunity, the corruption phenomenon, and all evils and barriers to development.</li> </ul>

### Other business (perceptions that need to be clarified/corrected)

Paragraphs 354, 357	<ul style="list-style-type: none"> <li>Parliamentarians receive 12-monthly salaries regardless of the number of plenary sessions. Between June and September, and during February (the retreats of plenary session term), parliamentarians undertake commission works within their respective electoral constituencies. If they hold meetings beyond the session terms, they receive an allowance called an Attendance Fee. For work done in their Electoral Circle, each parliamentarian receives an Electoral Circle Allowance corresponding to 45 days of work within the circle, including four air tickets for trips if they are non-resident of the respective circles. January is devoted to the Recess of Parliament. When the government stipulates a 13th pay cheque, parliamentarians enjoy the same right.</li> </ul>
	<ul style="list-style-type: none"> <li>The House of Assembly's budget is approved according to the budgeting cycle rules. Representatives of the House of Assembly attend consultation meetings with representatives of the Ministries of Finance and of Planning and Development, and have the opportunity to interact on the definition of the budget. This is done in accordance with the needs of the House of Assembly, and most of the time exceeds the budget limitation initially scheduled.</li> </ul>

## GOVERNANCE AND ECONOMIC MANAGEMENT – CHAPTER FOUR

Paragraph 498	<ul style="list-style-type: none"> <li>• Decentralisation of the planning and resources process (including local decision making for districts) is a relatively new drive that started in 2006. Operational issues remain and need to be addressed at the district level because they form part of the national planning and budgeting process, particularly those controlled by the SISTAFE and whose expansion and territory coverage depend on the progressive process of rural electrification, the coverage of telephone networks and the expansion of bank agencies.</li> <li>• In order to secure the successful fulfilment of the decentralisation process, the government approved a legal framework that encourages the transfer of qualified staff from central to local level, as the majority of them are located in the large cities.</li> <li>• A process for decentralising fiscal policy has been set up and must take into consideration the nonstandard sources of large parts of public revenue throughout the country, including the fact that a large part of the available funds derives from external credit, hence the need to control these resources at the central level.</li> </ul>
Paragraph 572	<ul style="list-style-type: none"> <li>• Measures aimed at reducing financing costs in the country are generating an impact, although in a timid way with regard to adjustments made in the interest rates of the Central Bank of Mozambique.</li> <li>• The Governor highlighted that the increase in banking institutions in the country is the primary condition for increasing competition and therefore the reduction of interest rates.</li> </ul>
Paragraphs 587, 606, 611	<ul style="list-style-type: none"> <li>• In the 1990s, the government established incentives, including the megaprojects, to create an attractive environment for internal and foreign investment. Each historic moment has its own characteristics.</li> <li>• The government has been taking steps to improve the business environment and to allow the development of small and medium-sized enterprises, including the reduction in the number of days needed to incorporate a company (from 153 days in 2005 to 26 days in 2008); the establishment of one-stop shops; and the approval of simplified tax legislation for small-scale taxpayers.</li> </ul>

Paragraph 627	<ul style="list-style-type: none"> <li>• The perception that there is no discrimination between national and foreign investors is incorrect. Article 4 of the Investment Law (Law No. 4/93 of 3 June) establishes equal treatment of both national and foreign investors, i.e. they all enjoy the same rights and are subject to the same obligations.</li> <li>• Some specific legislation (e.g. for land and mining) establishes terms that are more favourable to national citizens starting a business. No other legislation establishes a more favourable treatment for foreigners with prejudice to national citizens.</li> </ul>
Paragraph 670	<ul style="list-style-type: none"> <li>• It is clear who performs internal and external audits. At the level of executive power, there are internal control subsystems that consist of the Inspectorate-General of Finances and Public Service. These make up the internal controls. On the other hand, at the level of judicial power, we have the Administrative Tribunal, which is committed to external audits and tries administrative, fiscal and customs disputes, including on state expenditures.</li> <li>• In the past years, there has been a significant increase in the institutional capacity of the Taxation Office to supervise the state's financial activities. This has been done in line with its attributes and accepted efficiency standards.</li> <li>• Regarding Parliament's credibility to supervise the management of public finances, there has been improvement in the interaction between the Plan and Budget Commission (CPO), the House of Assembly and the state administration bodies with the responsibility for programming, management and budget execution, notwithstanding their limited capacity. Hearings are frequent, and all questions raised by the CPO are fully answered.</li> </ul>
Paragraph 701	<ul style="list-style-type: none"> <li>• Programme budgeting remains in its incipient stage. There is a need to recall that the programme budgeting methodology was first introduced in the 2008 state general budget in three pilot sectors, namely, education (primary education), agriculture (agricultural production) and public works (bridges).</li> </ul>

	<ul style="list-style-type: none"> <li>In the 2009 state budget, programme budgeting was extended in all sectors. This approach is expected to be consolidated within the next few years through the development of product classification and the respective indicators. In addition, it is expected that planning methodology will be reformulated so that the sector plans and evaluation reports may evaluate the physical and financial results of the Economic and Social Plan (PES) against the structured expenditure and in accordance with the programmatic classifier. Hence, consolidation of this experience is vital and it would be self-defeating to opt for an alternative approach.</li> </ul>
Paragraph 734	<ul style="list-style-type: none"> <li>This statement does not correspond to reality. The affected volume of resources for the House of Assembly is provided within the strategic allocation of resources for government institutions. The government has been making an effort to guarantee that allocations to this body will guarantee full operation of the House of Assembly, including work undertaken by parliamentarians at the level of their constituencies.</li> <li>The legislation reserves the right of the House of Assembly to access information about government activities, and this contributes to the elaboration of opinions by the different commissions. Commissions can also request government members to explain and clarify issues at any time.</li> </ul>
<b>CORPORATE GOVERNANCE – CHAPTER FIVE</b>	
Paragraph 855	<p>The macroeconomic policies adopted at the end of 1980 and 1990 were aimed at reverting the economic crisis at the time, which was characterised by a severe drop in economic growth, high inflation rates and a budgetary deficit as a consequence of the destabilisation war. The rise in this sector should be placed in the wider context of the economic crisis at the time, which apart from the destruction of socioeconomic infrastructures such as hospitals, schools, bridges, railways and others, also affected production and rural commercialisation, thus creating the phenomenon of the migration of labour forces from the countryside to the cities in search of safety and minimum subsistence. Over that period, the commercial and service provision sectors benefited most from credits by commercial banks due to the fact that they were the ones that guaranteed security and credit repayment.</p>

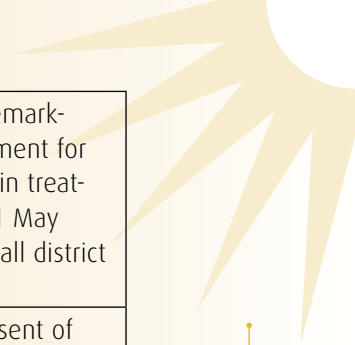


Paragraphs 856, 857	<ul style="list-style-type: none"> <li>We would like to agree that, in fact, we have not yet achieved the desired level of excellence.</li> </ul>
	<ul style="list-style-type: none"> <li>This is a process and a challenge, which has to do with the training and capacity building of staff and the transfer to the one-stop shops of competencies that presently lie within the sectors at central level. The competence given to a one-stop shop is to resolve any queries that citizens may have in such a manner that the issues start and are concluded there. This will be a way of providing powers to handle processes, as is the case with business licensing. Some one-stop shops are already issuing licences for business, as is the case in Maputo city, Nampula and Cabo Delgado.</li> </ul>
	<ul style="list-style-type: none"> <li>It should be noted that the licensing process has been simplified. At present, a person can start a business with very little documentation needed for legal-commercial validity, such as an ID and a unique tax identification document. Subsequent issues, such as verification of the premises, are left for a later occasion.</li> </ul>
	<ul style="list-style-type: none"> <li>Moreover, simplified licensing was introduced in the context of the strategy for improving the business environment, as approved in May 2007. This covers about 200 economic activities in which the investor simply fills in a form and presents the two documents previously mentioned to obtain a licence immediately.</li> </ul>
Paragraphs 865, 866, 921, 1205	<ul style="list-style-type: none"> <li>Access to land has been an area that merits special attention by the government in order to avoid land conflicts and malpractices in the allocation of funds.</li> </ul>
	<ul style="list-style-type: none"> <li>Despite the fact that the land belongs to the state, the government has been allocating huge portions of land (concessions) of thousands of hectares to the private sector for agricultural activities, industrial parks and tourism. Experience has shown that because land belongs to the state, this aids investors, since they are given potential areas for developing their activities.</li> </ul>
	<ul style="list-style-type: none"> <li>As a result, it is not true that the population is simply evicted without any alternative place for resettlement.</li> </ul>

	<ul style="list-style-type: none"> <li>• In paragraph 921, we agree with the comment, but with the exception of transmission of land in rural areas because it would be a subtle way of selling land, which is against the Constitution of the Republic. What is important in the countryside is the land on which the building is, and in towns the most important factor is the building and not the land on which the building is.</li> </ul>
	<ul style="list-style-type: none"> <li>• The majority of the Mozambican population depends on agriculture for their survival, through land access.</li> </ul>
	<ul style="list-style-type: none"> <li>• Land ownership by the government has never been an impediment to the accumulation of wealth.</li> </ul>
	<ul style="list-style-type: none"> <li>• In the present situation, privatisation of land as a mechanism for the accumulation of wealth may lead to marginalisation of the rural population, which have no other source of income except the land which they may sell. In so doing, they would be increasing their vulnerability in a country that has a very limited employment market, except in agriculture.</li> </ul>
Paragraph 887	Regarding the budget for the Local Investment Initiative, we are aware that there are challenges at the level of reimbursement of credits, training and capacity building of the Consultative Councils, as well as the beneficiaries of the budget. The government is aware of the need to create conditions for local development and employment creation, and to increase participative governance at the level of communities in the context of decentralisation and transfer of competence to local organs, and in the struggle against absolute poverty.
<b>SOCIOECONOMIC DEVELOPMENT – CHAPTER SIX</b>	
Overview	<ul style="list-style-type: none"> <li>• It is important to update the information with the most recent data that refers to the evaluation period. Such data shows economic growth and the education and health conditions that have changed, taking into account progress in the redistribution of income over this period.</li> </ul>
Paragraph 1011	<ul style="list-style-type: none"> <li>• The statement does not reflect the reality in the country.</li> </ul>

	<ul style="list-style-type: none"> <li>• The government defends economic growth as a key factor in the reduction of poverty. The Strategy for the Reduction of Poverty is therefore based on an annual growth rate of 7-8 per cent until 2009, taking as its basis the annual growth rate of about 8 per cent recorded from 1997 to 2003/04.</li> </ul>
	<ul style="list-style-type: none"> <li>• In line with the Economic Growth Strategy and its policies, the government views professional training as a key factor, in particular the expansion of vocational/professional training, in ensuring more opportunities for self-employment by young people, who constitute a significant proportion of the Mozambican population.</li> </ul>
	<ul style="list-style-type: none"> <li>• In addition to other programmes directed at each vulnerable group of the population, food subsidies and the generation of income, besides being a part of social security, form the basis for socioeconomic integration.</li> </ul>
Paragraph 1013	The relation between the country and the cooperating partners (the so-called donors) is within the framework of the Paris Declaration.
Paragraph 1040	<ul style="list-style-type: none"> <li>• The provincial PES is not a summary of district PES documents.</li> </ul>
	<ul style="list-style-type: none"> <li>• The provincial PES integrates sectoral provincial plans and is a part of interventions with a major impact on the lives of citizens in the districts.</li> </ul>
Paragraphs 1071, 1072, 1073	<ul style="list-style-type: none"> <li>• There is a reference to cases of possible misery and starvation of some people. This is not a realistic analysis of the period under study, because such situations occurred soon after the end of the war.</li> </ul>
	<ul style="list-style-type: none"> <li>• Recent analysis indicates that there is a major reduction in poverty levels in the urban areas, contrary to the situation in the rural areas.</li> </ul>
	<ul style="list-style-type: none"> <li>• Official data on poverty in Mozambique refers to the Household Survey of 2002/03. At present, a family budget inquiry is under way for 2008/09, of which the results should be available in March 2010. This fact does not allow us to say that either poverty or the gap between rich and poor is increasing in Mozambique.</li> </ul>

	<ul style="list-style-type: none"> <li>• In Mozambique, malnutrition is influenced by the level of poverty, education (in particular of women and girls), food availability, excessive selling of surpluses, food habits, access to clean water, sanitation, diseases such as malaria, schistosomiasis, intestinal parasites and diarrhoea, and natural disasters. Mozambique has a Nutritional Vigilance System that is used regularly to evaluate the indicators of weight at birth and insufficient infant growth.</li> </ul>
	<ul style="list-style-type: none"> <li>• It should be stressed that a survey in 2006, 2007 and 2008 showed the following: <ul style="list-style-type: none"> <li>– As for low weight at birth, the Maputo province presents the lowest levels, namely, below 7 per cent. In the remaining provinces, it continues to be a challenge, with major incidences in the provinces of Sofala, Nampula and Cabo Delgado.</li> <li>– As for the annual rate of insufficient growth, the trend is towards the improvement of this indicator. Provinces with the best results are the cities and provinces of Maputo, Gaza, Tete, Zambézia and Nampula.</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>• Other nutritional indicators have been evaluated in the Demographic and Health Surveys, of which the most recent was conducted in 2003.</li> </ul>
Paragraph 1083	<ul style="list-style-type: none"> <li>• The situation changed with the introduction of the Local Initiative Investment Budget (OIIL) in 2006, which emphasises food production and the generation of employment in the districts. The successive open presidencies and the 2006–08 statistic data available at the Ministry of Planning and Development reveal that there has been an improvement in household income, and that 108 new jobs were created in the rural areas by the end of 2008. According to public surveys, the population no longer complains of hunger, but expresses the need for more roads, health centres and secondary schools.</li> </ul>
Paragraph 1147	<p>There was an increase in the number of medical doctors in the country, from 682 (454 nationals) in 2004 to 929 (735 nationals) in 2008. It should be recorded that there has been a growth of over 60 per cent in the number of Mozambican doctors.</p>



Paragraph 1151	Over the past four years, there has been a remarkable increase in access to antiretroviral treatment for patients living with HIV, from 7 456 patients in treatment in 2004 to over 135 000 patients by 31 May 2009. Antiretroviral treatment is available in all district headquarters of the country.
Paragraphs 1219, 1221 (Box 6.12)	The minimum age for marriage with the consent of the parents is 18 years, both for girls and boys; and without parents' consent it is 21 years for both genders.



## APPENDIX II



### NATIONAL PROGRAMME OF ACTION OR THE REPUBLIC OF MOZAMBIQUE



## 1. INTRODUCTION

This chapter gives an overview of the Mozambique National Programme of Action (NPOA) for the operationalisation of recommendations appearing in the chapters concerning the four focus areas of the African Peer Review Mechanism (APRM), namely Democracy and Political Governance; Economic Governance and Management; Corporate Governance; and Socioeconomic Development; as contained in this Country Review Report (CRR) and also in the Country Self-Assessment Report (CSAR).

In preparing the NPOA, due consideration was given to all sets of political measures adopted by the Government of Mozambique. It is pointed out, for example, that the availability of resources for implementing activities that will lead to the materialisation of the recommendations in the review, in order to attain the objectives defined for each APRM core area, will be conditioned to the development of the macroeconomic context in the coming years.

Thus, it is expected that the level of fiscal revenue collection will continue to increase as a result of efforts being made in terms of macroeconomic management, the real economic growth rate, which is expected to average 7 per cent in the next five years, and the gradual increase of the competitiveness of domestic exports.

A review of the total budget required for each focus area led to the conclusion that there is greater budgetary weight for those aspects that, to a certain extent, are more related to the social sphere, thus reinforcing the government's adopted policy of considering social sector areas as priorities.

This NPOA's proposed budget amounts are to be used as a reference base, as they may need to be corrected throughout the programme's implementation, depending on the availability of resources and market behaviour. This NPOA contains some activities that are also foreseen in the sectoral programmes. In such cases, there will be a need to establish a link between these two tools, so as to update and match the amounts provided for in both programmes and to harmonise the efforts in mobilising financial resources.

### **1.1 Thematic framework of the focus areas of the APRM NPOA**

African governments have, within the framework of the APRM, committed themselves to fostering the adoption of policies, standards, codes and practices that lead to political stability, high economic growth, sustainable development and accelerated subregional and continental economic integration. This is done through sharing experiences and reinforcing successful and best practices, including identifying deficiencies and assessing the needs of capacity building, by highlighting efforts in the four APRM focus areas.

### **1.1.1 Focus area 1: Democracy and political governance**

This focus area aims to assess aspects related to the need to prevent and reduce intra- and interstate conflicts; to exercise constitutional democracy; to promote, protect and exercise citizens' rights; to uphold the separation of powers; to ensure that public officeholders and civil servants are accountable, efficient in carrying out their duties; to turn around the current situation of corruption and enforce measures aimed at fighting corruption; to promote and defend the rights of women; to promote the rights of children and young people; and to promote the rights of vulnerable groups.

The process of peace building in Mozambique, which continues to be an obligatory reference when dealing with the peaceful resolution of conflicts, is regarded as one of the major achievements that the country has been able to offer its people. Nevertheless, it is also found that, in practice, there are still some difficulties that need to be included in the political governance process in terms of constitutional democracy, including periodic political competition, which is materialised through citizens' opportunity for choice.

The assessment is that, in Mozambique, the electoral system is governed by ordinary laws and the electoral process is managed by a National Electoral Commission (CNE), which is supported by the Technical Secretariat for the Electoral Administration (STAE). Electoral processes facilitate citizens' participation in the governance function of the state. However, the implementation thereof has not been effective because of certain conflicts, mainly due to the legal obligation to conduct electoral processes through institutions that are established based on political parties' orientation.

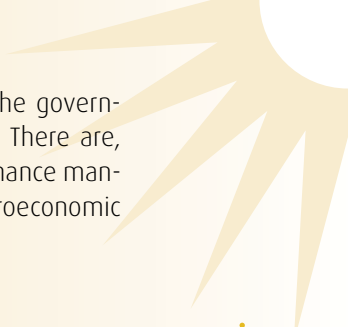
The prevailing situation of corruption and the measures used to fight it require particular attention as regards their inspection and fiscalisation, among other problems highlighted for consideration in this focus area.

The NPOA for this focus area therefore presents a number of activities that aim at dealing with some of the problems raised in the CSAR.

### **1.1.2 Focus area 2: Economic governance and management**

The assessment of this focus area deals with issues concerning the need to implement sound, transparent and predictable government economic policies; to promote good public finance management; to fight corruption and money laundering; and to accelerate regional integration.

In this regard, it was found that Mozambique has made, and is making, major efforts to adhere to most of the relevant codes and standards. Progress is being made in establishing pertinent legislation, and its approval or ratification by Parliament is taking place at a relatively good pace.



The comprehensive analysis done in this focus area reflects recognition of the government's good efforts in the area of economic governance and management. There are, however, still fundamental problems with macroeconomic policy and public finance management which, to some extent, prevent the good functioning of the macroeconomic structure and do not facilitate regional integration.

### **1.1.3 Focus area 3: Corporate governance**

This focus area involves five main objectives, namely to promote an enabling environment and effective regulatory framework for economic activities; to ensure that corporations act as good corporate citizens in regard to human rights, social responsibility and environmental sustainability; to promote the adoption of codes of good business ethics in achieving the objectives of the corporation; to ensure that corporations treat all their stakeholders in a fair and just manner; and to provide for the accountability of corporations, directors and officers.

The assessment made highlights the fact that great efforts have been made to achieve these objectives. It pinpoints the existence of legislation and other tools and initiatives that enhance the business environment. The country does, however, lack a corporate and business code of conduct.

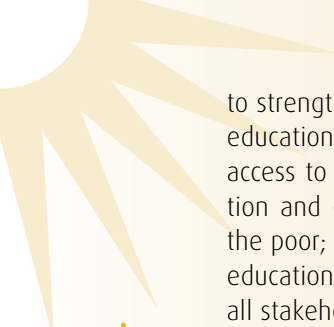
The CSAR indicates that a great deal of effort is being made to achieve the objectives in this focus area, mainly those concerning the existence of recommended legislation and other tools and initiatives that enhance the regulatory framework of the business environment. Economic reforms should therefore continue, taking into account the following challenges: the need to improve intersectoral coordination; to monitor performance; to strengthen consultative mechanisms between the government, the private sector and civil society in the process of formulating policy; and to establish consultative mechanisms between the government, the private sector and communities at provincial and district levels, for the purpose of decentralising competencies.

The CSAR also indicates that the country appears to have good legislative tools and initiatives in this area but, in order to achieve better results, it would need to strengthen their implementation.

It is on the basis of these challenges, and taking into account specific problems raised by the assessment exercise, that an NPOA was designed for this focus area. It is aimed at serving as an orientation in dealing with these challenges and responding to fundamental problems raised in the CRR.

### **1.1.4 Focus area 4: Socioeconomic development**

This focus area consists of six socioeconomic objectives, namely to promote self-reliance in, and build the capacity for, sustainable development; to accelerate socioeconomic development in order to achieve sustainable development and the eradication of poverty;



to strengthen policies, delivery mechanisms and outcomes in key social areas, including education and combating HIV/Aids and other contagious diseases; to ensure affordable access to water, sanitation, energy, finance (including microfinance), markets, information and communication technology (ICT), shelter and land for all citizens, especially the poor; to progress towards gender equality, particularly with regard to girls' access to education at all levels; and to encourage broad-based participation in development by all stakeholders at all levels.

Most policies for socioeconomic development reflect the international codes and standards to which Mozambique has adhered within the framework of the New Partnership for Africa's Development (NEPAD). However, these have not yet had a visible impact on the day-to-day life of citizens and thus require dissemination.

A major effort is being made to respond to the multiple challenges raised in the achievement of the six objectives set out for this focus area. Nevertheless, problems remain that require concrete solutions. The NPOA therefore includes measures and actions for dealing with such problems.

## **1.2 The macroeconomic framework**

### **1.2.1 Development of the macroeconomic conjecture and budget (2003-07)**

The macroeconomic policy followed by the Government of Mozambique aimed at ensuring stability among various macroeconomic objectives, as well as establishing conditions for promoting economic growth and development.

Within the framework of budgetary policy implementation, efforts were made to increase the levels of efficiency and effectiveness of the fiscal and customs administration, through the adoption of measures aimed at expanding the tax basis; as well as to promote fiscal equity and justice, and to modernise the fiscal administration with the purpose of reducing poverty levels.

As a result of reforms carried out in the public finance management system, the level of taxation – total revenues as a percentage of the gross domestic product (GDP) – has improved substantially, rising from 13.1 per cent in 2003 to 13.8 per cent in 2005, and to 15 per cent in 2007. The total revenues have grown from US\$583.1 million in 2003, to US\$837.7 million in 2005, and to US\$1 290.9 million in 2007. This translates into a real medium growth of 9.3 per cent during the five-year period of 2003-07 (Table A1.1).

On the other hand, total expenditure (including net loans) has risen from US\$1 156.8 million in 2003, to US\$1 599.5 million in 2005, and to US\$2 098.1 million in 2007, which translates into a real annual growth of 1.3 per cent during the period 2003-07. In terms of the percentage of GDP, total expenditure has reduced by 1.7 percentage points between 2003 and 2007.

**TABLE A1.1: THE DEVELOPMENT OF BUDGET INDICATORS, 2003–07**

	2003	2004	2005	2006	2007	2003	2005	2007
US\$ million	CGE*	CGE	CGE	CGE	Revenue	% GDP	% GDP	% GDP
TOTAL REVENUE	583.1	637.7	837.7	1 111.9	1 290.9	13.1%	13.8%	15.0%
TOTAL EXPENDITURE	1 156.8	1 223.0	1 599.5	1 912.1	2 098.1	26.1%	26.4%	24.4%
Current expenditure	629.7	737.1	833.4	1 032.8	1 287.0	14.2%	13.7%	15.0%
Personnel costs	295.3	364.8	429.3	519.3	636.8	6.7%	7.1%	7.4%
Goods and services	115.9	144.7	177.0	230.9	264.7	2.6%	2.9%	3.1%
Debt expenditure (interest)	52.7	52.9	49.9	55.6	53.1	1.2%	0.8%	0.6%
Transfers and other current expenditure	144.8	174.7	177.2	226.9	332.4	3.3%	2.9%	3.9%
CURRENT BALANCE	-46.6	-99.4	4.2	79.1	4.0	-1.0%	0.1%	0.0%
Investment expenditure	508.2	446.7	642.3	760.0	677.2	11.4%	10.6%	7.9%
External funding	334.5	290.3	429.6	498.3	307.3	7.5%	7.1%	3.6%
Internal funding	129.6	156.4	212.7	261.7	370.0	2.9%	3.5%	4.3%
Net loans	18.9	39.1	117.1	95.6	133.9	0.4%	1.9%	1.6%
Donation overall balance	-573.69	-585.30	-755.12	-776.53	-807.18	-12.9%	-12.6%	-9.4%
Post-donation overall balance	291.5	171.7	251.4	-72.7	-807.2	6.6%	4.1%	-9.4%
Net internal funding	-516.81	-437.31	-551.00	-284.10	622.65	-11.6%	-9.1%	7.2%
PRIMARY BALANCE	-117.22	-202.89	-204.06	-228.21	-263.78	-2.6%	-3.4%	-3.1%

*Note: CGE = General State Account.*

As seen in Table A1.1, the coverage capacity of current expenditure with domestic revenues improved as from 2005. The current balance in percentage GDP has also changed, from -1 per cent in 2003 to 0.1 per cent in 2005 and to 0.05 per cent in 2007.

The slowdown in the public expenditure growth rate as a percentage of GDP, together with improved efficiency levels of tax and customs administration, has contributed to the accumulation of state reserves. This translates into an increase in the net internal funding from US\$-516.8 million in 2003, to US\$-551.0 million in 2005.

In the past five-year period, the implementation of macroeconomic policy was also conditioned by the development of the international macroeconomic context and the occurrence of adverse cyclical shocks. The period has been marked by the trend of aggravating

fuel prices in the international market, climatic shocks and deteriorating terms of change. These adverse events, combined with the recent escalating food prices at global level, contribute to the deceleration of the economic growth rate and the reduction of tax income collection.

In order to minimise the impact of cyclical shocks, monetary authorities have attempted to control the General Price Index in order to increase the competitiveness of domestic exports; and to boost the capacity of external shocks cushioning through accumulating stock of net international reserves.

### 1.2.2 Macroeconomic assumptions and the macrofiscal framework

The exercise was undertaken based on the assumption that the Mozambican economy would register a real average growth rate of about 7 per cent in the period 2009–11 (Table A1.2). The average annual inflation rate would be maintained within single digits as a result of maintaining a regular growth of currency offer and of credit to levels of the economy.

<b>TABLE A1.2: MACROECONOMIC ASSUMPTIONS</b>					
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Nominal GDP (US\$ million)	7 878.4	9 397.3	10 026.0	11.041.9	12 181.3
Nominal GDP (MT million)	201 436.7	226 786.0	255 325.2	287 455.9	323 630.0
Real growth rate (%)	7.3	7.0	7.0	7.0	7.0
Average annual inflation (%)	8.0	7.3	5.5	5.3	5.1
Average exchange rate (MT/US\$)	25 568	24 133	25 466	26 033	26 568

The following will contribute to sustaining the pace of economic growth in 2009–11:

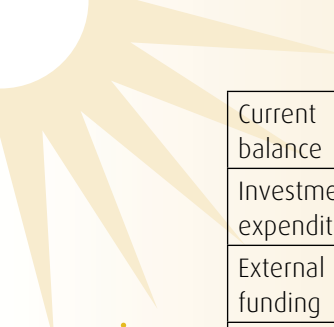
- The increase in agrarian productivity levels and production as a result of the expansion of the provision of extension and agricultural research services;
- The increase in public investment aimed at expanding basic socioeconomic infrastructure (roads, bridges, rural electrification, expansion of landline and mobile net works to more districts, among other things), which will contribute to the reduction of transaction costs and the improvement of the business environment in the country;
- The increase in investment in the development of human capital;
- The growth of the transforming industry as a result of the net value-added increase in the primary sector; and
- The increase in gross value added generated by the transport and communications sector within the implementation framework of the Trade Protocol of the Southern African Development Community (SADC).



### 1.2.3 Development of macrofiscal indicators (2008–11)

Table A1.3 reflects the fiscal features, giving the volume of resources and levels of public expenditure projected for the period 2008–11.

<b>TABLE A1.3: FISCAL FEATURES, 2008–11</b>								
	2008	2009	2010	2011	2008	2009	2010	2011
US\$ million	OE*	Proj.**	Proj.	Proj.	OE	Proj.	Proj.	Proj.
	% of GDP							
TOTAL REVENUE	1 552.64	1 762.44	2 057.48	2 373.72	15.9%	17.3%	17.9%	18.3%
Current revenues (1+2+3+4)	1 526.36	1 733.4	2 026.16	2 337.52	11.8%	13.4%	15.7%	18.1%
1 Tax revenues	1 232.04	1 436.96	1 733.92	2 000.4	9.5%	11.1%	13.4%	15.5%
Income tax	400.16	511.96	709.2	821.8	3.1%	4.0%	5.5%	6.3%
Goods and service tax	754.44	834.76	934.2	1 077.76	5.8%	6.4%	7.2%	8.3%
2 Non-tax revenues	100	115.92	94.04	108.48	0.8%	0.9%	0.7%	0.8%
3 Consigned revenues	143.76	130.56	142	163.8	1.1%	1.0%	1.1%	1.3%
4 Own revenues	50.56	49.96	56.2	64.84	0.4%	0.4%	0.4%	0.5%
Capital revenues	26.32	29.04	31.36	36.2	0.2%	0.2%	0.2%	0.3%
TOTAL EXPENDITURE	3 560.12	3 616.36	3 938.48	4 451.44	27.5%	27.9%	30.4%	34.4%
Current expenditure	1 523.24	1 678.4	1 892.64	2 107.32	11.8%	13.0%	14.6%	16.3%
Personnel costs	723.72	823.52	926.44	1 060.48	5.6%	6.4%	7.2%	8.2%
Goods and services	326.68	356.88	401.44	448.44	2.5%	2.8%	3.1%	3.5%
Debt amount (interest)	66.04	87.48	80.56	80.4	0.5%	0.7%	0.6%	0.6%
Transfers and other expenditure	406.76	410.48	484.16	518.04	3.1%	3.2%	3.7%	4.0%



Current balance	29.4	84.04	164.88	266.36	0.2%	0.6%	1.3%	2.1%
Investment expenditure	1 756.08	1 732.68	1 831	2 045.24	13.6%	13.4%	14.1%	15.8%
External funding	1 291.92	1 224.56	1 249.52	1 605.28	10.0%	9.5%	9.7%	12.4%
Internal funding	464.12	508.12	581.48	646.88	3.6%	3.9%	4.5%	5.0%
Net loans	280.8	205.28	214.84	298.84	2.2%	1.6%	1.7%	2.3%
Prior donations overall balance	-2 007.48	-1 853.92	-1 880.96	-2 077.72	15.5%	-14.3%	-14.5%	-16.1%
Post-donations overall balance	-661.88	-571.24	-572.16	-418.96	-5.1%	-4.4%	-4.4%	-3.2%
Net internal funding	61.72	-6.28	-16.4	281.32	0.5%	0.0%	-0.1%	2.2%
Notes: OE = State budget; ** Proj. = Projected.								

Total expenditure, including net loans, will increase from US\$3 560.1 million in 2008, to US\$3 938.5 million in 2010 and US\$4 451.4 million in 2011, which corresponds to 27.5, 30.4 and 34.4 per cent of the GDP, respectively. This scenario suggests deceleration of the public expenditure growth rate in percentage GDP. Despite the contention surrounding the expansion of government expenditure, the gains in fiscal rates are still limited to ensuring the sustainability of public accounts. A fact highlighted in the projections is the substantial increase in the current balance as a percentage of GDP, namely 0.5 percentage points in 2009 compared with 2008, and 0.6 percentage points in 2011 as against 2010. This situation contributes to improving the funding capacity of investment expenditures from internal resources.

The increase in investment expenditures in percentage GDP is a very important factor in sustaining the pace of economic growth that Mozambique has been experiencing. Many countries that were able to increase their living standards substantially in the past decades have dedicated about one third of their GDP to investment expenditure, as in the well-known case of the so-called Asian Tigers.

The post-donations overall balance as a percentage of GDP will change from -5.1 per cent in 2008 to -4.4 per cent in 2009, maintaining the balance at around -4.4 and -3.3 per cent in 2009 and 2010, respectively. This situation will lead to an increase in state funding requirements in the internal market, which may reduce the availability of resources for private investment funding. As a result, net internal funding as a percentage of GDP will vary from 0.5 per cent in 2008 to 2.2 per cent in 2011. This translates into a

massive use of public revenues in the banking system, and of internal credit to finance the public deficit.

### 1.3 Methodology

The approach adopted in budgeting for this NPOA was the collection and analysis of self-assessment reports produced by research institutions and the main recommendations raised in the CRR for each focus area. Because some of the proposed actions contemplated in this NPOA are already part of a set of policy measures of which the implementation process is foreseen in the main guiding and planning tools in use in the country, this NPOA was compared with and analysed against the Plan of Action for the Reduction of Absolute Poverty (PARPA), the Medium-Term Fiscal Scenario (CFMP) for 2008–10, and the Economic and Social Plan (PES) for 2008 in relation to objectives, results and activities.

On the basis of the analysis of activities included in the NPOA, it is found that not all of them translate into a need for a specific budget for their implementation, as is the case of those that are barely tangible and will result in strengthening the management of macroeconomic and sectoral policies, or the improvement of the legal framework or the safety environment, thus enabling the development of economic activities. In other words, the budget does not include those activities whose results will be achieved as a result of strengthening the role of the state’s activities.

### 1.4 Budgetary allocations for the implementation of the APRM NPOA

This section presents the budgetary allocations for the operationalisation of a number of activities that are part of each of the objectives of the four focus areas of the NPOA.

#### 1.4.1 The NPOA’s global cost per focus area

<b>TABLE A1.4: COSTS PER FOCUS AREA AS A PERCENTAGE OF THE NPOA’S GLOBAL COST</b>					
US\$ thousand	2010	2011	2012	2013	2014
Democracy and political governance	13 236.7	14 356.8	13 191.7	12 604.8	29 060.0
Economic governance and management	68 678.6	69 913.7	69 724.5	68 233.7	74 452.5
Corporate governance	11 750.7	12 485.7	12 915.9	11 623.9	11 853.8
Socioeconomic development	571 626.9	623 761.4	698 820.5	742 311.2	809 280.1
GLOBAL COST	667 302.8	722 528.6	796 664.6	836 786.6	926 660.4
As a percentage of global cost:					

Democracy and political governance	2.0%	2.0%	1.7%	1.5%	3.1%
Economic governance and management	10.3%	9.7%	8.8%	8.2%	8.0%
Corporate governance	1.8%	1.7%	1.6%	1.4%	1.3%
Socioeconomic development	85.7%	86.3%	87.7%	88.7%	87.3%

The total cost of the NPOA for 2010 is US\$667 302.8 thousand, rising from US\$796 664.6 thousand in 2012 to US\$926 660.4 thousand in 2014. These figures translate into an estimated global cumulative cost of US\$3 939 883.0 thousand for the five-year period of 2010–14, of which 2.9 per cent is related to current expenditure and 97.1 per cent is to be absorbed under investment expenditures required for programme implementation.

It is concluded from Table A1.4 that global costs increase throughout the period under review. This tendency is justified by the increase in resource demand for investment purposes. As regards ongoing activities – that is, those that are currently being implemented within the framework of operationalising socioeconomic policy – the assumption is that the volume of domestic resources for investment will grow in real terms at 3 per cent, while the volume of external resources will register a real growth of 2 per cent throughout the next period of five years.

**Figure A1.1: Structural percentage of the total cost per core area, 2010–14**

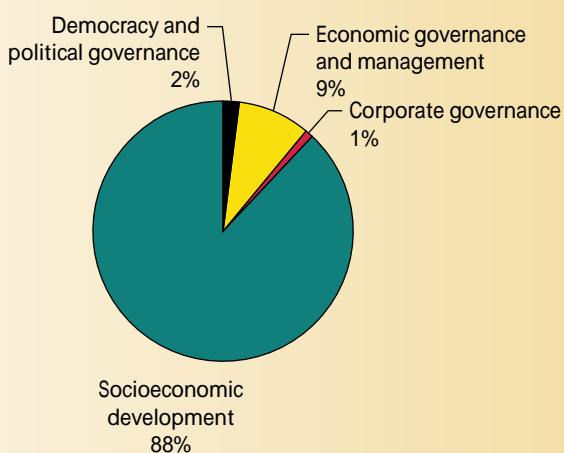


Figure A1.1 shows the structural percentage of the global cost per focus area during the five-year period of 2010–14. The Socioeconomic Development focus area integrates a set of actions aimed at strengthening achievements in sustainable socioeconomic development and in the fight against poverty during the past years. This focus area consists of six objectives and will use 88 per cent of the budget for the said five-year period. The

Economic Governance and Management focus area will absorb 9 per cent of the budget, followed by Democracy and Good Political Governance with 2 per cent and, lastly, the Corporate Governance focus area with 1 per cent of the total budget for the NPOA. These levels of absorption are co-related to the evidence and findings derived from the evaluation exercise carried out for each of the focus areas.

**TABLE A1.5: COSTS PER FOCUS AREA IN PERCENTAGE GDP**

	2010	2011	2012	2013	2014
Democracy and political governance	0.13%	0.12%	0.10%	0.09%	0.17%
Economic governance and management	0.67%	0.61%	0.54%	0.46%	0.44%
Corporate governance	0.12%	0.11%	0.10%	0.08%	0.07%
Socioeconomic development	5.60%	5.42%	5.40%	5.03%	4.83%
<b>TOTAL COST</b>	<b>6.53%</b>	<b>6.28%</b>	<b>6.15%</b>	<b>5.67%</b>	<b>5.53%</b>
GDP (US\$ million)	10 213.0	11 490.2	12 945.2	14 757.5	16 749.8
GDP (US\$ thousand)	10 213 008.4	11 498 236.2	12 945 199.9	14 757 527.9	16 749 794.1

As a percentage of the GDP, the budgetary resources for operationalising the NPOA in Mozambique will be an estimated 6.53 per cent in 2010, which will be reduced by 0.25 per cent in 2011 and 0.13 per cent in 2012, in relation to 2011. It should be noted that the reduction of global costs as a percentage of GDP is influenced by the incidence of major absorption during the first few years. On average, total public expenditure, including net loans, will be 32 per cent of the GDP for the period 2010–12.

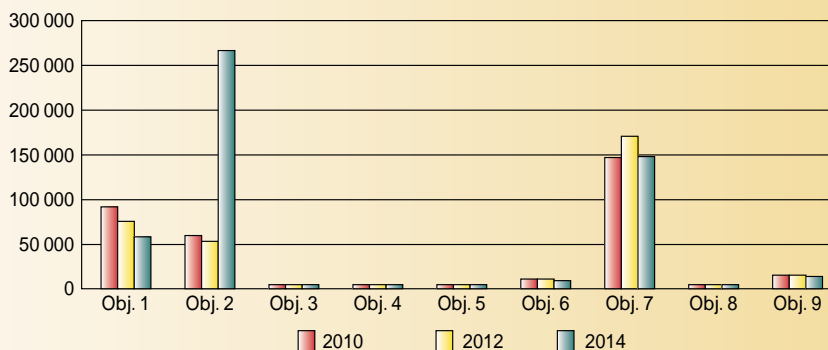
A notorious aspect noted in both Table A1.5 and Figure A1.1 is the high level of expenditure of GDP in the Socioeconomic Development focus area. This scenario results from the fact that a significant proportion of budgetary resources spent by the government within the framework of implementing economic and social policy objectives is essentially concentrated on social sectors and others with a direct impact on socioeconomic development. During the next triennium, PARPA priority sectors will absorb an average of 65 per cent of the total volume of public resources.

The APRM NPOA is an instrument that will complement efforts currently being undertaken by the state to increase the level of revenue collection and its allocation to the different priority development areas in the country. This will ensure that the principles of economy, effectiveness and efficiency are observed in the realisation of public expenditure.

## 1.4.2 Budgetary charges per objectives and per focus area

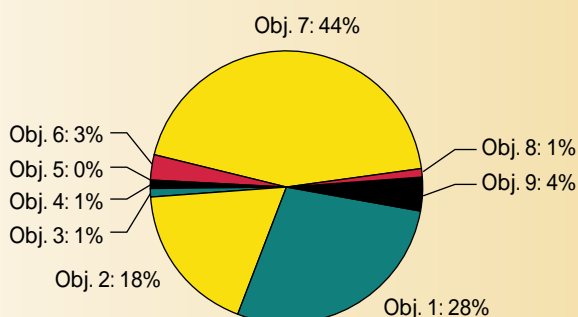
### 1.4.2.1 Budgetary charges for the Democracy and Political Governance focus area

**Figure A1.2: Focus area 1: Democracy and political governance, budgetary charges per objective, US\$ '000**



The figure deals with the relative importance of objectives that characterise the Democracy and Political Governance focus area in terms of the absorption level of total resources budgeted for this focus area in the five-year period of 2010–14. The objectives with the most representative levels of absorption are Objective 7 (Promotion and protection of women’s rights), Objective 1 (Prevention and reduction of intra- and interstate conflicts) and Objective 2 (Constitutional democracy, including periodic political competition and opportunity for choice, the rule of law, citizens’ rights and the supremacy of the Constitution). In 2010, of the US\$132 367 thousand that are to be spent on this focus area, US\$45 874.7 thousand will be absorbed by Objective 7; US\$3 652.1 thousand by Objective 1; US\$2 332.1 thousand by Objective 2 and the remaining amount by the other objectives. Altogether, Objectives 7, 2 and 1 will absorb about 90 per cent of the total budget directed at this focus area in 2010. In 2012 and 2014, these objectives will maintain the same absorption standard in global terms.

**Figure A1.3: Democracy and political governance: Percentage structure of the budget per objective**



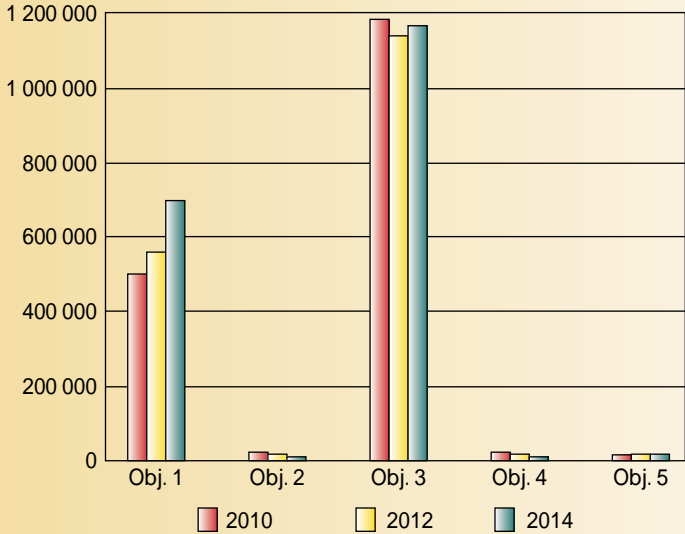


The figure shows the percentage structure of the budget for Focus area 1 per objective in 2010. The absorption level is not uniform, due to the concentration of resources in the three objectives mentioned above (Objectives 7, 2 and 1). In the remaining objectives, particular emphasis is on Objective 9 (Promotion and protection of economic, social and cultural rights, civil and political rights), with 4 per cent of the total resources for Focus area 1 in 2010, followed by Objective 6 (Fighting corruption in the political sphere), with 3 per cent, and the residual percentage for the remaining objectives.

**1.4.2.2 Budgetary charges for the Economic Governance and Management focus area**

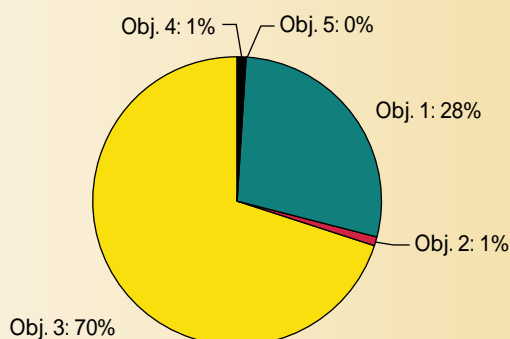
This focus area integrates activities that are aimed at improving Mozambique’s performance in terms of transparency and credibility in the implementation of macroeconomic policies, fighting economic crimes, and speeding up integration in the SADC region.

**Figure A1.4: Focus area 2: Economic governance and management, budgetary charges per objective, US\$ '000**



As illustrated in Figure A1.4, the activities that characterise Objective 3 (Promotion of sound public finance management) will absorb more than two-thirds of the budget directed at this focus area in the next three years. This objective is fundamental to ensuring reduction of the levels of dependence on the state budget in relation to external aid, which is currently estimated at 50 per cent.

**Figure A1.5: Economic governance and management:  
Percentage structure of the budget per objective**



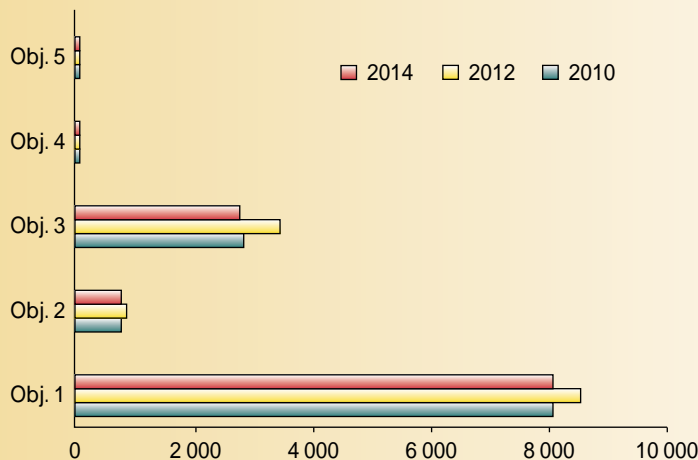
During the past five-year period, Mozambique has been able to sustain the levels of economic growth in real terms, estimated at 7 per cent per year. The strengthening of public finance management will enable an increase in the efficiency levels of fiscal and customs administration. This will translate into increasing collection of fiscal revenue and the optimisation of the intrinsic results of public expenditure execution, thus ensuring a reduction of the current balance. The structural composition of public expenditure will be improved through increasing proportions of the budget being allocated to investment, and through minimising the need to seek resources in the internal market in order to finance deficits in the state treasury. Over the medium and longer term, ongoing reforms in the framework of public finance will contribute to the alignment between public savings and investment and thus promote economic growth.

From an analysis of Figure A1.5, it is concluded that there is a massive concentration of resources for activities aimed at improving the management of public finance in 2010 (70 per cent). This is followed by Objective 1 (Promotion of macroeconomic policies that support sustainable development), with 28 per cent; Objective 2 (Implementation of sound, transparent and predictable government economic policies); Objective 4 (Fighting corruption and money laundering) and Objective 5 (Accelerating regional integration by participating in the harmonisation of monetary, trade and investment policies), which together will absorb 2 per cent of the budget for this focus area in 2010.

#### **1.4.2.3 Budgetary charges for the Corporate Governance focus area**

This focus area is characterised by a set of five objectives consisting of a range of activities that will contribute to the promotion of an enabling environment and effective regulatory framework for economic activities.

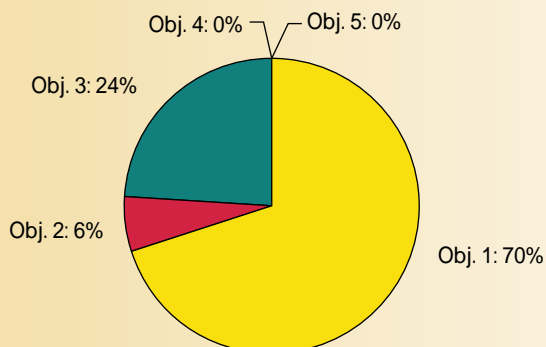
**Figure A1.6: Focus area 3: Corporate governance, budgetary charges per objective, US\$ '000**



As illustrated in Figure A1.6, Objectives 1, 2 and 3 will absorb a major proportion of the resources for this focus area. For example, for 2010, activities aimed at promoting an enabling environment and effective regulatory framework in order to stir up economic activities by corporations are provided with US\$8 244 thousand. It is expected that this amount will be increased to US\$8 667.5 thousand in 2012 and US\$8 233.3 thousand in 2014.

It should be pointed out that a large amount of resources is to be spent under Objective 3 (Promotion and adoption of codes of good business ethics in achieving corporations' objectives) – an estimated US\$2 746.1 thousand in 2010, US\$3 435.9 thousand in 2012 and US\$2 744 thousand in 2014. The slight reduction in expenditure in nominal terms in 2013 in relation to 2010 is in both cases reflected by the incidence with which activities foreseen for the first years are executed.

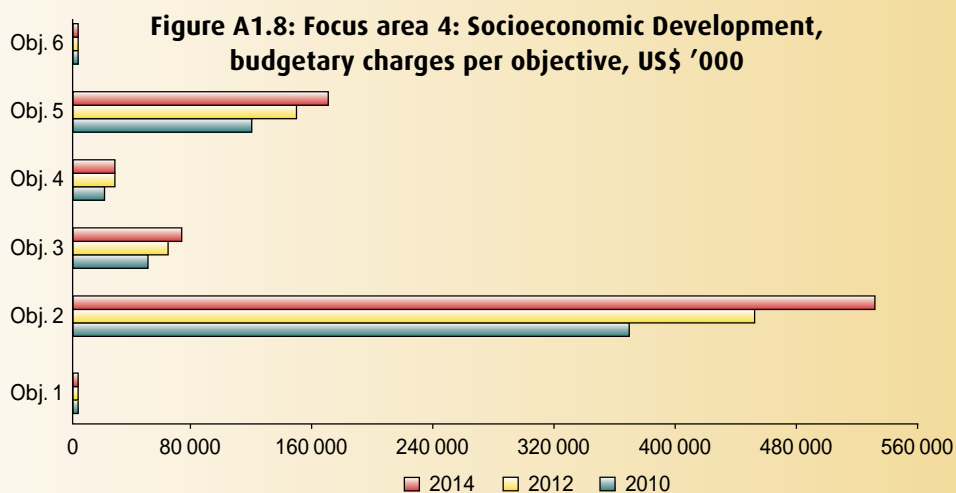
**Figure A1.7: Corporate governance: Percentage structure of the budget per objective**



Activities representing Objective 1 will have significant absorption levels in this focus area, and are expected to absorb two-thirds of the resources at mid-global level in the five-year period of 2010–14. It should also be noted that Objective 3 has an average demand of about 24 per cent of the total resources, followed by Objective 2 at 6 per cent.

#### 1.4.2.4 Budgetary charges of the Socioeconomic Development focus area

Lastly, the Socioeconomic Development focus area is reflected in the APRM framework as “efforts and progresses aimed at strengthening policies, delivery mechanisms and outcomes in key social areas of development”, as well as a set of policies for socioeconomic development that Mozambique has adhered to within the framework of NEPAD.

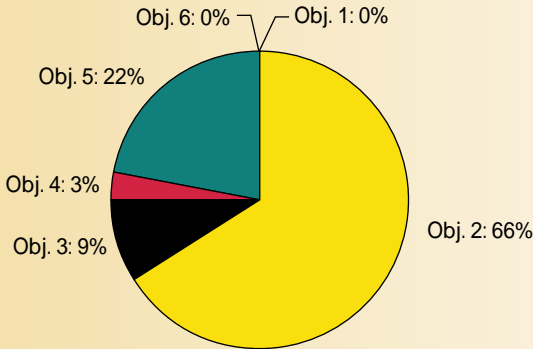


As illustrated in Figure A1.8, there is a massive concentration of resources on activities aimed at promoting self-confidence in development and building the capacity of sustainable development. In 2010, these activities will absorb about 66 per cent of the budget allocated to this focus area. This is followed by a hierarchy of activities represented by Objective 4 (Ensuring affordable access to water, sanitation, energy, finance [including microfinance], markets, ICT, shelter and land to all citizens, especially the rural poor) and the activities that make up Objective 3 (Strengthening policies, delivery mechanisms and outcomes in key social areas, including education and the combating of HIV/Aids and other transmissible diseases). The amounts allocated are about US\$122 552.2 thousand and US\$53 449.4 thousand, which corresponds to about 22 and 9 per cent of the total budget for 2010, respectively.

Although efforts are being made to influence access to basic services, Mozambique still has a long way to go in achieving socioeconomic development indicators that will position the country in the upper levels of human development. These efforts are conditioned by the limitations imposed by internal resources, hence the need to make an effort towards improving the productivity of public expenditure.

Figure A1.9 shows the division of the 2010 budget per objective, as allocated to the Socioeconomic Development focus area.

**Figure A1.9: Socioeconomic development: Percentage structure of the budget per objective**



1.5 Source of funding for the NPOA

Considering the budgetary and macroeconomic assumptions (2003-07), it is assumed that funding will originate from internal state funds for investment, as well as from external financing, including donors, financial institutions and/or direct investors.

No funds have been allocated thus far, and at this stage it is therefore very difficult to determine who exactly will finance what and when.

## 1.6 THE MATRIX OF THE NPOA PER FOCUS AREA

### 1.6.1 THEMATIC AREA: DEMOCRACY AND POLITICAL GOVERNANCE

Issues to be addressed	Results to be achieved
<b>Objective 1: To prevent and reduce intra- and interstate conflicts</b>	
To reduce social exclusion and eliminate social exclusion that is practised deliberately	Increased popular participation in the political process and reduced social exclusion
To eliminate elements that may be interpreted as a threat of war or source of conflict	The removal of all elements that may endanger peace in Mozambique
To eliminate the sale of weapons and fight against the circulation and consumption of drugs	Reduced illegal sale of weapons and drugs
To strengthen the control systems of entry of foreign citizens into the country	A well-functioning and effective system of control of foreign citizens' entry into the country and the reduction of illegal immigration in the country
To strengthen instruments that favour the shared management of resources	Resources shared by various countries in the region
To eliminate land usurpation practices by peasants	The Land Law strictly observed
<b>Objective 2: To promote constitutional democracy, including periodic political competition and opportunity for political choice, the rule of law and the supremacy of the Constitution</b>	
To strengthen the state of law and respect for citizens' rights	Strengthening the state of law and respect for citizens' rights; citizens' access to justice attained; the country's rule of law and legal mechanisms streamlined to better protect individual and collective political rights and democracy; citizens' opportunity for choice reinforced and all political parties operating on the same level of political competition
To separation party actions and activities from state institutions	Real separation of activities between parties and state institutions
To develop the capacity of the independent National Electoral Commission	The National Electoral Commission truly acting as an independent electoral commission, as expected
To audit voters' registration process	Improved effectiveness of the registration process, citizens' rights and promotion of democracy; human rights strengthened and the voters' registration process audited
To build the capacity of members of Parliament to guarantee that they know the needs of their constituency	Members of Parliament are well known and chosen by their constituency members
To build the technical capacity of the Administrative Court	The Administrative Court technically strengthened
To review instruments governing the establishment of District Consultative Councils	Consultative Councils established on a representative basis
To build the technical capacity of the Community Policing Councils	Policing Council members and the public educated about the national Constitution and other basic laws
To build the capacity of private security agencies so that they can collaborate with the state police	Crime reduced in the country, particularly in the urban areas
<b>Objective 3: To ensure the promotion and protection of economic, social, cultural and political rights</b>	



To strengthen civil servants' administrative capacity	Improved access to information in the country and human rights strengthened nationally; human rights culture reinforced nationwide; citizens can claim them everywhere and at any time
To improve the quality of public care service	Good quality of service provided to citizens
To educate Mozambican citizens about their fundamental rights and duties as established in the Constitution	Citizens sensitised to, and acting on, their civic rights and duties
To consolidate the process for involving communities in the selection of new members for the police force, and to establish clear requirements for the selection of citizens for the police force, including their academic level	A well-trained police force, adequately equipped and serving the public
To educate the paramilitary forces in human rights	The paramilitary forces educated in human rights
<b>Objective 4: To uphold the separation of powers, including the protection of the independence of the Judiciary and of an effective Parliament</b>	
To guarantee and ensure the observance of the principle of separation of powers and national unity	Non-interference in the competencies and functions of each sovereign organ, while preserving institutional relations; justice to act for all in the same manner
To build the capacity of the judiciary system	Improved administration of justice in provinces and districts; people benefitting from good justice at the same level
To improve the performance of Parliament	Parliament performing better; laws approved in time; possible to operate on the same level as other countries in the region; laws and other norms produced in the same rhythm as economic changes and other sectors; economic, social, sociocultural, civil and political rights improved through a deeper social dialogue and review of national policies, as well as of international instruments
<b>Objective 5: To ensure the accountability, efficiency and effectiveness of public officeholders and civil servants</b>	
To strengthen civil servants' administrative capacity	Greater efficiency and effectiveness of the public service; public servants systematically evaluated and placed according to their professional aptitudes; all people demanding a public service assisted in less time; local development raised; employment increased; traditional rulers with strengthened capacity to carry out local socioeconomic and political affairs effectively and efficiently
<b>Objective 6: To fight corruption in the political sphere</b>	
To strengthen and render effective legal instruments for the fight against corruption	Greater public awareness of anticorruption legislation; public and private sectors provided with appropriate legal instruments for dealing with instances of corruption; corruption reduced to an insignificant level
To eliminate "impunity" in corrupt activities	The Mozambican society educated to fight against corruption
To introduce radical changes to approaches to corruption	The approach to corrupt activities more oriented towards the reduction of this bad attitude; the existence of more adequate legal instruments; cases of grand corruption judged and their numbers reduced; corruption reduced to lowest levels; the public more confident in the political leadership
<b>Objective 7: To promote and protect the rights of women</b>	

To create a conducive environment in which to address gender issues and promote gender equity within the judiciary environment	Women and children protected against domestic violence; decline in cases of violence against women; greater value attributed to women; women's rights protected; more equitable treatment of women and men in legal terms; people receiving good assistance from the domestic violence units of the police; gender discrimination reduced; process of gender equity in the Judiciary consolidated
To review the decree that penalises only the pregnant girl and sends her to night classes	Existing the legal instrument that regulates the equitable treatment of a pregnant student and the student who got her pregnant
To institutionalise and expand the Office for the Protection of Women in the provinces; to protect women and children from trafficking	Women protected against domestic violence; women's rights protected
<b>Objective 8: To promote and protect the rights of children</b>	
To provide better education to children and reduce their vulnerability	Mozambican families with knowledge of the legislation on children's rights; children's rights and welfare ensured; orphans and street children protected under children's rights and living as normal children; children and households living securely; reduced violation of good customs in videos and television programmes; children and youth education strengthened
<b>Objective 9: To promote and protect the rights of vulnerable groups, including the disabled and the poor, internally displaced persons and refugees</b>	
To guarantee the necessary monetary support to families headed by the elderly taking care of orphaned children	The elderly taking care of orphaned children protected and their rights protected
To strengthen regulations for protecting vulnerable groups	People with disabilities (PWDs) and normal persons receiving the same opportunities; all PWD issues properly addressed to ensure the rights of vulnerable groups and their welfare; PWDs' constraints of access to public buildings reduced and their rights ensured; the rights of vulnerable groups ensured
<b>Subtotal for the thematic area: US\$ 82.45 million</b>	

### 1.6.1 NATIONAL PROGRAMME OF ACTION: DEMOCRACY AND POLITICAL GOVERNANCE

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
<b>Principles, codes and standards</b>										
To sign, ratify and adopt international codes and standards	Undertake a comprehensive audit of the compatibility of Mozambican legislation and policy with international codes and standards.  Develop a plan of action to address areas of conflict between Mozambican law and policy and international codes and standards.	Audited report of compatibility of Mozambican legislation and policy with international codes and standards  Established plan of action to address identified areas of conflict	Ratification of codes and standards and their consideration in the Mozambican law system	MOJ CSOs	Agencies and institutions from the government, private sector and civil society sectors	2010-14	International codes and standards applied in Mozambique  Reduced shortfall areas in Mozambican legislation in line with international codes and standards	International codes and standards applied in Mozambique, providing the guaranteed existence of a framework of equal citizen rights, as well as of a representative and accountable government and political stability	0.02	Cabinet NGC Relevant CSOs
	Sign and/or ratify outstanding international codes and standards pertaining to democracy and political governance.	Implementation and monitoring reports for codes and standards		Parliament MINEC MOJ	Agencies and institutions from the government, private sector and civil society sectors	2010-14	Codes and standards signed, ratified and included in the Mozambican law system	International codes and standards, applied in Mozambique, providing the guaranteed existence of a framework of equal citizen rights,	0.0	

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Implement and monitor the implementation of codes and standards already ratified by Parliament.	Number of protocols and conventions signed, ratified, published and implemented		Other implementing ministries CSOs				as well as of a representative and accountable government and political system		
	Train the Judiciary and legal practitioners on the impact of international law on Mozambican law.	Number of judiciary and legal practitioners trained		MOJ Public Ministry Courts	Government Private sector CSOs Citizens	2010-14	Judiciary and legal practitioners trained	Justice in Mozambique improved according to international codes and standards	0.5	
	Create a depository of all international agreements to which Mozambique is a party.	Depository created with all international agreements to which Mozambique is a party  Inventory reports on deposited international agreements		MOJ MINEC		2012-13	Depository created and all international agreements placed there	Free access to anyone to consult any international agreements to which Mozambique is a party	1.0	

**Objective 1: To reduce and prevent intra- and interstate conflicts**

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
To reduce social exclusion and eliminate social exclusion that is practised deliberately	Pay, as a matter of urgency, outstanding pensions of ex-combatants.  Assist those still not integrated to be reintegrated in a sustainable way.	Reports on newly integrated ex-combatants  Number of ex-combatants reintegrated  Reports on outstanding payment of pensions and constraints that need to be addressed in this regard	Implementation of the existing payment system on a regular basis	Office of the President of the Republic MAAC MDN MF FRELIMO RENAMO	Ex-combatants	2010-11	All ex-combatants with pensions, paid and others reintegrated	Increased popular participation in the political process and reduced social exclusion	0.0	Cabinet Parliament
	Carry out an in-depth study on social exclusion (origin, causes, etc.). Submit recommendations and proposals for a plan of action.	Completed in-depth study and plan of action					Several actions aiming at reducing social exclusion are to be undertaken by the government and other stakeholders		All socioeconomic ministries CSOs	Mozambican political forces CSOs Society in general
	Submit study results, including recommendations and proposals for a plan of action to the Development Observatory for discussion	Report on the Development Observatory discussions		MPD CSOs	Citizens	2010-12	Consolidated system of inclusive and participatory governance	Increased popular participation in the political process and reduced social exclusion	0.02	Cabinet CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	and the finding of consensual solutions.									
	Implement the approved plan of action.	Progress reports on the implementation of the plan of action								
To eliminate elements that may be interpreted as a threat of war or a source of conflict	Reach an agreement between the government and RENAMO on the disarmament of RENAMO soldiers.	Implementation progress reports and the monitoring of implementation reports		MDN MAI MFP FRELIMO RENAMO		2010-12	Former RENAMO soldiers disarmed	All elements that may endanger peace in Mozambique removed	0.18	Presidency Parliament Relevant CSOs Observers
To eliminate the sale of weapons and to fight against the circulation and consumption of drugs	Design and implement a plan of action to strengthen control of the sale of weapons and drugs within the framework of efforts currently being undertaken in internal, regional and international contexts.	Established strategy  Reports of implementation progress and achievements	Regular meetings between joint defence and security committees are held at the regional level (SADC) in order to deal with the sale of weapons and the circulation and consumption of drugs and similar illegal issues.	Office of the President of the Republic MDN MAI RENAMO	Citizens	2010-12	The circulation of weapons and drugs kept under control	Reduced illegal sale of weapons and drugs	0.03	Parliament Presidency Relevant CSOs



Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Sensitise citizens to the dangers of weapons and small arms.									
To strengthen systems for controlling the entry of foreign citizens into the country	Reinforce control systems for the registration and referral of illegal immigrants in the country in coordination with neighbouring countries.	Annual reports on illegal immigrants in the country and their treatment	Work in progress of the registration of illegal immigrants and their repatriation to their country of origin  The introduction of a new system to control the migratory movement of people along border posts	MDN MAI	Communities in villages along border posts Provincial, local and regional governments (SADC)	2010-13	The presence of illegal immigrants under control	Well-functioning and effective system to control the entry of foreign citizens into the country and the reduction of illegal immigration in the country	1.85	MFP CSOs on human rights
To strengthen instruments that favour the shared management of resources	Establish agreements that enable the good management of resources shared by various countries in the region.	Agreements established and national, regional and joint implementation reports	Ongoing consultation with, and liaison actions between, regional countries sharing the same resources	MOPH MICCOA	National citizens All SADC countries and their communities	2010-11	Shared resources managed well	Resources shared by various countries in the region	0.12	Cabinet Relevant CSOs
To eliminate land usurpation practices by peasants	Create mobile brigades for monitoring the adherence to the Land Law,									

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	its rules and regulations.  Pay particular attention to the issue of land concessions not being exploited within the approved timeframe.	Monitoring reports on adherence to Land Law rules and on the implementation of the agrarian policy	Communities organised into committees for their natural resources management, including land	MINAG Relevant CSOs Local communities	Mozambican population, peasants in particular	2010-13	The Land Law strictly observed	The Land Law strictly observed	0.08	Cabinet Human rights organisations
	Create task units to deal with cases of violation of the Land Law on conflict resolution.	Number of cases solved			MINAG Provincial and local governments Peasants				7.77	Cabinet Other relevant CSOs
<b>Objective 2: To promote constitutional democracy, including periodic political competition and opportunity for political choice, the rule of law and the supremacy of the Constitution</b>										
To strengthen the state of law and respect for citizens' rights	Institute the Office of the Justice Provider (ombudsman) and nominate the ombudsman.	Office mandate and nomination Act		MOJ	National citizens	2010-13	Chances of access to justice extended	The state of law and respect for citizens' rights strengthened  Citizens' access to justice attained	2.0	Presidency CSOs
	Institute a national programme of civic education to promote respect	Number of CSOs and citizens trained		CNE Members of Parliament CSOs					2.80	Parliament Cabinet CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	for the rule of law at all levels of government and society.									
	Conduct a programme of law review leading to the updating of all outdated laws in order to modernise the legal system.	Report studied and a programme of action compiled to update the existing legislation  Progress reports of the implementation of the programme of action  Number of outdated laws reviewed		MOJ	Legal system Government Parliament Private sector CSOs Citizens	2010-13	A modernised legal system Practitioners of justice with updated laws	The country's rule of law and legal mechanisms streamlined to better protect individual and collective political rights and democracy  Citizen's opportunity for choice reinforced  All political parties operating on the same level of political competition	4.0	
To separate party actions and activities from state institutions	Eliminate discriminatory administrative practices to delink the state and party and create a level playing ground in which all political parties can operate.	Established rules and regulations to remove discriminatory practices  Monitoring reports of non-adherence to rules and regulations, such as cases of		MOJ MAE MFP CNE	All political parties State institutions Civil servants	2010-14	Strengthened environment for free and fair competition for power and the promotion of democracy	Real separation of activities between parties and state institutions	0.54	Parliament President of the Republic Registered parties CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	the existence of political party cells in the state and public institutions, or of advertising material related to parties in state and public institutions									
To develop the capacity of the independent National Electoral Commission	Build the capacity of the CNE and train the technical staff of the STAE.	CNE capacity-building actions; high quality of STAE staff; and the number and quality of the courses administered		MAE CNE STAE	Political parties CSOs Citizens	2011-12	Better technical capacity and the guarantee of an independent election process that all participants accept	CNE truly acting as an independent electoral commission, as expected	1.5	Parliament CNE NGC
To audit voters' registration process	Compile and revise the voters' roll in a more transparent way.  Review electoral books in a systematic manner.	Number of protests submitted  Published minutes of the electoral process	CNE updating registration books in a systematic manner	CNE Election Observatory STAE Political parties Citizens	Political parties Institutions running the electoral process in Mozambique All national citizens	2010-14	Enhanced voters' registration process and political parties more confident in the electoral process  All potential voters registered	Improved effectiveness of the registration process, citizens' rights and the promotion of democracy	5.00	Constitutional Council CSOs Parliament
	Handle properly the collection of election results so as to safeguard the	Number of bulletins lost or added		STAE CNE Electoral Observatory	All political parties Observers CSOs	2010-14	Reduced accusations of electoral fraud		1.0	

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	integrity of the process.									
	Audit the electoral process in order to monitor the execution of the law.  Revisit voters' registration through sampling in the provinces and publish the report.	Published audit report of the electoral process		CNE STAE Political parties Citizens	Institutions running the electoral process in Mozambique	2010-13	Electoral process at an acceptable level for holding free, fair and transparent elections	Human rights strengthened and voters' registration process audited	0.5	Parliament Constitutional Council Specialised CSOs
To build the capacity of Members of Parliament in order to guarantee that they know the needs of their constituency	Create debate with local communities in the electoral circles.	Electoral law reviewed and published		Parliament CNE Political parties	National citizens	2010-14	Members of Parliament defending the interests of their constituencies and of the state	Members of Parliament more active in electoral circles	0.9	Parliament Electoral Observatory
To build the technical capacity of the Administrative Court	Strengthen mechanisms for clarifying and explaining deviations verified in public institutions' accounts.	General state account reports	Government activities aimed at building the capacity of the Administrative Court to undertake its supervision/control role over state	AC	State institutions and national citizens	2011-12	The AC undertaking its functions in an effective manner	The AC technically strengthened	1.0	Parliament CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
			expenditures and actions							
To review instruments that govern the establishment of District Consultative Councils	Review mechanisms that establish legal rules and regulations for the establishment of District Consultative Councils.	Legal rules and regulations approved, published and broadly disseminated		MAE MPD Local government	Local governments Local communities	2010	Regulations reviewed, published and disseminated	Consultative Councils established on a representative basis	0.1	Cabinet Relevant CSOs
To build the technical capacity of the Community Police Councils	Train Community Police Council members on the Constitution of Mozambique so as to increase their basic knowledge of human rights and the criminal law.	Number of Community Police Council members trained		MAI Local government, Policing units	Communities and the public in general	2010-13	Community Police Councils well prepared	Policing Council members and the public educated about the National Constitution and other basic laws	0.85	MAI Human rights organisations
To build the capacity of private security agencies so that they can collaborate with the state police	Undertake training seminars for security agencies in order to improve their capacity and update their members on crime management.	Number of seminars held and the number of participating agencies		General Command of the Police Office Private security agencies	Private security agencies and guards Citizens	2011-13	More security agents prepared to fight crime	Crime reduced in the country, particularly in urban areas	0.5	MAI CTA CSOs

**Objective 3: To ensure the promotion and protection of economic, social, cultural and political rights**



Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
To promote the fundamental rights of Mozambican citizens	Approve and disseminate the Law of Access to Information.	The Law of Access to Information passed and disseminated  Reports on implementation of the Information Law	(The draft law has already been discussed in Cabinet, which referred it to Parliament for approval.)	Parliament Presidential Office MOJ	Media Government Civil servants CSOs	2010	The Law of Access to Information published and disseminated	Improved access to information in the country and human rights strengthened nationally	0.4	Cabinet NGC Relevant CSOs
	Launch a national civic education programme to enlighten citizens on their rights (to be conducted by the CNDH).	Number of campaigns and of citizens educated on human rights principles  Reports on the education programme carried out	Nomination of citizens to be incorporated into the CNDH	Parliament CNDH CSOs	All citizens	2010-12	All citizens aware of human rights principles	Human rights culture reinforced nationwide and citizens able to claim them everywhere and at any time	0.6	Presidential Office Cabinet NGC CSOs
To improve the quality of public care service	Ensure the broad disclosure of public servant statutes (policies, rules and regulations).  Monitor the quality of public service in observance of the general statutes of civil servants.	Entries in the book of complaints and suggestions  Information on individual processes	In the framework of public sector reform, various activities involving all public entities are under way.	MFP	All ministries Citizens Public service users	2010-14	Citizens satisfied with services provided by public institutions	Good quality of services provided to citizens	0.45	GPM Human Rights organisations

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
To educate citizens about their fundamental rights and duties, as established in the Constitution	Organise civic rights education and campaigns at national and local levels about fundamental rights and duties, as enshrined in the Constitution.	Citizens sensitised to their civic rights and duties, as enshrined in the Constitution		MOJ Relevant CSOs National citizens	Citizens NGOs CSOs	2010-12	Public awareness  Mastering of all constitutional rights and duties	Citizens sensitised to, and acting on, their civic rights and duties	0.8	Parliament GPM NGC Representative CSOs NGOs
To consolidate the process for involving communities in the selection of new members for the police force, and to establish clear requirements for the selection of citizens for the police force, including their academic level	Generate and disseminate requirements for the selection of citizens for the police force.  Involve the community in a systematic manner in the selection of new members of the police force.	Requirements for the selection of citizens for the police force published  Minutes of the selection process of new candidates for the police force	The MAI, through the police force, has been conducting pre-selection of police members with community and neighbourhood involvement in different cities, villages and localities	MAI Police officers	MAI Police officers Communities	2010-11	Diligent and efficient police force with due capacity to serve people better	A well-trained police force, adequately equipped and serving the public	0.13	Presidency Communities CSOs NGC
To educate the paramilitary forces in human rights	Ensure that police training emphasises fundamental human rights and a complaints mechanism is put in place for victims of rights	Number of paramilitary forces trained		MAI MF MOJ Private sector	Government Private sector CSOs Citizens	2010-14	Paramilitary forces educated on human rights issues		0.3	Parliament GPM NGC Representative CSOs NGOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	violation, with appropriate disciplinary sanctions for violators.									
<b>Objective 4: To uphold the separation of powers, including the protection of the independence of the Judiciary and of an effective Parliament</b>										
To guarantee and ensure the observance of the principle of separation of powers and of national unity	Create informative material about the separation of powers.  Organise regular (every six months or annually) sessions for deepening the knowledge of principles of separation of powers in theory and practice.	Informative material produced and discussed  Number of discussion sessions for deepening knowledge on the matter, and reports of such sessions		MOJ Political parties		2010-13		Non-interference in the competencies and functions of each sovereign organ, but preserving institutional relations	0.07	
	Monitor the application of the principle of separation of powers.	Contain findings in the monitoring reports drafted by the Executive, Legislative and the judicial organs of power, either in actions or due to omissions of exercise			Parliament and justice administration bodies in place	2010-14	Principle of the separation of powers respected		0.27	Parliament NGC Relevant CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Depoliticise the appointment of supreme judges in order to protect the integrity of the Judiciary.	Supreme judges appointed through the CSMJ	The appointment of judges done through a CSMJ proposal	CSMJ MOJ	Judiciary Judges CSOs		Judges acting with integrity and free from direct political interference	Justice to act for all in the same manner		
To build the capacity of the judiciary system	Provide the judiciary system with adequate infrastructure, equipment and human resources.	Number of prosecutor and justice offices buildings and equipment provided, and technical professionals trained		Supreme Court Offices Public Ministry (Attorney-General's Office of the Republic) MOJ	National, provincial and district judiciary institution levels and respective civil servants Citizens/ communities	2010-14	All provinces and districts provided with an adequate system of justice	The administration of justice in provinces and districts improved	3.0	CSMJ CSMMP NGC CSOs
	Train the judiciary in ethics, accountability and transparency.	Number of technical professionals trained		CSMJ CSMMP MOJ		2010-14	All practitioners of the Judiciary trained	People benefiting from good justice at the same level	1.0	Parliament Cabinet CSOs
To improve the performance of Parliament	Recruit advisers for each Parliament Commission, per each branch, so as to make the legislative power more fit to oversee the action of the Executive.	Number of advisers recruited  Progress reports of advisers  Minutes/reports of the recruitment processes	(The recruitment of advisers for each Commission of Parliament has already started.)	Parliament Secretariat	Parliamentary Committees, groups and branches Political parties	2010-13	Parliament more able to oversee actions of the government	Parliament performing better	1.0	Parliament NGC CSOs
	Analyse the possibil	Number of laws, resolutions		Cabinet Parliament	Government CSOs					

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	ity of making membership of Parliament fulltime and increasing the number of days for oversight.	or decisions approved by Parliament			Private sector Citizens	2010-11	Parliament more engaged in solving citizens' issues	Laws approved in time, and it is possible to move on same level as the region's countries	0.0	Presidency NGC CSOs
	Ensure that the Parliament has its own budget, which should be increased for the envisaged greater involvement.	Number of cases raised and discussed in sessions of Parliament		MF MPD		2011-14	Parliament more involved in producing laws and the norms of the country	Laws and other norms produced in the same rhythm as economic changes and other sectors	0.0	Cabinet Parliament
	Strengthen MPs' knowledge of policy analysis and oversight functions.	Number of MPs trained	(Training courses have been done at the beginning of each mandate.)	CSOs UNDP/Donors	MPs	2012	Enhanced capacity of MPs in policy analysis and oversight functions resulting in better intervention capacity and well-addressed solutions for the nation	Economic, social, socio-cultural, civil and political rights improved through a deeper social dialogue and review of national policies, as well as of international instruments	1.0	Parliament Cabinet CSOs NGC
<b>Objective 5: To ensure the accountability, efficiency and effectiveness of public officeholders and civil servants</b>										
To strengthen civil servants' administrative capacity	Establish merit-based recruitment into the public sector	A national document with established merit-based		MFP	Public servants Citizen candidates for the public service	2010-13	Civil servants with a merit-based recruitment code	Efficiency and effectiveness of the public service improved	0.08	GPM

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	and enact legal instruments.	recruitment and assessment rules and regulations for civil servants  Number of candidates selected in accordance with the established rules					and the public with highly competent civil servants and technicians			
	Review evaluation exercises, and review criteria and processes for a better redefinition of the professional abilities of public servants.	Evaluation reports and revised qualification criteria and processes or systems		All sector ministries			Qualified public servants with access to civil service work and making progress in accordance with their training and professional capacities  Improved quality of public services	Public servants systematically evaluated and placed according to their professional aptitudes	0.34	
	Improve the capacity of public institutes (ISAP, SIFAP, IFAPA) to train more public servants.	Number of public servants trained in different levels and areas		MFP ISAP IFAPA MF	Public servants	2011-14	Public service improved with updated technologies, and staff trained for a new conduct at work	All people who demand public service are assisted in less time.	1.0	Cabinet Public servants' organisations



Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Significantly increase the Local Investment Fund, and make access to it free from political influence.	Number of projects approved and financed based on their social and economic viability and merit  Document with rules and procedures for use of funds		MPD MAE MF Provincial and district governments	Local government Local investors Local citizens	2010-14	Access to the Local Investment Fund on a viable project merit basis and free from political influences	Local development raised and employment increased	0.2	Parliament Cabinet CSOs
	Enhance the role of traditional rulers by providing them with enforcement capability.	Document with number of rules (actions related to the "power" transferred to traditional rulers)		MAE Provincial, district and local governments	Traditional rulers Local citizens	2010-13	Traditional rulers with more administrative capacity	Traditional rulers with strengthened capacity to carry out local socioeconomic and political affairs effectively and efficiently	1.0	Parliament Cabinet CSOs
<b>Objective 6: To fight corruption in the political sphere</b>										
To strengthen and apply effective legal instruments for fighting corruption	Revise, enact and implement anticorruption legislation and strategy, adhering to the broad definition of corruption as provided for by the AU Convention on Combating and	Revised Anticorruption Law approved and published in the official Gazette	Implementation of the existing law and strategy to fight corruption	MOJ MFP CSMJ	Government Private sector CSOs All citizens	2010-11	Strengthened and effective legal mechanisms to fight against corruption in place, with the judiciary system better equipped with adequate knowledge and instruments for judging	Public awareness of anticorruption legislation	0.01	Parliament Human rights organisations and others Relevant CSOs NGC

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Preventing Corruption and the SADC Protocol against Corruption, as a matter of legal principle.  Gain approval of the Act.	Production and dissemination of brochures, in particular among judges, prosecutors and other judiciary agents and private sector agents	Different ongoing campaigns and actions under the orientation of the MFP	CSMMP			Lowest levels of corruption in the public and private sectors and in society as a whole	Public and private sectors provided with appropriate legal instruments for dealing with corrupt acts	0.30	
	Disseminate and debate the proposed Act in the public and private sectors.	Regular reports on corrupt activities that were prevented and punished under the existing legislation		Parliament MFP (Attorney General's Office of the Republic) MOJ MINEC	All Mozambican society, the public and private sector in particular	2010-11	Improved confidence in public institutions in the fight against corruption	Corruption reduced	0.20	Presidency NGC Relevant CSOs
	Professionalise instruments for the prevention and fight against corruption.  Train technical officials.	Anticorruption regulation instruments created and technical officials capacitated  Increased number of investigators		MFP MAI IOD CTA	All Mozambican society				0.08	Parliament CSMJ NGC Relevant CSOs
To eliminate the "impunity" of corruption activities	Promote civic education against corruption at all levels, including	Number of campaigns carried out		All ministries and higher education institutions		2010-12	Improved confidence in public institutions in the fight against corruption	Mozambican society educated to fight against corruption	0.97	MFP CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	the family and schools.									
	Strengthen measures for preventing corruption, in particular within institutions with a higher number of cases (such as the police, education, health and customs).	Legal instruments that strengthen prevention measures  Registered number of cases  Information and educative booklets and brochures distributed		All ministries, in particular: MFP MAI MF MEC	All users of public services and in particular of institutions more prone to corruption	2010-12			0.11	GPM Attorney-General's Office of the Republic CSOs
To introduce radical changes to the approach to corruption	Approve legal instruments for the GCCC to act on reported cases.  Place in the GCCC agents from the MFP and other legal instruments that are brought forward for them to judge.	The GCCC with powers to judge corrupt acts	Actions being carried out for the institutional strengthening of the GCCC	MOJ MFP		2010-11			0.32	Parliament GPM MFP
	Vigorously prosecute cases of grand corruption to serve as	Number of cases of grand corruption reported and		Attorney-General's Office (GCCC)	Government Private sector CSOs All stakeholders	2010-14	Grand corruption prosecuted vigorously	Cases of grand corruption judged and diminished	0.0	Parliament Cabinet CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	a deterrent to offenders.	judged								
	Study the possibility of addressing the Administrative Court for the validation of asset declarations by public officers, and to record the assets after their mandate.	The decision of asset declarations be deposited approved in the AC		AC All ministries	Government High-ranking civil servants	2010-14	Corrupt acts reduced Government officials' accountability to the people strengthened	Lowest levels of corruption and the public more confident in political leadership	0.01	
	Adopt ethical guidelines to clarify the role of officials in business and to strengthen the accountability of government officials to the people.	Number of brochures with ethical guidelines produced and distributed		MOJ MAE	Public servants	2010-12			0.6	
<b>Objective 7: To promote and protect the rights of women</b>										
To create a conducive environment in which to address gender issues, and to promote gender equity within	Implement the Law on Domestic Violence in order to create a conducive environment in which to address gender	Published Law of Domestic Violence  Monitoring of implementation reports		Parliament CSOs	Women and children's organisations Human rights organisations	2010-11	Law on Domestic Violence enacted and implemented to protect vulnerable stakeholders	Women and children protected against domestic violence	0.05	Parliament Cabinet CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
the judiciary environment	issues.						All people are aware of the negative influence of domestic violence in society, and participate in fighting against it Less violence against women			
	Launch a vigorous multi-sectoral awareness campaign on violence against women and its form, causes, harmful consequences and preventive mechanisms to be undertaken.	Number of people with knowledge about domestic violence and the law that penalises such ill practices		MMAS CSOs	All stakeholders			Decrease in violent cases against women Greater value attributed to women Women's rights protected	0.5	
	Expand the implementation of legal cabinets for the protection of women at the local level.  Promote training seminars.	Women's cabinets created in all provinces  Number of operating cabinets throughout the country	Implementation of the National Programme of Action for the Advancement of Women (2007-09)	MMAS Provincial and district governments	Communities in general and women in particular	2010-14	Law on Domestic Violence enacted and institutions established that protect vulnerable stakeholders Women's cabinets created and equipped	More equitable treatment of women and men in legal terms  Process of gender equity in the Judiciary consolidated	19.50	Cabinet CSOs NGC

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Equip police units dealing with violence against women with the capacity to handle the victims who access their services.	Number of police units dealing with domestic violence capacitated		MOJ MMAS MAI CSOs	Police Civil servants related to the MAI MOJ	2010-14	Police units equipped and trained to deal with domestic violence issues	People receiving good assistance from the Domestic Violence Units of the police	2.0	Cabinet Parliament CSOs
	Incorporate gender issues into police training to ensure a gender-responsive police force.	Number of police capacitated with gender issues		MOJ MFP MAI Police	Police	2010-14	Police trained to deal with gender issues	Gender discrimination reduced	0.03	
To review the decree that penalises only the pregnant student girl, sending her to night classes	Review the legislation on education in order to introduce gender equity issues.	Legislation on education reviewed and published in the official Gazette issues.	(Campaigns are being carried out for sensitising parents and other guardians or tutors of students to giving priority to girls' enrolment in schools.)	Parliament MMAS Provincial and district governments	Student community, in particular female students	2010	Legislation reviewed and implemented	Existing legal instruments that regulate the equitable treatment of the pregnant student and the student who got her pregnant	0.05	NGC Women's CSOs Children's CSOs
	Promote activities in order to provide equal opportunities for women and men in education.	Review/Adjust punishments to gender equity		MEC Provincial and district governments		2010-14			0.82	

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
To institutionalise and expand the Office for the Protection of Women in the provinces	Expand and implement cabinets for women's protection.	Number of cabinets created		MAI MMAS Provincial and district governments	Communities in general, particularly women	2010-12	Cabinets for the protection of women in the provinces institutionalised and expanded	Women protected against domestic violence Women's rights protected	7.00	Cabinet Women's CSOs
To protect women and children from trafficking	Strengthen surveillance mechanisms to combat trafficking in women, children and organs, including stronger customs patrol and heightened vigilance in high-risk areas.	Report on the number and cases of trafficking detected		MAI Police Customs Immigration	All stakeholders	2010-14	Lowest levels of trafficking women, children and organs		1.0	Cabinet CSOs
<b>Objective 8: To promote and protect the rights of children</b>										
To provide better education for children, and to reduce their vulnerability	Disseminate as widely as possible all legislation on children's rights.  Produce and distribute booklets on children's rights, up to primary education levels.	Number of campaigns held  Number of booklets and brochures produced and widely distributed	Dissemination campaigns on children's rights  Basic school books containing information on children's rights	MEC MMAS Children	All Mozambican citizens, particularly children	2010-14	Elimination of the violation of children's rights	Mozambican families with knowledge of legislation on children's rights Children's rights and welfare ensured	0.11	Cabinet NGC Children's CSOs



Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Effectively rehabilitate street children and orphans.	Doing surveys and devising alternative ways and means of rehabilitating street children and orphans more effectively  Number of street children and orphans living in education centres and granted scholarships		Civil society Network organisations	Orphaned and street children	2010-14	Vulnerable children groups identified, protected and rehabilitated	Orphaned and street children protected under children's rights and living as normal children	1.2	
	Strengthen the government's capacity at the national, provincial and district levels to fight child trafficking.	Number of child traffickings reported		MAI Police CSOs	Children All citizens	2010-14	Child trafficking controlled and eliminated	Children and households living securely	0.5	Parliament Cabinet Human rights organisations
	Provide children with adequate education, including those living in IDP camps.	A designed strategy  Number of children without access to school  Number of children in IDP camps		MEC	Child households	2010-14	All children provided with adequate education		0.5	Cabinet CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Pass a legal instrument that regulates video classification, taking into account the principle of content/age and respective control, including that of sale/hire/projection of videos on television stations and in public places.	Published legislation on video classification and an applicable control system  A report on the rating system in place		MOJ MAI MEC MJD Young people CSOs	Communities in general Families, young people and children in particular	2010-12	Ensured and disseminated legal instrument that regulates the sale/hire/projection of videos in public places, taking into account contents/age	Violation of good customs in videos and television programmes reduced and the education of children and young people strengthened	0.25	Cabinet Youth and children's CSOs
	Sensitise families and communities to the need for protecting children against video projections with negative content.	Number of sensitisation campaigns  Brochures produced and distributed							0.02	
	Produce brochures for dissemination in rural areas.									
	Carry out from time to time monitoring studies on contents of television	Study reports  Programme of studies		MEC MJD	Children Urban and rural communities	2010-11	Legal instrument ensured and distributed that regulates television	Violation of good customs in television programmes reduced	0.100	

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	programmes based on the age of the viewers.						contents in Mozambique			
<b>Objective 9: To promote and protect the rights of vulnerable groups, including the disabled and the poor, internally displaced persons and refugees</b>										
To guarantee the necessary monetary support to families headed by the elderly taking care of orphaned children	Draft and implement a strategy for a support system for households headed by the elderly, and for the identification and registering of children.  Provide monetary support to households headed by elders caring for orphaned children.	Law passed  Document of strategy and system in place  Approved budget  Ongoing support progress reports	Actions carried out through the elderly support programme	MMAS Relevant CSOs	Families headed by the elderly who are taking care of orphaned children  Rural and urban communities	2011-14	Families headed by the elderly and children live in harmony and have guaranteed support to cater for their needs	The elderly taking care of orphaned children are protected and their rights protected.	0.14	AC MF Relevant CSOs
To strengthen regulations to protect vulnerable groups	Ratify the Convention on the Rights and Dignity of PWDs and pass a law on the rights of PWDs expeditiously.	Convention on the Rights and Dignity of PWDs approved and disseminated		Cabinet Parliament	Persons with disabilities		PWDs' rights protected	PWDs and normal persons have the same opportunities	0.0	CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Establish a National Council for Disability to coordinate disability issues.	National Council for Disability established and functioning		PWDs MMAS		2010-12	All disability issues coordinated by the National Council for Disability	All PWD issues being properly addressed to ensure the rights of vulnerable groups and their welfare	0.2	Cabinet Parliament CSOs
	Pass a law regulating the design of public buildings and other infrastructure in order to make them more accessible to PWDs.	Regulation passed, published and disseminated		MOJ MMAS MOPH MAE Municipalities Local government National Council for Disability		2010-14	All public buildings and other infrastructure more accessible to PWDs	PWDs' constraints of access to public buildings reduced and their rights ensured	0.3	Cabinet Parliament CSOs
	Establish an early warning system for early detection of natural disasters to mitigate the harmful effects of natural disasters.			MICCOA	Vulnerable groups	2010-12	Regulations to protect vulnerable groups established	Rights of vulnerable groups ensured	2.0	
<b>TOTAL CORE AREA</b>									<b>82.45</b>	

<b>1.6.2 THEMATIC AREA: ECONOMIC GOVERNANCE AND MANAGEMENT</b>	
<b>Issues to be addressed</b>	<b>Results to be achieved</b>
<b>Principles, codes and standards</b>	
To ratify, publish and disseminate norms, codes and standards	Codes and standards signed and ratified, and considered in the ordinary law of Mozambique
To monitor the implementation of codes and standards	Access to codes, standards and practices facilitated for everyone; stakeholders having a centre for consultation on international codes, standards and practices
<b>Objective 1: To promote macroeconomic policies that support sustainable development</b>	
To guarantee macroeconomic stabilisation and growth	Higher levels of economic and social growth; reduction of unemployment in the economy; reduced dependence on aid; more rationalised expenditure
To strengthen the monetary sector policies	Monetary policy strengthened; improved interest rate control; increased access to banking services throughout the country and, in particular, access to credit for production
Higher levels of productive investment; increased local production and resource mobilisation	
Reduced imports; a competitive market environment enabled	
Growth and development of the private sector; increased mobilisation of domestic resources; modernised and developed national industry; increased production and productivity in the industrial sector	
To promote investment	Businesses promoted and SMEs more confident to increase investment
Greater employment of the economy and revenue; investment promoted; doing business facilitated; bureaucratic requirements for, and delays in, doing business eliminated	
To ensure diversification of the economy	Industrial development boosted; unemployment reduced; local infrastructure created; vulnerability to international markets reduced; development of productive capacity and of trade
National production increased and unemployment reduced	
<b>Objective 2: To implement sound, transparent and predictable government economic policies</b>	
To ensure the implementation of consistent, transparent and predictable macroeconomic policies	Improved accountability and transparency; availability of reports at local level; public awareness and efficient participation in decision-making processes; a more efficient, effective and transparent public sector; improved public finance management; provision of public goods and services improved
To bring about public sector reform	Deepened and more effective decentralisation process; local communities empowered to decide on and lead the economic development process; all businesses (from megaprojects to small traders, including the informal sector) paying taxes; dependence on foreign aid reduced; improved standards of living of local citizens

To ensure effective public finance management and tax reform	Improved public finance management; ensuring adequate performance in the accounting and auditing procedures of the government
To ensure the implementation of consistent, transparent and predictable macroeconomic policies	Adequate use of public funds; all economic activities coordinated and more transparent
To ensure participation and consultation in economic decision making by all stakeholders	All stakeholders participating in and influencing the government's economic decision making
To ensure good planning, budgeting, and formulation and supervision of economic policies	Resources allocated more efficiently and effectively; enhanced impact of planning, budgeting and the formulation and supervision of economic policies
To ensure broad participation of all stakeholders in economic decision making, as well as wide dissemination of information and awareness of national economic policies	
To create an improved planning system and policy coordination	The government more responsive to public needs and demands; effective allocation of resources
To improve policy coordination	Effective resource transfers to the local levels; investment funds directed towards profitable projects
<b>Objective 3: To promote sound public finance management</b>	
To enhance public finance management	More predictable fiscal structure; functional payment systems in all districts; local institutions filled with trained staff
To enhance the public finance policy framework	Local entrepreneurs empowered to participate in economic development more effectively
Enhanced mobilisation of domestic resources; greater efficiency and effectiveness of public accounts management	
Effective transfer and payment systems established throughout the country, thus benefiting all stakeholders; improved public finance management through strengthening and consolidating SISTAFE; a more transparent payment process; an enlarged resource basis, with all traders (including petty traders) being taxpayers; tax posts established near traders; all contributing to reduce dependence on the budget	
To improve monitoring and reporting on revenue and expenditures	Improved public accounts and execution of the state budget; government revenues and expenditure reports permeated to the public timeously; greater budgetary accountability; general access to state financial reports
To improve oversight over the government's fiscal operations	Improved budgetary accountability; constituencies more confident in MPs and having the capacity to oversee the budget; government's performance improved; the government disposed to react positively to the audit and AC reports
To improve oversight monitoring and reporting of public finance management	Local staff highly motivated; well disseminated public finance management practices and results
To promote sound public finance management	Transparency in resource management
To ensure effective fiscal decentralisation	Local communities more involved in local issues and having greater ownership of their economic development
<b>Objective 4: To fight corruption and money laundering</b>	

To fight corruption and money laundering actively	Level of corruption reduced; levels of the incidence of corruption reduced; corruption being fought with transparency; cases of corruption reduced drastically; improved enabling environment to fight corruption; corruption combated; the discretion of government officials is unblemished and rules are respected; improved environment for combating corruption; money laundering prevented and combated; improved environment for economic growth and development of the country; raised public awareness on the fight against corruption nationwide; procurement procedures applied to all transactions done by the state; raised public awareness in general nationwide
<b>Objective 5: To accelerate regional integration by participating in the harmonisation of monetary, trade and investment policies</b>	
To promote regional integration	Regional integration expectations, prospects and challenges widely known by the people; increased investment, production and export in the country and strengthened regional integration; industry, trade, investment, tax and other policies fully harmonised with regional standards; cross-border trade facilitated and promoted, and goods and services increased at reasonable costs; more effective integration and freer movement of goods and people within the SADC; Mozambique benefitting from freer regional trade flows; increased revenues received
<b>Subtotal for the thematic area: US\$ 351.0 million</b>	



## 1.6.2 NATIONAL PROGRAMME OF ACTION: ECONOMIC GOVERNANCE AND MANAGEMENT

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
<b>Principles, codes and standards</b>										
To ratify, publish and disseminate principles, codes and standards	Sign, ratify and disseminate SADC and AU conventions, and international codes and standards.	Number of treaties, codes and standards ratified and popularised  Listed treaties and codes at Govnet and in books	Signing and ratification of norms, codes and standards, and respective publication	Parliament MINEC MOJ Other implementing ministries	Government Private sector CSOs Citizens	2010-14	Signed and ratified codes and standards and included in the Mozambican legislation  Documents published and made available to the public	Codes and standards signed and ratified, and considered in the ordinary law of Mozambique	0.041	Cabinet NGC
To monitor the implementation of codes and standards	Each ministry to keep proper records of the codes, standards and practices that have been adopted or implemented.	Number of records of the codes, standards and practices kept by each ministry		All ministries and agencies	All stakeholders	2010-14	All codes, standards and practices kept in good manner	Access to codes, standards and practices facilitated for all	1.000	Cabinet Parliament
	Establish a depository centre at MINEC to centralise all codes and standards that were signed and adopted.  Establish a track reporting	Depository centre established and the status of each document monitored  Monitoring implementation reports for codes and standards		MINEC MOJ	All stakeholders	2010-12	Centralised and effective monitoring system of implementation of all codes, standards and practices	Stakeholders having a centre for consultation on international codes, standards and practices	1.000	Cabinet Parliament NGC

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	system to follow up on their implementation.									
<b>Objective 1: To promote macroeconomic policies that support sustainable development</b>										
To guarantee macroeconomic stabilisation and growth  To strengthen monetary sector policies	Target broad-based economic growth that reduces poverty and inequality through adequate empowerment of the people to participate in the growth process in terms of employment and productive assets.	Revised strategy and target base document on employment  Number of people empowered, jobs created and people participating in the growth process  Reduced levels of unemployment	Local initiative investment	MPD MF Other sectoral ministries	Government Private sector Other stakeholders	2010-14	Greater participation of people in the growth process of the economy, thereby reducing unemployment and increasing income	Higher levels of economic and social growth, and reduction of unemployment in the economy	75.000	Cabinet Parliament CSOs
	Explore means to reduce dependence on aid by stepping up domestic revenue mobilisation and rationalising non-priority expenditures.	Proportion of foreign contribution to the state budget reducing continually	A strategy for broadening the collection base  Rules and regulations established for the tax authority to collect tax from the informal sector	MPD MF	Government Private sector All citizens	2010-14	More effective mobilisation and use of domestic resources	Reduced dependence on aid and more rationalised expenditure	20.427	Cabinet Parliament CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
To strengthen monetary sector policies	Strengthen the capacity for analytical work that underlies monetary policy decisions and management.	Comprehensive liquidity management framework with which to maintain stability in financial markets	The Central Bank has intensified its monitoring, analysis and forecasting of macroeconomic indicators.	MF MPD BM	Government Private sector Other stakeholders	2010-14	A central bank with improved capacity for formulating monetary policies and their management	Monetary policy strengthened and improved interest rate control	1.000	Cabinet CSOs
	Introduce further measures for broadening and deepening the financial markets and reducing interest rates.	Increased incentives offered to commercial banks to open branches in districts  Measures in place to reduce interest rates and other bank commissions and charges		BM Commercial banks	Private sector All producers	2010-11	Deepening of the financial market and reduced interest rates	Increased access to banking services throughout the country and, in particular, of access to credit for production Higher levels of productive investment	5.000	Cabinet CSOs CTA
	Initiate the process of establishing a development bank to ensure access to credit for local entrepreneurs.	A development bank established		MPD BM		2010-12				
	Introduce further measures to cushion the economy against the	Monitoring reports on control measures in place, such as on efforts		MF MPD BM	Government All producers	2010-14	Impact of international crises controlled and current account deficit reduced	Increased local production and resource mobilisation	2.000	Cabinet Parliament CSOs CTA

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	adverse impact of the global economic crisis.	directed at harnessing domestic drivers of growth, and promoting the mobilisation of domestic resources through encouraging enhanced domestic savings					Increased volume of savings in the economy	Reduced imports		
	Accelerate the process of adhering to the Extractive Industries Transparency Initiative.	Reports on the implementation of the initiative  Adherence approved and ratified by Parliament and published in the official Gazette		MIREM MF CPI	Government Private sector Megaprojects	2010-11	Cost and revenue information provided by megaprojects opened to public scrutiny and verification, and greater transparency of ongoing business activities in general	Competitive market environment enabled  Growth and development of the private sector	1.000	Parliament Cabinet CTA
	Review the regulatory and fiscal regime for megaprojects so as to encourage and facilitate investment, promote exploration activities, and remove unnecessary im-	New regulatory and fiscal regime for megaprojects approved		MF MPD CPI Tax authority	Government Megaprojects Private sector	2010-12	Effective resource mobilisation, with maximisation of benefits from megaprojects and savings originating from growth of other private sector businesses	Increased domestic resource mobilisation	1.000	Parliament Cabinet CTA

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	pediments and undue regulatory burdens.						Both local and foreign large companies and SMEs' investments encouraged and facilitated on a fair basis independently of their size and origin			
	Consolidate and streamline existing economic and industrial strategies.	Document with reviewed economic and industrial strategies with a sharpened focus on the modernisation and development of SMEs and the informal sector, on a balanced regional development basis  Wide dissemination of papers on economic and industrial strategies		MIC	Private sector SMEs Informal sector	2010-14	Effective industrialisation in the country leading to development of small-scale enterprises, as well as of SMEs and the informal sector  Reduced regional inequalities	Modernised and developed national industry  Increased production and productivity in the industrial sector	2.000	Cabinet CTA
To promote investment	Formulate explicit and comprehensive	Strategy papers  Reports on		CPI MIC BM	SMEs Commercial banks	2010-14	Strengthen the capacity of SMEs and entrepre-	Businesses promoted and SMEs more confident	12.000	Cabinet CTA

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	strategies for strengthening SMEs' access to credit, and for providing infrastructure and training.	the amount of infrastructure created, credit facilitated and business entrepreneurs trained					neurs	to increase their investment Greater employment of the economy and revenue		
	Increase the effectiveness and efficiency of the state in providing services to the private sector rather than mere fiscal incentives.	Monitoring reports on the provision of services crucial to the development of the private sector, such as roads, the communications system, electricity, and training facilities provided		MF MOPH MIC MPD	Private sector All entrepreneurs, including the informal sector	2010-14	Improved effectiveness and efficiency of the state in the provision of services for the facilitation of business	Investment promoted and the doing of business facilitated	5.000	Parliament Cabinet CTA
	Improve and strengthen one-stop shops by reducing requirements and bureaucratic delays.	Report on one-stop shops established throughout the country  Reduced number of days required to start a business, and of the number of formularies needed		MIC MF	Private sector All those desiring to begin doing business	2010-14	More effective system of doing business established through the one-stop shops  Reduction in the cost of doing business	Bureaucratic requirements for, and delays in, doing business eliminated	10.000	Cabinet CTA

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
To ensure diversification of the economy	Create an incentive structure aimed at linking the industrialisation process with the country's resource base in order to create strong forward and backward linkages.			MIC MIREM	All producers and traders	2010-12	Progress of industrialisation and a strong country resource base created on the basis of increased private capital, in particular in agriculture, mining and tourism Import substitution promoted	Industrial development Unemployment reduced and local infrastructure created Reduced vulnerability of the country in international markets	6.000	Parliament Cabinet CTA
	Implement the recommendations of the AU Heads of State Summit of February 2007, namely that governments should make a budgetary allocation of at least 1 per cent of the total GDP to the industrial sector.	Percentage of GDP allocated to the industrial sector		MPD MF MIC	Industrial sector	2010-14	Enhanced industrialisation progress	Productive capacity development and of trade National production increased and unemployment levels reduced	0.0	Parliament Cabinet CTA

**Objective 2: To implement sound, transparent and predictable government economic policies**



Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
To ensure the implementation of consistent, transparent and predictable macroeconomic policies	Improve accountability by publishing reports of accounts up to the local level.	Electronic (e-SISTAFE)-generated reports		MF District and provincial governments	Sector ministries Local governments CSOs All citizens Foreign investors	2010-14	Improved public knowledge and awareness of macro-economic policies Improved facilitation of investments	Improved accountability and transparency Availability of reports at local level	0.102	GPM NGC
	Disseminate laws, government policies and programmes up to the local level (district and locality).	Publications and brochures (in Portuguese and local languages)  Brief info on customers and producers for import and export goods		MPD MF				Public awareness and efficient participation in decision making process	0.092	
To ensure public sector reform	Reinforce the capacities of the Interministerial Commission for Public Sector Reform and the Technical Unit for Public Sector Reform, and link the public sector reform process to the medium and long-term capacity needs of the country.	Assessment report on medium and long-term capacity-building needs  Number of capacity-building activities undertaken, and of public servants trained  Report established linkages		GPM MPD MAE MF MFP	All ministries	2010-14	Enhanced capacity of the public sector in the areas of public finance management and audits for the medium and long-term needs of the country	A more efficient, effective and transparent public sector Improved public finance management Provision of public goods and services improved	70.000	Cabinet CSOs
	Decentralise more author	Reports on the decentralisa-		MAE MPD	Provincial and district com-	2010-14	Efficient decentralisation			

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	ity for resource mobilisation to the provincial and district levels as part of the process of decentralisation.	tion process and on local communities' ownership of their economic development		MF	munities		process Improved efficiency in local resource mobilisation Local communities empowered and deeply involved in economic development	Deepened and more effective decentralisation process Local communities empowered to decide and lead the economic development process	35.000	Parliament Cabinet CSOs
	Broaden the tax base, increase efficiency in tax collection, and introduce greater transparency and equity into the tax system.	Strategy document for the simplification of tax collection  Regular reports on the system of tax collection  Increased annual tax revenue as a percentage of the GDP  Increased number of taxpayers  Increased number of tax collection facilities in rural areas		MF Tax Authority	Government Taxpayers	2010-14	Broaden tax base and an efficient, transparent and equitable tax system established  Greater transparency in tax payments and effectiveness in tax collection	All businesses from megaprojects to small traders, including the informal sector, paying taxes  Dependence on foreign aid reduced	3.000	Cabinet CTA

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
		and simplified taxes for small taxpayers								
	Conduct internal audits examining financial issues, as well as questions of delays in implementation, cost overruns and the impact of projects.	Regular reports on internal audits of public expenditure, including projects		MF MPD Auditor-General	Government Relevant stakeholders	2010-14	Improved transparency and accountability in public resource management	Improved standards of living of local citizens	3.000	Cabinet Relevant CSOs
To ensure effective public finance management and tax reform	Provide continual training in public funds management to public employees in all public agencies at the national, provincial, district and local levels.	A national plan and strategy for training and for the effective employment of human capital		All ministries CSOs	National, provincial and district governments Local communities CSOs	2010-14	Improved performance in the accounting and auditing procedures of the government Effective accountability and transparency	Improved public finance management Ensuring the adequate performance of the accounting and auditing procedures of the government	0.449	GPM NGC
To ensure the implementation of consistent, transparent and predictable macroeconomic policies	Create new procurement regulatory instruments, procedures and training.	Number of officers responsible for procurement activities in all ministries trained		MF		2010-14	Improved public finance management and coordination between sectors, ministries and CSOs	Adequate use of public funds All economic activities coordinated and more transparent	0.000	
To ensure participation by, and consulta-	Continue to reinforce the system for	An established consultation system between		Sectoral ministries BM						

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
tions in, economic decision making by all stakeholders	popular consultation and participation in economic decision making, including the establishment of coordination activities and a plan of action with well-defined priorities.	the government and all stakeholders, including the public and the private sector at all levels (central, provincial, district and community)  Plans of action produced and priorities established  Number of meetings of the government with the private sector (CTA), Joint Assessment Programme, OP and CSOs  Parliamentary consultations		GPM President CTA Financial institutions CSOs District and provincial governments	Government Private sector CSOs Local communities Citizens District governments Local communities CSOs	2010-14	Enhanced public awareness of economic policies  Improved government consultation with stakeholders and the public at large, the private sector and communities  Community councils of community leaders and consultative councils more operational	All stakeholders participating in and influencing government economic decision making	1.500	GPM NGC
To ensure good planning, budget formulation and supervision of economic policies	Strengthen the capacity for analytical work that underlies economic planning and decisions.	Availability of trained staff, and the existence of comprehensive and reliable data		MPD MF BM	Government Private sector CSOs	2010-14	Improved predictability of government economic policies and their effectiveness	Resources allocated more efficiently and effectively	0.500	Cabinet

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
							Facilitation of the prioritisation of goals and outcomes			
	Shift from programme budgeting to integrated resource-based management.	Clear specification of outputs and activities, matching resources to the desired results		MPD All sectoral ministries	Government All stakeholders	2011-12	More effective allocation of resources Monitoring and evaluation facilitated	Enhanced impact of planning, budgeting and the formulation and supervision of economic policies	2.500	Cabinet Parliament
To ensure broad participation of all stakeholders in economic decision making, and wide dissemination of information and awareness of national economic policies	Ensure that MPs and constituency representatives are able to liaise with their constituencies and are informed of government policies and activities.	Number of times that Parliament consults and gives feedback to constituencies about government policies and activities  Links established with the government and all other stakeholders  Information dissemination campaigns		Office of the Parliament Legislatures	Local stakeholders	2010-14	Enhanced awareness of economic policies and effective participation by all stakeholders and the public at all levels  Greater participation in economic decision making and management  Effective consultation and representation of the public by Parliament  Effective channels of communication	The government more responsive to public needs and demands	5.000	Cabinet Parliament CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
							established with the government			
To improve the planning system and policy coordination	Undertake a comprehensive review of the system for distributing funds to various districts for food production and employment creation, with a view to making it more transparent, equitable, effective and sustainable.	Level of utilisation of the budget for investment activities, and the time taken to transfer funds for financing the investment base at provincial and district levels		MPD MF	Local stakeholders	2010-14	Improved co-ordination and implementation of development plans at all levels of the economy Timely transfers of resources	Effective allocation of resources	10.000	Cabinet Parliament CSOs
To ensure policy coordination	Build the capacity of Consultative Councils in project planning, especially in the identification and preparation of projects.	Training courses for Consultative Council members		MPD MF MAE	Consultative Council members Local stakeholders	2010-14	More efficient and transparent allocation and management of local investment funds	Effective transfers of resources to local levels Investment funds addressed to profitable projects	50.000	Cabinet CSOs
<b>Objective 3: To promote sound public finance management</b>										
To enhance public finance management	Improve co-ordination and collaboration with Programme Aid Partners.	Joint progress reports	Ongoing co-ordination and collaboration	MPD Programme Aid Partners	Government Local council boards CSOs Local communities	2010-14	Timely transfer of funds to implementing agencies	More predictable fiscal structure	0.092	GPM OP NGC

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Build capacity at local institutions, including the establishment of infrastructure facilities and equipment, and human resource training.	Functional and decentralised level payment systems in all districts	Ongoing projects for public sector reform  Support for local decentralisation  Road rehabilitation projects	MF			e-SISTAFE functional in all districts	Functional payment systems in all districts	111.509	
	Enable the strategic allocation of human resources at district level.	Local institutions structure provided with trained staff  Number of employees at district and local levels		District governments	Government Local communities Citizens	2010-14	Improved local staff capacity	Local institutions with allocated trained staff	32.597	MFP MAE CSOs
To enhance the public finance policy framework	Guide the process of elaborating investment and SME plans and programmes in order to guarantee consistency with the country's industrialisation objectives.	Local people empowered to ensure broad-based economic development  Investigate activities of SMEs with tax exceptions		MPD MF MIC	SMEs Private sector	2010-14	Promotion of private sector development, in particular SMEs	Local entrepreneurs empowered to participate more effectively in economic development  Enhanced mobilisation of domestic resources	200.000	Parliament Cabinet CSOs



Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Continue to strengthen and consolidate expansion of the implementation of the state's financial administration system, SISTAFE.	All districts with SISTAFE, e-SISTAFE established and staff trained  Budget execution progress reports	Medium-term Fiscal Framework implementation process in progress  e-SISTAFE under implementation	MF Provincial and district government  Commercial banks  Projects in support of state financial management reforms (UTRAFE)	Government Parliament CSOs Local stakeholders Public	2010-14	SISTAFE established at all government levels  Improved management, accountability and transparency of state accounts	Greater efficiency and effectiveness of public accounts management  Effective transfers and payment systems established all across the country and benefitting all stakeholders	60.000	Parliament, GPM
	Use e-SISTAFE to make funds available to implementing agencies according to plans.						Timely transfer of funds to implementing agencies			
	Publish, through e-SISTAFE, issued state budget execution reports at all levels of the government.	Printed e-SISTAFE issued state budget execution reports				2010-14	Disbursement and use of funds managed and reported via e-SISTAFE		56.040	Cabinet AC
	Harmonise and implement rules and procedures for programming and the execution and evaluation of public resources.	Report on public funds investment (sectoral projects) still falling within the extra-budgetary resource allocations		MF MPD	Government (central, provincial and local)	2010-14	Improved budgeting process  All funds channelled through the state budget, resulting in the efficient allocation and use of funds	Improved public finance management through SISTAFE strengthening and consolidation  More transparent payment	15.000	Cabinet

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Continue to consolidate and improve the reforms introduced in the tax system.	Simplification of the number of taxes; the number of replacements of existing taxes with a direct tax on petty traders	Process of tax reform submitted to the Parliament	MF (ATM)	Government Small traders Business stakeholders	2010-14	Tax system reform improved and consolidated	Enlarged resource basis, with all traders, including petty traders, being taxpayers	35.000	Parliament Cabinet Informal traders' organisations CTA
	Continue to improve the structure of the tax administration with a view to making it more efficient.	Number of tax posts, taxpayers and the volume of tax collected in rural areas	Expansion of tax base in progress	MF (ATM)	Government Traders CSOs	2010-14	Increased tax collected in rural areas (including in localities)	Tax post established near traders and all contribute to reducing dependence on the budget	150.000	GPM
To improve monitoring and reporting on revenue and expenditures	Develop and implement subsystems that provide timely and credible information on budgets and the assets of state bodies and institutions.	Monitoring results of government revenues and expenditures diffused to the provincial and district authorities and to the public		MPD MF	Local authorities General public	2010-14	Improved oversight of the state budget Subsystems that provide timely and credible information on budgets and assets of the state bodies and institutions established	Improved public accounts and execution of the state budget Government revenues and expenditure reports permeated to the public timeously	250.000	Cabinet CSOs
	Take greater efforts to ensure that state financial reports are accessible to the general	Popular versions of financial reports accessible to all		MF Local government	Local communities	2010-14	Accessible financial reports (popular version) published and distributed annually in rural	More budgetary accountability General access to the government's financial reports	100.000	Cabinet Parliament CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	public, especially people in rural areas.						areas			
To improve oversight over the government's fiscal operations	Strengthen the capacity of Parliament to exercise oversight over public finance.	Working space provided to MPs  Number of skilled personnel to assist in research work settled		MPD MF Parliament	Government Parliamentarians	2010-14	Improved capacity of Parliament to oversee the government's fiscal operations	Improved budgetary accountability  Constituencies more confident in MPs and their capacity to oversee the budget	300.000	Parliament Cabinet
	Ensure vigorous follow-up action on the reports of internal and external audits, and on the reports of the Administrative Court and Parliament on public finance management.	Following progress reports, including information on corrective actions undertaken		GPM MF MOJ MPD	Government MPs Constituencies	2010-14	Cabinet having a higher consciousness to implement advice reflected in internal and external audit and AC reports	The government's performance improved and more disposed to react positively to the audit and AC reports	400.000	Parliament AC
To improve oversight monitoring of, and reporting on, public finance management	Create incentives for stimulating the strategic allocation of human resources at district level.	Level of wage and salaries and other material incentives		MFP MF MAE	Government Local communities Citizens	2010-12	Improved staff capacity and number of employees at district and local levels	Local staff highly motivated	30.669	GPM Public servants' organisations

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Ensure broader civil society participation as monitoring agents in the process of budget implementation.	Number of joint reports (government and CSOs) and levels of CSO participation		OP Other relevant CSOs	Government Local communities Citizens	2010-14	Transparency of resource management	Well-disseminated public finance management practices and results	0.306	Parliament Ministry of the State Administration NGC Specialised CSOs
To promote sound public finance management	Define and harmonise procedures for the planning, execution, control and evaluation of public resource utilisation.	Judgement ensured by the Administrative Court on state accounts  A manual that defines rules and procedures		MPD MF	Government Local communities Citizens	2010	Procedures for planning, execution, control and evaluation established	Transparency of resource management	0.035	AC MFP
To ensure effective fiscal decentralisation	Accelerate the process of fiscal decentralisation so as to give local communities ownership of their economic development.	Progress with the level of implementing the decentralisation process to districts, and with the assignment of responsibilities and training of local authorities on their role and tasks to mobilise resources  Established	Fiscal decentralisation in progress	MPD MF MAE Provincial and local governments (district level)	Government Local communities	2010-14	Increased capacity of local authorities to mobilise resources in accordance with the adopted legal regulatory instrument	Local communities more involved with local issues and having greater ownership of their economic development	100.000	Parliament/ Cabinet

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
		legal regulatory and institutional framework document for revenue mobilisation, assigning of spending responsibilities and delineating functions								
<b>Objective 4: To fight corruption and money laundering</b>										
To fight corruption and money laundering	Undertake continuous and sustainable dissemination campaigns to make anticorruption laws known to the people at large.	Number of national activists and campaigns (ads, media spots, seminars, etc.)  Reduction of cases of corruption and of the value of resource loss	Development of actions to improve territorial coverage of the methodology to combat corruption	MOJ BM Relevant CSOs (civic education/ethics organisations) Private sector	Government CSOs Private sector Investors Citizens	2010	Existing anticorruption laws disseminated and public awareness raised nationwide to combat corruption	Level of corruption reduced	0.168	Cabinet Parliament CSOs NGC
	Provide institutions that have been established to fight corruption with sufficient human and financial resources, including strengthening the GCCC.	Increased number of qualified technicians with skills to handle corruption issues employed at the GCCC and other institutions established to fight corruption	Fight against corruption in progress	MPD MF	Government Private sector CSOs	2010-14	Institutions that have been established to fight corruption strengthened	Levels of incidence of corruption reduced	500.000	Cabinet Parliament CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
		<p>Level of budgetary funds allocated to institutions established to fight corruption, including the GCCC</p> <p>Reduction of cases of corruption and of the value of resource loss</p>								
	Institute an open process in appointing and the appointment mechanisms of the Director of the GCCC, so as to ensure consensus for an appointee.	Director of the GCCC appointed		Office of President Parliament Attorney-General's Office	Government CSOs	2012	GCCC strengthened	Fighting corruption through transparency	15.000	Parliament CSOs
	Complete and publicise the verdict for all pending prominent court cases of corruption, or those that have been poorly or inadequately prosecuted.	Number of cases of corruption judged and the verdict largely published		Attorney General's Office Supreme Court Media	Government Private sector International cooperation (donors) CSOs	2010-14	All cases of corruption accused, judged and published in the media	Cases of corruption reduced drastically	1.000	Parliament Cabinet CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Put in place and apply adequate efficient witness protection mechanisms.	Established protection mechanism for witnesses and whistleblowers  Number of cases of denounced people with the witness(es) protected		Parliament Attorney-General MAI MOJ CSOs	Government Private sector CSOs	2010-14	Effective measures to combat corruption in place  Increased denouncement and prosecution of corruption cases	Improved enabling environment to fight corruption  Corruption combated	10.000	
	Establish an accountability mechanism outside the government, such as a parliamentary selection committee, on which all major political parties are represented, in order to appoint and ensure that the Attorney-General is an independent person of integrity, who will be adequately protected while in office.	Established selection committee  Revised rules and procedures for appointing and approving an Attorney-General		Parliament Office of the President of the Republic	Government Private sector CSOs		Improved system for the credible appointment of the Attorney-General  The Attorney-General effectively accountable to the law and to citizens without any political interference	The discretion of government officials is unblemished and the law is respected  Improved environment for combating corruption	2.000	



Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Undertake a detailed study of money laundering in the country.  Elaborate on a policy and establish a mechanism for addressing the problem.	Study of money laundering  Anti-money laundering policy and mechanisms in place to address the problem		MOJ MF BM	Government	2011-12	Effective measures to prevent and fight money laundering	Money laundering prevented and combated  Improved environment for economic growth and development of the country	250.000	Parliament Cabinet
To fight corruption and money laundering	Make sustained use of the media and other means of communication to raise public awareness on laws and mechanisms in place to deal with corruption problems.	Number of national activists and campaigns (ads, media spots, seminars, etc.)	Development of actions to improve territorial coverage of the methodology for fighting corruption	Bureaux of Information Media NGOs MOJ MAI	Government CSOs Private sector Investors Citizens Media	2010-14	Anticorruption laws and measures disseminated	Raised public awareness on the fight against corruption nationwide	0.076	Parliament GPM MFP NGC CSOs
	Widely disseminate the new state strategy and procedures for procurement, and make transactions known to all via the official channels.	Number of transactions made on the basis of the established procurement mechanism, as a percentage of total state transactions	Dissemination of the decree that has ruled the purchasing of goods and services by the state since 2006	MF	National, provincial and district governments Private sector CSOs	2009-13	Sound state procurement procedures disseminated and implemented	Procurement procedures applied to all transactions by the state	0.092	AC MFP MOJ

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Regular reports on procurement disseminated  Number of procurement-related corruption cases investigated									
	Disseminate the money-laundering activities of the GIFIM to guarantee that people recognise illicit practices and so ensure that ordinary people are capable of denouncing such practices.	Media coverage, seminars and brochures ensured		BM Commercial banks GIFIM Media	Government Private sector enterprises CSOs	2010	Dissemination of the law on money laundering and the law creating the Financial Information Unit (GIFIM)	Raised public awareness nationwide	0.076	MPD NGC Attorney-General's Office
<b>Objective 5: To accelerate regional integration by participating in the harmonisation of monetary, trade, and investment policies</b>										
To promote regional integration	Undertake research on the impact of, and outline the advantage and disadvantages of regional integration for the country as a whole and the public in general	Report on the impact of regional integration and an updated evaluation of advantages and disadvantages  Dissemination programme		All sector ministries BM Citizens	Government CSOs Investors Private sector enterprises Rural and urban communities	2010	Regional integration costs and benefits to the country assessed and published, and awareness thereof raised	Regional integration expectations, prospects and challenges widely known by the people	0.104	Cabinet CSOs CTA

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Disseminate the results nationwide through public meetings and seminars.  Elaborate a summary document (popular version) on the advantages of, and information on, ongoing activities.	and respective implementation report								
To promote regional integration	Define enhanced strategies aimed at reducing the cost of doing business.	Strategies defined, discussed and publicised		All sector ministries BM Citizens	Government CSOs Investors Private sector enterprises Rural and urban communities	2010-11	Cost benefits of economic integration widely disseminated	Increased investment, production and export in the country and regional integration strengthened	0.102	Cabinet CSOs
	Design a policy and strategy for SMEs that enhance support for research and development for the industry.  Review tax trade and investment policies and others	Approved SME policies  Consistency between regional and national policies				2011-12	Drafted and disseminated policy and strategy on SMEs and harmonised competing policies	Industry, trade, investment, tax and other policies fully harmonised with regional standards	0.119	CTA NGC

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	for doing business									
	Facilitate trade, particularly for small traders, through more education and information dissemination on import-export regulations.	Programme for information dissemination on import-export regulations  Implementation of the programme  Training programme and implementation reports  Number of traders trained		MIC MPD (CPI) SADC	Government Small traders	2010-14	Traders, in particular small traders, more aware of import-export regulations  More effective business activity in the region	Cross-border trade facilitated and promoted	50.000	Cabinet Private sector CSOs
	Create facilities at border posts and simplify the onerous compliance measures to facilitate trade with other countries	Streamlined and simplified requirements and procedures for trade		MINEC MIC MF	Small trader operators	2010-11	More effective cross-border trade  Informal sector with an incentive to import/export goods legally	Cross-border Trade facilitated and promoted	2.000	Cabinet CSOs
	Liaise with partner governments to fine-tune their own import-export requirements to suit the needs	Reports on arrangements in place made by the government with partner countries for harmonising		MIC MF CTA	Government Small trader operators	2010-14	Business people trained in revised import-export requirements Promotion	Cross-border trade facilitated and promoted Small traders' cross-border activities increased	0.500	Cabinet CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	of small traders.	and simplifying import-export procedures for small traders  Harmonised and simplified cross-border trade					of an open cross-border trade regime, and simplified and harmonised import-export procedures for small traders	Increased trading opportunities for regional integration		
	Expediently establish one border post to ensure that benefits flowing from freer regional trade flow into the country.	Reports on project implementation	One-stop border post project and agreements established with Swaziland and South Africa	MF MIC	Small trader operators	2010-14	One-stop border post created	Cross-border trade facilitated and promoted  Increase in goods and services at reasonable costs  More effective integration and freer movement of goods and people within the SADC  Mozambique benefitting from freer regional trade flows	0.100	Parliament Cabinet CSOs
	Put in place a coherent tourism strategy, especially in connection with the 2010 FIFA World Cup in South Africa.	A policy and strategy for tourism promotion designed, discussed and in implementation	Project concept	Ministry of Tourism MJD	Government Private sector CSOs	2010	Tourism promotion policy and strategy implemented Higher levels of tourism and growth of the sector industry	Increased revenues received	30.000	Cabinet Private sector
<b>TOTAL CORE AREA</b>									<b>351.003</b>	

<b>1.6.3 THEMATIC AREA: CORPORATE GOVERNANCE</b>	
<b>Issues to be addressed</b>	<b>Results to be achieved</b>
<b>Principles, codes and standards</b>	
To compile and disseminate ratified international codes and standards in corporate governance	International standards and rules for corporate governance compiled
To enhance the regulatory framework for corporate governance	Effective promotion and development of the capital market
Corporate governance operating in accordance with acceptable regional and international principles for the regulation of, and functioning in, the capital market; the ethical principles, values and practices of corporate governance being complied with fully in the country; effective conduct of business by corporations	
To build the capacity of, and implement, corporate governance codes	All higher-level workers skilled in corporate governance issues
To raise public awareness of, and advocacy for, professional standards in corporate governance	The public informed of, and educated on, corporate governance standards
To improve the regulatory framework for developing capital markets	Effective capital markets in the country; the financial sector strengthened and deepened for economic growth; the cost of capital lowered and market liquidity raised; increased stock exchange business and a developed capital market
To ensure supervision of insurance and the implementation of corporate governance codes and principles	Compliance with international IAIS and IOPS nationwide, and a more efficient national insurance system
<b>Objective 1: To promote an enabling environment and effective regulatory framework for economic activities</b>	
To review all updated legislation governing the business sector in Mozambique, in order to improve corporate governance	Laws governing commercial and industrial activities updated; effective and simplified payment of taxes; financial equilibrium of companies established
To improve access to markets	Increased access to markets and business growth encouraged; jobs created and greater stability of the labour force; fiscal incentive system reviewed and made attractive to non-free zone investors
To improve access to finance	Bank savings increased and credit stimulated; reduced credit risk; increased access to, and lower cost of, finance; improved intermediation role of the BVM; and strengthening of the finance sector
Effective capital markets and increased access to finance; increased access to finance at lower costs; securities market promoted and developed; improved business environment and increased investment in rural areas (agriculture); improved access to financial services; reduced costs of finance; less time needed to withdraw money; existence of a favourable environment for business development	
To provide the country with adequate infrastructure for communications	Existence of a good communication network and roads; capitalising on the use of marine transport
To strengthen public institutions in order to regulate commercial and private investment activities	Institutions with the capacity to regulate commercial and investment activities; government institutions with the increased capacity to regulate commercial and investment activities and to provide services to the private sector; the number of settled cases in rural districts increased

To harmonise the system of fiscal incentives and the reduction of free zones	The system of fiscal incentives reviewed and made attractive
To build the capacity of managers in business management and the administration of companies	Management capacity improved and comparing with legislation in regional countries
<b>Objective 2: To ensure that corporations act as good corporate citizens with regard to human rights, social responsibility and environmental sustainability</b>	
To ensure corporate best practices in regard to human rights	Labour conflicts, mainly with foreign companies due to the law, eliminated; outstanding number of cases reduced
To promote greater awareness of environmental laws and regulations	Environmental laws strengthened, corporations' knowledge of such laws increased; sustainable environmental management; mechanisms for the dissemination of existing basic laws established
To implement corporate social responsibility	Corporations and companies more engaged in settling problems of the community; corporate governance promoted and developed; communities benefiting from corporate business developed in the country
To increase citizens' knowledge of fundamental laws	Mechanisms established for the dissemination of existing basic laws established.
To undertake corporate social responsibility in the matter of HIV/Aids	Prevalence of HIV/Aids in communities reduced; communities understand the message against HIV/Aids; infections reduced; level of HIV infections decreased; level of prevalence of HIV/Aids in women reduced; reduced percentage of women infected with HIV/Aids; families stabilised
<b>Objective 3: To promote the adoption of codes of good business ethics in achieving the objectives of the corporation</b>	
To raise public awareness of good business ethics and best practices	The effective practice of business ethics, work ethics, individual ethics and integrity, as well as respect for systems as corporate governance in Mozambique achieved; corporate governance compliance stimulated by the promotion of shareholder association; increased public awareness of good business ethics and best practices; corruption and economic crime reduced and controlled; economic crime and corruption reduced, and private and public business more profitable; business effectiveness managed efficiently
To implement good business ethics and best practices	Improved business organisation and ethics; economic crimes prevented
To adopt a code of good business ethics and apply best practices	All managers working in observation of good business ethics and practices
To fight corruption at all levels	Good business ethics applied; good standards of conduct applied by citizens and corporations; economic crimes and corruption reduced; more cases of corruption prosecuted; corruption reduced to minimum levels
<b>Objective 4: To ensure that corporations treat all their stakeholders, including shareholders, employees, communities and suppliers, fairly</b>	
To promote the concept of corporate social responsibility among SMEs	Intervention of SMEs in communities increased
To protect the rights of shareholders and directors	Investment based in shares diffused, and shareholders protected
To raise stakeholders' awareness of their rights and duties	Business promoted and facilitated
To protect workers' rights	All employees benefiting from social security; social security rights of employees protected



<b>Objective 5: To provide for accountability of corporations, directors and officers</b>	
To ensure the accountability of corporations, directors and officers	The accountability and transparency of corporations strengthened on the basis of International standards; efficient corporate governance
To ensure the accountability of corporations	The corporate governance framework regulating disclosure enhanced; effective accountability of corporations
<b>Subtotal for the thematic area: US\$60.63 million</b>	

### 1.6.3 NATIONAL PROGRAMME OF ACTION: CORPORATE GOVERNANCE

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
<b>Principles, codes and standards</b>										
To compile and disseminate ratified international codes and standards in corporate governance	Sign, ratify, publish and compile all international codes and standards adopted in the corporate governance area.	Number of international codes and standards signed, ratified, published, compiled and disseminated	Ratification, adoption and signing of international codes and standards	Parliament. MINEC MOJ Other implementing ministries	Government APRM Private sector CSOs	2010 –14	International standards and rules signed, ratified and disseminated	International standards and rules on corporate governance compiled	0.10	Cabinet NGC
To enhance the regulatory framework for corporate governance	Appoint a National Corporate Governance Regulator to oversee the development of capital markets.	National Corporate Governance Regulator appointed  Regular reports on regulatory activities  Policy, strategy and plan of action to implement core principles of capital market supervision and promote development of the capital market		MF MIC BM	Entrepreneurs CTA SMEs Trade unions Labour unions Public	2010-12	Independent regulatory authority for capital markets Effective regulation and oversight of capital markets Compliance with international codes and standards and national law	Effective promotion and development of the capital market  Corporates operate in accordance with acceptable regional and international principles for regulated and functioning capital market	0.0	Parliament Cabinet
	Define a suitable model of corporate gov-	Adopted model of corporate governance		Parliament MF IOD	Megaprojects SMEs CTA	2011-12	National code of governance adopted	Ethical principles, values and practices of	1.000	Parliament Cabinet CTA

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	ernance through adopting a national code of corporate governance.	New Act on the national code of corporate governance			All enterprises		Core principles and best practices in corporate governance applied in the country	corporate governance complied with fully in the country Effective conducting of business by corporations		
To build the capacity of, and implement, corporate governance codes	Raise capacity skills and implementation of codes, standards and policies.	Action plan for capacity building in corporate governance principles and best practices  Report on implementation of the action plan and compliance with corporate governance principles  Number of courses, seminars and persons trained aimed at providing skills in the implementation of international codes and standards, as part of the internal judicial rules		IOD CTA Proposed CGR	Corporates Labour union Trade unions	2012-14	Capacity skills in adopted corporate codes and standards enhanced  Corporate governance best practices prevailing in the conducting of business	All higher-level workers skilled in corporate governance issues	0.500	Parliament CTA CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
To raise public awareness of, and advocacy for, professional standards in corporate governance	Setting up of centres of civic education at the provincial level to address the critical need for informing and educating the public.	Centres of civic education created and functioning at the provincial level  National information on professional standards		IOD Proposed CGR	Public and private professionals	2012-14	National advocacy and awareness of professional standards in corporate governance Professional standards applied	Public informed and educated on corporate governance standards	2.000	Cabinet CTA Labour Unions
To improve the regulatory framework for developing capital markets	Create a Capital Markets Act.	Capital Markets Act approved, published and largely diffused		Parliament MF CTA IOD	Private sector Individuals Stockholders	2012-14	Regulated and developed capital market	Efficient capital markets in the country  Financial sector strengthened and deepened for economic growth  Cost of capital lowered and market liquidity higher	0.500	Parliament Cabinet
	Separate the stock exchange from the apparent direct control of the Ministry of Finance, in order to become truly independent.	Stock exchange functioning effectively as a body independent of the MF		MF BM	Investors Private sector	2012-14	Stock exchange more dynamic and operating more effectively and independently	Increased stock exchange business and developed capital market	1.000	Parliament Cabinet CTA

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
To supervise insurance and implement corporate governance codes and principles	Provide the Inspector of Insurance with technical assistance in order to reinforce compliance with international IAIS and IOPS standards, including IFRS.	Inspector of Insurance provided with technical assistance		MF	Private sector CSOs Individuals	2011-14	Oversight capacity of the National Insurance Inspectorate reinforced so as to ensure compliance with international IAIS, IOPS and IFRS standards	Compliance with international IAIS and IOPS standards nationwide and a more efficient national insurance system	3.000	GPM
<b>Objective 1: To promote an enabling environment and effective regulatory framework for economic activities</b>										
To review all updated legislation governing the business sector in Mozambique, in order to improve corporate governance	Compile, review, update and establish rules that facilitate conduct of business, such as a Competitiveness Law, Consumer Defence Law, Insolvency / Bankruptcy Law, Patronage Law, Labour Law Regulation, Tariff Customhouse Reform and dissemination.	Number of laws approved and published/ disseminated	Analysis of the Consumer Defence Law  Reform of the Tariff Custom House	MOJ CTA MF  Consumer Defence Association	Government Private sector Consumers CSOs	2010-12	Laws governing commercial and industrial activities updated	Laws governing commercial and industrial activities updated	0.16	Parliament Cabinet NGC
	Simplify all processes of registration of commercial ac	Number of existing one-stop shops	Reduction of time and requirements preceding the	MIC MF MOJ	Government Consumers Private sector going concerns	2010-14	Simplification of procedures and requirements for doing busi-	Laws governing commercial and industrial activities updated		

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	activities (reducing bureaucratic requirements, including the strengthening of one-stop shops and the establishment of these units at the district level).	Number of forms to be filled out reduced and non-existence of waiting queues  VAT refund process more effective  Computer database of all registered business concerns and taxpayers	registration of companies by the MIC  Computer data collection by Tax Authority departments on registered company taxpayers		CSOs Citizens		ness, including registration of companies  Enlargement of the tax base and the tax payment system streamlined  Waiting periods for VAT refunds reduced as much as possible	Effective and simplified tax payment  Financial equilibrium of companies established	13.08	Parliament Cabinet GPM NGC CTA
To improve access to markets	Speed up the implementation of agreed action plans between public-private partnership working groups.	Reports on the implementation of action plans between public-private partnerships		MPD MF	Government Private sector	2010-14	PPPs more effective and contributing efficiently to development	Increased access to markets and business growth encouraged  Jobs created and greater stability of the labour force	2.000	Cabinet CTA
	Review criteria for the definition of free zones.	Reduction of territorial space for free zones		MF MIC MPD IOD	CTA Private sector Investors Trade unions CSOs	2011	Harmonise tax incentives and ensure equal treatment of all investors across the board	Fiscal incentive system reviewed and made attractive to non-free zone investors	0.25	Cabinet CTA
To improve access to finance	Disseminate the information ob-	Statistical reports of the		BM	Government CSOs	2012-13	Commercial bank branches	Bank savings increased and	0.20	GPM CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	tained through various studies conducted in districts, so as to stimulate banks to expand to district level.	volume of production in the market			Small-scale producers and businesspeople		established in districts	credit stimulated		
	Create a credit reference bureau outside the BM to be owned and run by the private sector.	Private sector credit reference bureau created		CTA Private sector	Shareholders Private sector	2012-14	More neutral private financial instrument established Improved information on creditworthiness	Reduced credit risk Increased access to finance and lower cost of finance	5.000	Parliament Cabinet CTA
	Increase the issuance of treasury bills and government bonds of various maturities, in order to produce a "yield curve" to be used by the private sector for benchmarking the prices at which they issue private debt instruments to the market.	Established price benchmarks to guide private bond listings  Number of bond listings		MF BM	Stockholders Private sector	2011-14	Increased listings on the stock exchange	Intermediation role of the BVM improved Finance sector strengthened Effective capital markets and increased access to finance	0.0	GPM CTA
	Offer fiscal incentives to attract more list	Fiscal incentives offered								



Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	ings at the BVM (e.g. cancel or defer corporate taxes revealed after application of IFRS); boost secondary trading by eliminating or reducing capital gains tax on security trading; and reduce taxes on dividends for listed companies.	Increased BVM listings  Secondary market created and promoted		MF BM BVM	Private sector Shareholders	2011-14	Fiscal incentives for the development of the securities market created Growth of securities market through increased listings and creation of secondary market	Increased access to finance at lower costs Securities market promoted and developed	0.0	GPM CTA
	Review and update banking transaction costs and other deposit account charges in general, and that of ATMs in particular.	Transaction costs of ATMs and bank deposit accounts revised and reduced	Central bank review in progress	BM Commercial banks	Public servants Companies Bank deposit account holders as a whole		Reduced bank transaction costs Majority of people using debit cards as their principal means of payment better served by banks	Improved access to financial services Reduced costs of finance Time needed to withdraw money reduced	0.03	BM CSOs
	Conduct a study aimed at finding out what factors determine the high costs of credit in the agricultural sector.	Study report		MF MINAG MPD MIC BM Commercial banks	Government CSOs Agricultural producers	2010-11	Conditions favouring business development developed through facilitation of access to credit	Existence of an environment favourable to business development	0.20	Cabinet BM CTA

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
To provide the country with adequate infrastructure for communication	Expand and establish communication networks, mainly in districts where they are non-existent.	Number of districts covered by mobile phone network	Ongoing actions within the framework of PARPA implementation	MTC	Government CSOs Small-scale producers and traders	2010-14	Communication network expanded	Existence of a good communication network and roads, and capitalising on the use of marine transport	0.00	GPM MF CTA
To strengthen public institutions in regulating commercial and private investment activities	Construct and rehabilitate roads that give access to districts, administrative posts and localities.	Kilometres of roads built and/or rehabilitated	Ongoing actions in the framework of economic development	MOPH	Government CSOs Small-scale producers and business-people	2010-14	Mozambican commercial sector strengthened	Institutions with the capacity to regulate commercial and investment activities	0.00	
	Expand stock exchange activity into the centre and north of the country.	More companies listed at the stock exchange	Review of stock exchange rules and regulations	BVM	Government CTA Private sector CSOs BVM CTA Investors				0.00	
	Strengthen the capacity of tax and customs courts and provide refresher training.	Number of fiscal and customs disputes judged  Number of officers trained	Capacity building of tax and customs courts	MF MOJ CTA	Tax authority CTA Investors, CSOs	2010-11	Mozambican private sector promoted and strengthened	Government institutions with increased capacity to regulate commercial and investment activities, and to provide services to the private sector	0.20	Supreme Court CTA

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Promote and expand the settlement of disputes and arbitration activities throughout the country.	Number of cases settled	Training in the settlement of disputes/ arbitration	MOJ CACM	Government Private sector Labour unions	2010-11	All districts with settlement of disputes and arbitration activities	Number of settled cases in rural districts increased	0.75	GPM CTA
To harmonise the system of fiscal incentives and the reduction of free zones	Review fiscal incentives for national and foreign investors.	Number of fiscal incentives reviewed		MF MPD CTA	Tax authority Private sector Trade unions	2010	Fiscal incentives harmonised for all investors	A system of fiscal incentives reviewed and made attractive	0.10	Cabinet CSOs
To build the capacity of managers in business management and the administration of companies	Ensure skills development, public awareness and nationwide public lecture programmes, including the establishment of a training centre for business and enterprise management.	Managers well trained in business management and having a high level of self-confidence in corporation management		Government Universities Mozambique IOD CTA Professional organisations	Public and private managers High-ranking officials in public and private institutions CSOs	2011-12	Improved business efficiency Well-trained managers and professionals occupying high-ranking positions in organisations	Management capacity improved and comparing with legislation in regional countries	2.50	MPD CTA
<b>Objective 2: To ensure that corporations act as good corporate citizens with regard to human rights, social responsibility and environmental sustainability</b>										
To ensure corporate best practices with regard to human rights	Harmonise labour law with that of the region and ILO principles and standards, and	Revised labour law reviewed and harmonised with adopted international codes and	Judgement of labour conflicts in common sections	MITRAB CTA Trade unions	Corporations and companies Labour unions Trade organisations	2011	Labour law harmonised with gender codes and standards in the region	Labour conflicts, mainly with foreign companies due to the law, eliminated	0.05	Parliament Cabinet CSOs concerned with human rights

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	position the worker as the most important resource in corporations and companies.	standards, those of the region, and established international codes and standards			Government CSOs					
	Establish a Labour Court.  Extend labour arbitration centres to all provinces.	Labour Court established  Arbitration centres extended	Judgement of labour conflicts in common sections	Supreme Court MOJ	Government CTA Labour unions Trade organisations Companies CSOs	2011-14	Labour rights ensured	Reduction in the number of outstanding cases	3.00	Judicial Magistrate Supreme Council
To promote greater awareness of environmental laws and regulations	Disseminate environmental law and regulations on a massive scale, mainly in corporations and companies, including the preparation of explanatory brochures on environmental dangers.	Number of companies participating in the workshops  Number of brochures with explanatory material published  Regular reports on companies that adopted real environmental protection measures		Environmental Fund Specialised agencies and associations for the environment	Government Urban and rural communities CSOs Corporations and companies Society in general All citizens	2010-12	Reduced or eliminated environmental degradation Better environmental performance by corporations	Environmental laws strengthened Corporations' knowledge of such laws on sustainable environmental management increased	0.75	MICCOA NGC Relevant CSOs
	Establish adequate mechanisms for	Number of dissemination campaigns	At the level of state institutions, collective	All sector ministries		2010-11	Basic laws known by the citizens	Mechanisms for disseminating existing basic	0.60	Cabinet NGC

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	disseminating and publishing laws (Constitution of the Republic, Labour Law, HIV/Aids Law in the Workplace, Exploitation of Natural Resources Law, Environmental Protection Law, etc.).	undertaken	study sessions and activities carried out on main laws and regulations					laws established		
To implement corporate social responsibility	Develop national social responsibility plans and guidelines, in order to identify specific areas in which corporations could participate in social responsibility.	The government works with the private sector to identify crucial areas in which the sector can participate in social responsibility  National social responsibility plans and guidelines  Number and level of corporations and companies involved in the promotion		MPD MMAS MJD MF Other sector ministries CTA and other economic associations Corporations CSOs	Government Corporations Local communities CSOs	2010-14	Corporates guided by specific plans produced jointly by the private sector, the government and CSOs to develop their social responsibility  Major and effective involvement of corporations in the promotion of local communities' welfare	Corporations and companies more engaged in settling problems of the community	0.500	Cabinet CTA CSOs IOD CSOs concerned with the human rights environment

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
		of corporate social responsibility projects and activities								
	Highlight corporate governance and best practice indicators (transparency, accountability, social responsibility), such as the Top 100 firms survey developed by KPMG in order to encourage their adoption by corporations.	Best practice promoted and adopted by corporations		MF MIC Private sector	Government Workers Communities CSOs	2011-14	Corporates developing their activities in accordance with international best practices of transparency, accountability and social responsibility	Corporate governance promoted and developed Communities benefiting from corporate business developed in the country	1.000	Cabinet CSOs
To increase citizens' knowledge of fundamental laws	Strengthen labour inspection of companies.	Quantity of inspections carried out	Ongoing regular inspection activities in all provinces and districts	MITRAB MISAU		2010-14	Basic laws known by the citizens	Mechanisms for disseminating existing basic laws established	0.20	GPM CSOs
To undertake corporate social responsibility in the matter of HIV/Aids	Design the profile of the anti-Aids activist with the involvement of civil society and the respective dissemination among participating	Existence of an instrument that establishes the profile of the anti-Aids activist	In certain areas, communities are involved in the selection process	CNCS CSOs working in the area of HIV/Aids NGOs CTA (ECOSIDA)	Government Urban and rural communities CSOs Corporations and companies Society in general All citizens	2010	Increased public awareness of, and education on, HIV/Aids with community participation The role of the anti-Aids activist well defined entities in the	Reduced prevalence of HIV/Aids in communities	0.10	MISAU

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	fight against HIV/Aids among corporates.						and known by communities HIV/Aids protection mechanisms and the fight against the disease strengthened			
	Involve communities and CSOs in the activist selection process.	Reports on the process for selecting anti-Aids activists				2011-14	Increase public awareness of, and education on, HIV/Aids, with community participation Well-trained activists working with communities	Communities understand the message against HIV/Aids Infections reduced	0.05	MISAU
	Design and implement a specific training programme for anti-Aids activists, including ethics, moral and civic education.	Number of anti-Aids activists trained  Reports on HIV/Aids  Implementation of programmes	Training of activists led by different CSOs	Public sector Private sector companies CNCS CSOs working in the area of HIV/Aids CTA (ECOSIDA)		2011-12	Increased public awareness of, and education on, HIV/Aids, with community participation Prevention measures strengthened Number of HIV/Aids infections reduced	Level of HIV infections decreased	1.20	
	Conduct an awareness campaign to	Number of institutions and people covered	Facilitation of access to female condoms	CNCS NGOs CSOs	Government Urban and rural communities	2010-11	Women less vulnerable to HIV/Aids infection	Level of prevalence of HIV/Aids in women	2.00	



Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	disseminate female condoms just like male condoms.			CTA (ECOSIDA)	CSOs Corporations and companies Society in general			reduced		
	Provide female condoms to public institutions free of charge in the same way as for male condoms.	Quantity of female condoms distributed		CTA (ECOSIDA)	Corporations and companies Society in general	2010-14	Fewer women dependent on men's sexual behaviour in regard to male condoms	Percentage of women infected with HIV/ Aids decreased and families stabilised	4.560	MISAU

**Objective 3: To promote the adoption of codes of good business ethics in achieving the objectives of the corporation**

To raise public awareness of good business ethics and best practices	Hold nationwide awareness campaigns to promote business ethics, work ethics, individual ethics and integrity, respect for systems, efficiency and effectiveness, the importance of safeguarding national assets, conflict of interest, etc. in all sectors.	Action plan to promote principles of business ethics and integrity  Regular reports on awareness campaigns		MIC MF MOJ CTA IOD Labour unions	Corporate workers at different levels  Consumers and buyers	2010-14	Good business ethics implemented  Level of corruption reduced  Welfare of shareholders increased	Effective practice achieved of business ethics, work ethics, individual ethics and integrity, respect for systems as corporate governance in Mozambique	1.000	Parliament Cabinet CSOs
	Promote shareholder education and	Capacity building action plans for shareholder								

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	the dissemination of information in order to empower shareholders to appreciate and claim their rights and, equally important, to perform their duties to the corporations.	education and information dissemination on their rights and duties  Reports on implementation of the action plan		CTA IOD BVM	All stakeholders	2011-14	Shareholders exercising their rights and properly performing their duties to corporations	Compliance with corporate governance stimulated by promotion of shareholder association	1.000	Parliament Cabinet CTA
	Arrange training for the media to enhance their investigate capacity in promoting ethical business standards.	Training resources mobilised, preferably by CTA  The media's investigative capacity improved		MOJ CTA	Government Stakeholders Private sector	2011-14	Strengthened capacity of the media to report on corruption and economic crimes and to promote business ethics	Increased public awareness of good business ethics and best practices	0.500	Parliament Cabinet CSOs
	Assist the CTA in ensuring self-regulation among its members in Mozambique by establishing codes of best practice in all business associations, and strengthening	Business associations' codes of best practice and their respective implementation  Reports on the implementation of business associations' best practices and		MOJ MF MIC IOD CSOs	Government Stakeholders Private and public business sectors	2012-14	All business self-regulated through the application of codes of best practice  Annual corporate self-performance assessments and directors'	Economic crime and corruption reduced  Private and public business more profitable  Efficiency and effectiveness managed	1.000	Parliament Cabinet CTA CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	the board of directors in order to encourage annual corporate self-performance assessments and individual director evaluation.	codes. Reports of the board of directors on annual corporate self-performance assessments Individual director evaluation strengthened					evaluation on a permanent basis in Mozambique			
To implement good business ethics and best practices	Establish an Institute of Chartered Accountants to promote self-policing through the observance of IFRS and best practice in corporations.	Institute of Chartered Accountants established		MF MIC CTA	Government Shareholders	2011-14	Oversight of accounting in the country Improved legal accounting with international standards of accounts universalised in the Mozambican business community	Improved business organisation and ethics Economic crimes prevented	2.000	Parliament Cabinet CTA
To adopt a code of good business ethics and apply best practices	Establish a Code of Good Business Ethics.			MEC MIC Mozambique IOD Professional training centres Universities Consumer Associations Corporations	Government Corporations CSOs NGOs CTA Other professional organisations	2010	Increased responsibility of corporations and companies for fair and just competitiveness	All managers working in observation of good business ethics and practices	0.10	Cabinet NGC CTA Economic sector CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
To fight corruption at all levels	Disseminate the Anticorruption Law within private sector corporations.	Number of institutions and people covered		Human rights organisations GCCC CSOs driving the adoption and implementation of good business ethics	MF Corporations CSOs NGOs CTA Other economic and entrepreneurship associations	2010	The Anticorruption Law known by citizens and good business ethics applied	Good business ethics applied	1.5	Cabinet MFP NGC CSOs
	Train teachers in issues related to civic, moral and ethical education.	Number of teachers trained		MEC Universities CSOs	Government Urban and rural communities CSOs NGOs	2010-14	Children and youth growing up with good principles of conduct and correct information about corruption and the means of fighting it	Good standards of conduct applied by citizens and corporations Economic crimes and corruption reduced	0.5	Cabinet NGC
	Protect whistleblowers (reporters) of corruption cases.	Report of active institutions involved and of public opinion cases.  Success in corruption cases prosecuted		GCCC	Government Communities CSOs NGOs	2010-14	Increased number of cases of corruption prosecuted	More cases of corruption prosecuted	0.50	Attorney-General's Office CSOs
	Involve civil society in the process of civic, moral and ethical education among			Ethic Mozambique GCCC IOD CTA	Government All communities CSOs NGOs Private sector	2010-14	Civic, moral and ethical education introduced in services that are more prone to corruption	Levels of corruption reduced to a minimum	0.18	MFP Attorney-General's Office

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	corporates.			CSOs NGOs						
<b>Objective 4: To ensure that corporations treat all their stakeholders, including shareholders, employees, communities and suppliers, fairly</b>										
To promote the concept of corporate social responsibility among SMEs	Disseminate the concept of corporate social responsibility and its legal framework.	Percentage or number of companies covered		Mozambique IOD CTA Media		2010	Social responsibility of SMEs increased and understood by them	Increased intervention of SMEs in communities	0.05	MIC MPD NGC CSOs
To protect the rights of shareholders and directors	Incorporate shareholding rights, directors' responsibilities and protection of minority shareholders in the Commercial Codes.	Approved subsidiary legislation, preferably for the main law, making stipulations for protection of the right on shares, their registration and transferability; protection of minority shareholders; and the responsibility of directors		MOJ MIC MF	Shareholders	2012-14	Rights of shareholders protected and the responsibility of directors under the Commercial Law	Investment based in shares diffused, and shareholders protected	0.500	Parliament Cabinet CTA
To raise stakeholders' awareness of their rights and duties	Enhance public awareness of the new Commercial Code through public workshops and lectures.	Commercial Code disseminated to the public all across the country		MIC CTA	Government investors Private sector	2010-14	All business stakeholders nationwide aware of Commercial Code	Business promoted and facilitated	0.200	GPM CTA

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
To protect workers' rights	Strengthen companies' control mechanisms so as to ensure that the amount of contributions deducted from employees' salaries and those made by the company for social security coverage are channelled to the INSS.	Oversight Progress reports Oversight rules established		MITRAB Corporations	All employees	2010-14	All social security contributions deducted from employees' salaries and that of corporations properly channelled to the INSS	All employees benefiting from social security Social security rights of employees protected	0.20	GPM Trade unions
<b>Objective 5: To provide for the accountability of corporations, directors and officers</b>										
To ensure the accountability of corporations, directors and officers	Define accountability parameters in corporations, starting with the functioning of the boards – board selection/ appointment, the skills/gender mix on the board, board/management relations, operational and risk management plans, reporting, and communication policy.	Established accountability parameters Action plan to instil accountability parameters in corporations Regular reports on the implementation of the action plan Revised General Accounting Plan in accordance with interna-		MF IOD	Government Shareholders Labour unions	2012-14	Accountability best practices applied in all corporations	Accountability and transparency of corporations strengthened on the basis of international standards	1.000	GPM CTA

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
		tional accounting standards in use by all corporations								
	Establish local professional institutions, e.g. Institute of Personnel Management, Institute of Chartered Accountants, etc.	Local professional institutions established		MF IOD CTA	Government Private/public workers Senior management	2013-14	Local professionals skilled in international codes and standards in corporate management and accountability	Efficient corporate governance	2.000	GPM CTA
	Adopt a set of rules and principles for a critical mass of professionals to be trained.  Prepare a strategy plan for implementation.	Strategy paper and action plan for training rules for professionals adopted		MF MITRAB MFP	Public/private workers	2011-14	All professionals trained and working under international codes and standards		0.400	MFP
To ensure the accountability of corporations	Amend Article 43 of the Commercial Code on the disclosure of financial records to include: • Profit and loss to show the viability of the enterprise	Article 43 of the Commercial Code amended and all proposed items included		MOJ CTA	2013-14	Revised Commercial Code incorporating accounting disclosure requirements	Corporate governance framework regulating disclosure enhanced	Effective accountability of corporations	0.200	Parliament Cabinet CSOs



Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	• Cash flow to disclose the liquidity of the corporation;									
	• Equity statements to show the solvency of the corporation.									
<b>TOTAL OF CORE AREA</b>									<b>60.63</b>	

<b>1.6.4 THEMATIC AREA: SOCIOECONOMIC DEVELOPMENT</b>	
<b>Issues to be addressed</b>	<b>Results to be achieved</b>
<b>Principles, codes and standards</b>	
To sign and ratify codes, standards and principles	Socioeconomic development issues executed in observance with approved international standards; easy access to the international codes and standards signed, ratified and domesticated in Mozambique
To perform a detailed and systematic review of, and discussion on, the international treaties in Mozambique	International codes and standards, largely used in the formulation of development policy and project design
To strengthen efforts to sign, ratify and adopt international codes and standards	Codes and standards ratified fully and reflected in Mozambican legislation
To establish links between public and private institutions for the adoption of principles, codes and standards	Improved systems and reduced time for the process of ratification and adoption of codes and standards
<b>Objective 1: To promote self-reliance in development and build capacity for self-sustaining development</b>	
To develop policies and mechanisms	Aid dependency reduced; unemployment decreased; socioeconomic development increased
To reduce dependency on aid	Dependency on international aid reduced; increased ownership of the policy debate and decision-making process by the country; domestic contribution to the budget increased; Mozambique's ownership of its development process with no undue donor influence
To reduce the strong financial, technical and programmatic external dependency	External dependence reduced to levels below 50 per cent of public expenditures; increased welfare of national citizens
To reduce regional and intraregional asymmetries (rural/urban), in their multiple dimensions	Social welfare promoted and increased; level of poverty reduced, infrastructure created and more jobs available
To improve the system of permanent dialogue, transparency and information sharing among stakeholders in the development process	Articulation between development partners more transparent and known to all
<b>Objective 2: To accelerate socioeconomic development in order to achieve sustainable development and poverty eradication</b>	
To ensure that sector strategies are endogenous and carry out their own implementation	Sector strategies used as a base to promote sustainable development
To increase the share of agriculture/rural development and of the industry in the state budget, so as to reflect their relative importance in development	More productive agriculture sector; 10 per cent of the state budget allocated to agriculture and to rural development
To increase the degree of financial and administrative decentralisation and deconcentration	Seven per cent of the state budget allocated to districts and 40 per cent to provinces
To increase the availability of infrastructures in rural areas	Increased number of people benefiting from rural infrastructure
To establish associations in the rural areas	Associations established that are influential in the local development decision-making process
To promote self-employment among young people	Entrepreneurial activities established and employment created

To increase agricultural production in the country	More productive farmers and family sector
To establish a development bank	A financial development instrument established
To stimulate the employment of female teachers in rural areas	Reduction of female drop-outs from school
To ensure the technical-professional training of young people at the district level	Technical and professional education established in the districts
To establish complementarity and synergies between modern and traditional medicine	Demand for traditional medicine in the open during day time
To develop policies and mechanisms	All stakeholders participating in socioeconomic development programmes and monitoring the results; increased public awareness of the importance of social protection in the process of reducing poverty
<b>Objective 3: To strengthen policies, delivery mechanisms and outcomes in key social development areas, including education and the fight against HIV/Aids and other contagious diseases</b>	
To increase the rate of access to secondary education, technical professional education and vocational training	Increased efficiency and effectiveness of the education system at all levels; the market with an increased pool of qualified and specialised workers
To increase the coverage of birth delivery in hospitals	Coverage rate of birth delivery close to 100 per cent
To promote policies and delivery mechanisms	Transparency in, and good quality of, service delivery in the health and education sectors; HIV/Aids, tuberculosis and malaria reduced and controlled; shortfalls eliminated
To reduce the HIV/Aids prevalence rates	Shortfalls eliminated, achieving a lower national sero-prevalence average rate; strengthened links between different channels of communication through which information is disseminated to different stakeholders; strengthened involvement of the most vulnerable young people and women in the fight against HIV/Aids; strengthened DOTS action to detect tuberculosis and aid recovery
<b>Objective 4: To ensure affordable access to water, sanitation, energy, finance, markets, ICTs, shelter and land for all citizens, especially the rural poor</b>	
To ensure access to water	Increased safe water coverage in urban/peri-urban areas; approximately 70 per cent of the rural population supplied with a safe water source; urban/rural population with access to potable water; improved health conditions of urban and rural dwellers
To improve sanitation	Access to sanitation increasingly improved in proportion to population levels and with a higher maintenance quality; rural communities using improved latrines and the level of sanitation increased
To use renewable energy	The rate of deforestation reduced; development of rural areas promoted; agro-processing industries to be set up; employment created and rural/urban migration minimised; all data on energy collected
To ensure access to markets by small-scale farmers	Improved storage facilities for food produce provided to small-scale farmers; small-scale farmers having the ability to market their products; easy access to markets for the produce of small-scale farmers
To provide transport infrastructure	Transportation of agricultural products and agro-processed goods to markets in the urban centres granted; regular and fatal accidents eliminated; adequate and less expensive modes of transportation improved along the country's coastline

To promote shelter	Paucity of data on housing in urban centres and rural areas addressed; housing programme for youth workers in progress; state housing programme in implementation process
To ensure land for the rural poor	Food security granted; external dependence on food reduced
To promote more productive and balanced land use	New policies for the agriculture sector approved; doubled productivity per hectare of the family sector's main cultures (e.g. maize, sorghum, cassava)
To increase access to water and reduce existing imbalances	Price of water per m <sup>3</sup> reduced; a 75 per cent increase in the population's drinking potable water
To increase access to sanitation services and reduce existing imbalances	A 75 per cent increase in households with access to sanitation services; the majority of households with the possibility of using improved latrines and benefiting from drainage systems; the waste system improved
To increase access to finance and microfinance	Savings and credit in rural areas increased; levels of savings raised; increased allocation of credit to agriculture and industry by financial sectors
To improve access to markets, in particular the agrarian ones	The system of agricultural commercialisation and of other rural markets improved; food security granted
To increase access to ICTs and reduce imbalances in this regard	More districts provided with ICTs
To increase access to housing in rural and urban areas	Increased number of people, in particular youth people, with their own habitation
<b>Objective 5: To make progress toward gender equality in all critical areas of concern, including equal access to education for all girls at all levels</b>	
To increase the impact of gender policies up to the microlevel	Current gap reduced by half
To guide efforts towards achieving gender equality and equal opportunities for all individuals	Girls' attendance in primary and secondary school increased; training implemented in vocational skills to empower women; gender-based violence addressed by the approved Domestic Violence Law; gender-based violence reduced; women trained in using the Domestic Violence Law to protect themselves; negative socioeconomic and human rights impacts decreased; women having a greater chance of accessing credit, markets and agro-processing capacity; gender equality on the ground improved; training in gender mainstreaming undertaken and gender-responsive budgeting for sector ministries and local government monitored; resources for the livelihoods of displaced communities reinforced
<b>Objective 6: To encourage broad-based participation in development by all stakeholders at all levels</b>	
To improve the technical quality and intervention of civil society organisations for effective participation in the development process	Broader and effective intervention of CSOs in the development process
To strengthen the institutional structure of CSOs and reduce resource imbalances between large and small CSOs	Annual evaluation, with improvements year after year in a consistent manner

To promote decentralisation and civil society building	CSOs effectively participating in planning; mechanisms for the implementation, monitoring and evaluation process created for any group, so as to include marginalised people in the discussion of local issues; the Poverty Observatory being a party of the Joint Annual Review Process. participation in the Poverty Observatory being a good achievement for CSOs
<b>Subtotal for the thematic area: US\$ 3 445.80 million</b>	

#### 1.6.4 NATIONAL PROGRAMME OF ACTION: SOCIOECONOMIC DEVELOPMENT

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
<b>Principles, codes and standards</b>										
To sign and ratify codes, standards and principles	Ratify and domesticate all outstanding codes and standards.	All outstanding international codes and standards ratified and domesticated		MINEC Parliament Sector-related ministries	Government Local communities	2010-14	All international codes and standards ratified and integrated into ordinary national law	Socioeconomic development issues executed in observance with approved international standards	0.0	Parliament Cabinet NGC
	Create an easily accessible database on signed, ratified or domesticated codes and standards for their monitoring.	Database created		MINEC	Government Private sector CSOs Academics Citizens	2011-13	All international codes and standards deposited in the same place for monitoring proposes	Ease of access to international codes and standards signed, ratified and domesticated in Mozambique	1.000	GPM CSOs
To ensure a detailed and systematic review and discussion of the international treaties in Mozambique	Design a programme to disseminate information on signed, ratified or domesticated codes and standards, and encourage their utilisation in policy formulation and programme project design.	Dissemination programme		MINEC Sectoral ministries	Government Investors Public/private sector CSOs	2010-14	International codes and standards disseminated nationwide	International codes and standards used largely in the formulation of development policy and project designs	1.000	Cabinet Parliament CTA

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
To strengthen efforts to sign, ratify and adopt international codes and standards	MINEC and Parliament are to agree on rules for the ratification process, with well-defined responsibilities and timeframes.	Publication in the official Gazette  Incorporation of ratified treaties in national development plans		Parliament MINEC MOJ Other implementing ministries	All ministries Communities	2010-14	Improved coordination of the handling of treaties containing principles, codes and standards signed, ratified and domesticated	100 per cent ratifications and reflected in the Mozambican legislation	0.0	Cabinet NGC
To establish links between public and private institutions for the adoption of principles, codes and standards	Establish a technical team to review basic problems existing in the current domestication process and redefine clear mechanisms for processing ratified codes and standards.	Time for adoption and processing reduced		Parliament All ministries	Public and private sector Communities Citizens	2011	Flexible procedural systems established	Improved systems and reduced time for the process of ratifying and adopting codes and standards	0.2	Presidency NGC
<b>Objective 1: To promote self-reliance in development and build capacity for self-sustaining development</b>										
To develop policies and mechanisms	Allocate 10 per cent of the budget to agriculture in line with the NEPAD Maputo Declaration.	Percentage allocated to agriculture		MPD Local government	Local communities Agriculture, industry and commercial sectors	2011-14	Improving socioeconomic development	Aid dependency reduced, unemployment decreased and socioeconomic development increased	0.0	Parliament Cabinet CTA
To reduce dependency on aid	Explore ways and means of reducing, over time, the	Aid exit strategy paper  Reports on the		MPD MF BM	All stakeholders	2010-12	Reduced heavy dependency on international aid affecting major	International aid dependency reduced	1.000	Parliament Cabinet CSOs



Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	country's aid dependency and prepare a properly articulated aid exit strategy.	implementation of the aid dependency strategy		Private sector			areas of policy debate and decision making with regard to finance, policy choices, institutional building, culture of civil service, etc.	Increased ownership of the policy debate and decision-making process by the country Domestic contribution to the budget increased		
	Strengthen implementation of the Paris Declaration on Aid Effectiveness in order to strengthen the country's ownership of development policy and aid activities.	Report on the implementation of aid programmes and a situation analysis of its effectiveness  The Paris Declaration on Aid Effectiveness brought into effect		MPD MF MIC MINAG MISAU MEC	All stakeholders	2010-14	Effective aid with country ownership of aid-financed development programmes	Mozambique's ownership of its development process with no undue donor influence	2.000	Parliament Cabinet CSOs
To reduce the strong financial, technical and program-matic external dependency	Formulate and adopt endogenous economic reform packages.  Establish mechanisms for expanding the tax base through reinfor-	Enhanced internal savings rate (public and private)  Consistent reduction of the public deficit, including off-budgets	Reforms in the area of public finance management (fiscal and customs administration reforms and of the state financial management)	All sectoral ministries Tributary Authority BM	Government SMEs	2010-11	Reduced external dependency through incremental improvement of internal capacity at various levels, e.g. the public finance, financial, productive	Reduce external dependence to levels below 50% of public expenditures; Increase welfare of national citizens	70.4	Cabinet NGC CSOs NGC

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	<p>cement of the productive sector, simplification of the tax system and distribution of fiscal charge/efforts in an equitable manner among different taxpayers.</p> <p>(A part of the economic management activities)</p>	Increased base of private deposits in the financial system; ensuring positive real interest rates in a consistent manner					<p>and household sectors</p> <p>SMEs raising their contribution to the public finance, which increases the internal contribution to the state budget</p>			
	Reduce imbalances between fiscal incentives for megaprojects and small-scale entrepreneurial initiatives.	<p>Enhanced internal savings rate (public and private)</p> <p>Consistent reduction in public deficit, including off-budgets</p> <p>Increased base of private deposits in the financial system; ensuring positive real interest rates in a consistent manner</p>	Reforms in the area of public finance management (fiscal and customs administration reforms and of the state financial management)	All sectoral ministries Tributary Authority BM	Government SMEs	2010-11	<p>Reduced external dependency through incremental improvement of internal capacity at various levels, e.g. the public finance, financial, productive and household sectors</p> <p>SMEs raising their contribution to public finance, which increases the</p>	<p>Reduced external dependence to levels below 50 per cent of public expenditures</p> <p>Increased welfare of national citizens</p>	1.0	Cabinet NGC CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Undertake studies to improve incentives for financial sector investments in agricultural projects.						internal contribution to the state budget			
	Improve the business climate and conditions for competitiveness in the market for SMEs.									
To reduce regional and intraregional asymmetries (rural/urban) in their multiple dimensions	Ensure that public investment in terms of social infrastructure and equipment is capable of reducing asymmetries at the regional, provincial, urban and rural levels.	The percentage of households with access to basic services in the least-favoured areas, be it regional, intraregional or rural-urban	Programme of expansion of roads and communication network to all districts	MOPH MMAS	Urban and rural communities Business communities	2010-14	Reduction of regional and intraregional asymmetries	Social welfare promoted and increased	1 472.0	Parliament Cabinet CSOs NGC
	Establish public-private partnerships where there is economic justification.	Number of public-private partnerships established		All ministries Corporations CSOs NGOs	Public sector Private sector Citizens	2010-14	Reduced rural and regional socioeconomic development imbalances	Level of poverty reduced, infrastructure created and more jobs available	735.2	Cabinet CTA NGC

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
To improve the system of permanent dialogue, transparency and information sharing among stakeholders in the development process	Evaluate current systems of interaction between the different partners and elaborate an action plan.	Number of stakeholders with knowledge and participating in the process of elaboration and performance monitoring  Evaluation reports on the articulation level and participation of stakeholders		MPD CTA Cooperation partners CSOs NGOs		2011-12	Improvement of the current system of articulation between various development processes of stakeholders	Articulation between the partners of development more transparent and known to all	0.3	GPM Actual coordinator of cooperation partners NGC
<b>Objective 2: To accelerate socioeconomic development in order to achieve sustainable development and poverty eradication</b>										
To ensure that sector strategies are endogenous and carry out their own implementation	Undertake a study aiming at reviewing and enhancing sector policies and strategies.	Study reports  Sectoral policies and strategies reviewed and implemented	Ongoing project for strengthening the analytical and formulation capacity of sector policies	All sector ministries	Government, Private sector NGOs	2011-12	Sector strategies designed and implemented in a more effective manner	Sector strategies applied as a basis to promote sustainable development	8.2	Cabinet NGC
	Ensure timely implementation of socioeconomic sector strategies.	Annual reports on the establishment of plans and strategies					Balanced distribution among the productive and social sectors			
To increase the share of agriculture/ rural development and of industry	Allocate 10 per cent of the budget to agriculture in line with the	Significant increase in the percentage of the budget allocated to		MPD MINAG MIC NGOs	Public and private sectors Farmers Peasants	2010-14	Improved investment in the agricultural sector	More productive agriculture sector Ten per cent of	1.6	Cabinet CSOs NGC

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
in the state budget, so as to reflect their relative importance in development	NEPAD Maputo Declaration.	agriculture			Industries Investors		Adopted and implemented agricultural and industrial policies	the state budget allocated to agriculture and rural development		
	Establish agriculture credit institutions, infrastructures, markets and supporting services.									
	Establish an implementation plan for agro-processing industry policies.	Implementation plan for agro-processing industry policies  The established percentage of the budget allocated to the implementation of adopted industrial policies								
To increase the degree of financial and administrative decentralisation and deconcentration	Operationalise the implementation of the DPPF, SISTAFE and e- SISTAFE.	Greater percentage of funds allocated to districts in the state budget	Implementation of the PPF, state financial administration reforms and expansion of e-SISTAFE to the districts	MF District and provincial governments	Public and private sectors Local governments Rural communities Farmers Family farmers	2010-13	Financial decentralisation and deconcentration reflecting the election of districts as development poles	Seven per cent of the state budget allocated to districts and 40 per cent to provinces	49.0	GPM AC CSOs
To increase the availability of infrastructure	Identify constraints to the establishment	Survey report and plan of action								

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
in rural areas	of efficient infrastructure and services networks in rural areas. Devise a strategy and plan of action to increase the availability of infrastructure.	Increased percentage of people with access to electric power and other infrastructural services  Reduced distances from the residences to roads		MOPH Ministry of Energy Municipalities Provincial and local district governments	Provincial and local governments Rural communities	2010-14	Infrastructure network established in the rural areas: water, electricity, access roads and telecommunications networks	Increased number of people benefiting from rural infrastructure	1.0	Cabinet CSOs NGOs
To establish associations in rural areas	Disseminate the associations' law and develop a training programme for the family sector in support of the establishment of sustainable agriculture and livestock associations.	Number of agricultural and livestock associations established within the family sector at district level		District governments NGOs CSOs	Local governments and communities	2010-14	Sustainable agrarian and livestock associations	Associations established that are influential in the local development decision-making process	0.1	MINAG CSOs
To promote self-employment among young people	Develop a training and capacity building programme for young people, with a view to implementing entrepreneurial activities at district level.	Number of trained youth, and carrying out business initiatives at district level	Mobilisation of the youth to establish themselves in the districts	National Institute of Teacher's Training NGOs CSOs	Young people Local communities Citizens	2010-14	Unemployment rates reduced at district level and in the country	Entrepreneurial activities established and employment created	8.3	MEC MITRAB Young people CSOs NGC

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
To increase agricultural production in the country	Promote the use of animal traction in the family sector and of improved/certified seeds that are appropriate to agriculture in rain-fed conditions.	Number of agricultural activities (hectares) in the family sector assisted and producing		MINAG Provincial and district governments NGOs Research and rural extension institutes	Local communities Citizens	2010-14	Increased level of production in the family sector and food security granted	More productive farmers and family sector	49.3	GPM CSOs NGC
To establish a development bank	Promote a study on the establishment of a development bank.	Study approved by the Cabinet	(Debate under way)	MPD MF MINAG CTA	Government Agricultural sector Rural communities	2011	Funding for agriculture ensured	A financial development instrument established	0.1	Cabinet BM CSOs NGC
To stimulate the employment of female teachers in rural areas	Establish attractive logistic and financial conditions so as to mobilise female teachers to choose to live in the rural areas (housing, salary allowances, communication, etc.).	Number of female teachers volunteering to work in rural areas	Discussions on female students' being sexually harassed by teachers and the numbers of female school drop-outs	MEC MFP Teachers' organisations and associations Private sector	Teachers Teachers' organisations CSOs Female students Local communities Private sector	2010-14	More female students continuing with their studies and remaining in schools  Promotion of girls, women, and gender balance	Reduction in student girls dropping out of school	99.4	Cabinet CSOs
To ensure the technical-professional training of young people at district level	Construct and establish technical and professional schools in districts.	Number of technical and professional schools built in the districts	National policy on technical and professional education	MEC MOPH Local governments	Government CSOs Business sector Investors Local communities	2010-14	Professionally qualified youth	Technical and professional education established in districts	105.0	Parliament GPM



Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
To establish complementarity and synergies between modern and traditional medicine	Establish a working regulation between the two types of medicine.	Regulation approved from the Cabinet and disseminated Space allocated for traditional medicine practices	Joint work between the MISAU and traditional healers' associations	MISAU AMETRAMO	Government AMETRAMO Rural and urban communities	2009-13	Public health-care improved	Demand for traditional medicine out in the open	0.2	GPM CSOs
To develop policies and mechanisms	Strengthen the monitoring and evaluation system to ascertain progress with attaining targets set in PARPA and MDGs. Strengthen the role of the Development Observatory as a tool for monitoring and evaluation.	Effective monitoring and evaluation system		Sectoral ministries Provincial and district government	All stakeholders	2010-14	CSOs and the government jointly monitoring the country's development through the targets set by PARPA and MDGs	All stakeholders participating in socioeconomic development programmes and monitoring the results	1.000	Cabinet CSOs Parliament
	Increase national awareness of the importance of social protection in the processes for reducing poverty.	Awareness campaigns on social protection  Disseminated law on social protection (Law No. 4/2007); Basic Social Security; Obligatory Social		MMAS MOJ MF CSOs	All stakeholders	2010-14	Public consciousness on the importance of social protection for poverty reduction and the stimulus for the development process created	Public awareness of the importance of social protection in the process to reduce poverty increased	1.500	Cabinet CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
		Security and its regulations (Decree 53/2007); Complementary Social Security; Family Law (10/2004); Land Law (19/1997); the Law on HIV/Aids in the Workplace (5/2002); Law protecting children by barring them from nightclubs (Law 6/99), etc.								
<b>Objective 3: To strengthen policies, delivery mechanisms and outcomes in key social development areas, including education and the fight against HIV/Aids and other contagious diseases</b>										
To increase the rate of access to secondary education, technical professional education and vocational training	Undertake a comprehensive review of the pyramidal structure of education in order to broaden access to education at the secondary and technical/vocational and tertiary levels.	Studies by Cabinet approved, published and disseminated	Investment is being carried out with the view to expand the school infrastructure network, including the technical/professional schools	National Directorate of Vocational and Training Schools	National civil society Young people Citizens	2011-12	Improved access rates to secondary and technical-professional education  Enhanced functioning of the secondary, technical and vocational schools	The efficiency and effectiveness of the education system increased at all levels  Market with increased pool of qualified and specialised workers	17.2	MEC MITRAB
	Strengthen teachers' training by increasing	Established teachers' training programme		MEC MITRAB	Children Young people All Citizens	2012-14	Improved access to, and number of people enter			

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	ing the number of classrooms and teachers' training centres.	to increase the number of teachers in accordance with requirements so as to cover the education programmes  Gross and net rates of teacher training school attendance significantly improved  Increased number of teacher training schools properly equipped in accordance with their areas of specialisation  Increased number of suitably qualified teachers					ing, teacher training		85.0	GPM
To increase the coverage of birth delivery in hospitals	Undertake studies with scenario options to improve coverage of assistance to	Studies approved and widely discussed  Coverage rates		MISAU	Rural and urban communities, in particular and children  Pregnant women	2010-13	Higher coverage rate of assisted birth delivery	Coverage rate of birth delivery close to 100 per cent	1.6	GPM NGC CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	birth delivery, considering the hypothesis of establishing specific health centres for such purposes.	of assisted birth deliveries								
To promote policies and delivery mechanisms	Establish guidelines on standards and quality monitoring for the education and health sectors.	National policy guidelines on incentives for the education and health sectors and how they are packaged, administered, monitored, established and clarified		MISAU MEC	Medical and education (teachers) and workers Students Patients	2010-14	Transparency in, and good quality of, service delivery in the health and education sectors	Transparency in, and good quality of, service delivery in the health and education sectors	1.000	Cabinet Parliament CSOs
	Establish an integrated multi-sector framework for the fight against HIV/Aids, tuberculosis and malaria.	Integrated multi-sector framework established  As HIV/Aids, tuberculosis and malaria are closely associated, their diagnostics should match jointly.		MISAU	Urban and rural communities All citizens	2010-14	An integrated multi-sector framework for the fight against HIV/Aids, tuberculosis and malaria established	HIV/Aids, tuberculosis and malaria reduced and controlled	1.500	GPM CSOs
	Analyse the failure/	Survey report		CNCS CSOs	Society as a whole	2010	Elimination of shortcom	Shortcomings eliminated	0.6	MISAU NGC

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	shortcomings of anti- HIV/ Aids policies and strategies to support formulation of the multi-sector framework.	Epidemiological monitoring and surveillance reports		NGOs working against the disease			ings of current anti- HIV/Aids policies			
To reduce the HIV/Aids prevalence rates	Conduct massive dissemination of messages of prevention and voluntary testing, adjusted to realities and culture.	HIV/Aids prevalence rates reduced to less than 16 per cent  Epidemiological monitoring and surveillance reports		MISAU CSOs NGOs	Rural and urban communities	2011	Lower prevalence rates for HIV/Aids	Shortcomings eliminated in achieving a lower national average seroprevalence rate	0.5	GPM CSOs NGOs NGC
	Bring traditional leaders, religious leaders and other opinion makers within communities to the forefront in the fight against HIV/Aids.	All traditional, religious and community leaders brought on board to adopt policies and strategies for prevailing social, economic and cultural realities in the country		MISAU CNCS CSOs	Rural communities	2010-14	Social, economic and cultural realities across the country engaged to establish policies and strategies in the fight against HIV/Aids	Strengthened links between different channels of communication through which information is disseminated to different stakeholders	2.000	GPM CSOs
	Actively involve women and young people in the fight against HIV/Aids.	Women and young people actively involved in the fight against								

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
		HIV/Aids	Involvement of women and young people in the fight against HIV/Aids	MISAU MJD MMAS	Women Young people Children	2010-14	Vulnerability of the most affected groups (women and young people, in particular girls) reduced	Strengthened involvement of the most vulnerable women and young people in the fight against HIV/Aids	2.500	GPM CNCS CSOs
	Take the necessary measures to extend and intensify the coverage of DOTS by involving communities and capacitating health centres to provide quality diagnostic and laboratory services.	Health centres capacitated and quality diagnostic and laboratory services provided  Communities more involved in DOTS		MISAU	Urban and rural communities	2010-14	Reduction of the number of the cases as a result of the impact of DOTS	Strengthened DOTS action to detect tuberculosis and aid and recovery	0.5	
<b>Objective 4: To ensure affordable access to water, sanitation, energy, finance, markets, ICTs, shelter and land for all citizens, especially the rural poor</b>										
To ensure access to water	Formulate a strategy for enhancing and implementing public-private partnerships in the provision of safe water to urban dwellers.	Designed strategy for enhancing and implementing sustainable PPPs  Regular reports of implementation	PPP in progress	Municipalities MOPH Private sector	Urban/peri-urban communities	2010-14	PPP provision of safe water to urban/peri-urban dwellers	Increased safe water coverage in urban/peri-urban areas	1.000	GPM Municipal Parliament CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Implement the strategy for safe water provision to ensure that the proportion of the population with access to safe water in the rural areas meets the MDG goal of 70 per cent in 2015, at the minimum.	Report on water coverage	Gradual increase in the number of households with access to safe water sources	MOPH Private sector	Rural communities	2010-14	Safe water sources available in rural areas	Approximately 70 per cent of the rural population supplied with a safe water source	1.500	Parliament GPM CSOs
	Vigorously pursue the campaign on the use of clean water for healthy living.	Increase in potable water provision in the urban and rural areas  The campaign to use clean water in progress		Municipal government MOPH Local government Private sector CSOs	Urban/rural communities	2010-14	Improved quality, reliability and sustainability of water services in urban and rural areas	Urban/rural population with access to potable water  Improved health conditions of urban and rural dwellers	1.000	Parliament Cabinet CSOs
To improve sanitation	Strengthen the capacity of municipal governments in the provision of skilled staff and funding to assume fully the responsibility for providing improved sanitation,	Report on the capacity building of municipal governments to improve sanitation services, in particular solid waste management  Number of staff trained		All municipalities Local government	Urban communities	2010-14	Strengthened municipal government capacity to provide sanitation services, in particular solid waste management  Enhanced delivery of sanitation	Access to sanitation increasingly improved in proportion to population levels, and with a higher maintenance quality	5.000	Municipal Parliament CSOs



Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	especially solid waste management.	Resources provided					services by municipalities			
	Improve the training of district staff, civil society organisations and household members on the construction of improved latrines in rural areas.	Training activities for district staff, civil society organisations and household members on the construction of improved latrines in rural areas  Number of people trained		District/local governments  Local communities	Rural communities	2010-14	Local civil servants, CSOs and household members with technical knowledge of the construction of improved latrines	Rural communities using improved latrines and the level of sanitation increased	5.000	Provincial governments  CSOs
To use renewable energy	Formulate a comprehensive national energy policy that will promote the use of renewable energy sources, as well as domestic consumption of gas and coal, in order to reduce the rate of deforestation.	A comprehensive national energy policy promoting the use of renewable energy sources formulated		Ministry of Energy MICCOA	All stakeholders	2010-12	The use of renewable energy sources promoted  Responsible domestic consumption of gas and coal	The rate of deforestation reduced	1.000	Parliament Cabinet CSOs
	Speed up the electrification process,	Number and locality of districts receiving	Electrification in progress	Ministry of Energy	Rural area stakeholders	2010-14	Electrification process in rural areas speeded up	Development of rural areas	0.000	Parliament GPM CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	especially in rural areas, to promote the development of agro-processing industries and minimise rural/urban migration.	electrification (128-82) within six months, for example						Agro-processing industries promoted  Employment created and rural/urban migration minimised		
	Address the issue of insufficient data on energy in the relevant ministries.	Programme for data collection on energy		Ministry of Energy	Relevant ministries	2010-14	Efficient instruments adopted for data collection on energy in the relevant ministries	All data on energy collected	0.000	GPM
To ensure access to the market by small-scale farmers	Provide improved storage infrastructure and training in post-harvest handling for small-scale farmers.	Number of improved storage infrastructure and training sessions in post-harvest handling for small-scale farmers provided		MINAG Local district governments	Rural small-scale farmers	2010-14	Small-scale farmers trained in post-harvest handling and storage infrastructure located in rural areas	Improved storage facilities for food produce provided to small-scale farmers  Small farmers having the ability to market their products	1.000	GPM CSOs
	Rehabilitate existing, and establish more, agro-processing industries.  Provide regular up-to-date	Number of agro-processing industries rehabilitated and established, and marketing information distributed.		MINAG MIC MPD	Small and medium-scale farmers  Traders	2010-14	Agro-processing industries renewed	Easy access to markets of the agricultural produce of small-scale farmers	100	Cabinet CTA

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	marketing information to farmers.									
To provide transport infra-structure	Develop a national plan for improving the network of serviceable roads in the provinces in order to facilitate timely and adequate transport of agricultural products from the farms to markets in urban centres.	Kilometres of paved and tarred roads network linking localities to districts and provinces		MOPH Provincial and district government	Farmers Traders Communities	2010-14	Establishment of an improved roads network within provinces, districts and localities	Transportation of agricultural products and agro-processed goods to markets in the urban centres granted	50	Cabinet CTA CSOs
	Create cyclists' lanes when rehabilitating and constructing new roads in the urban and peri-urban areas of the country.	Total lengths of roads with cyclists' lanes		MOPH Municipalities	Cyclists and other road use in urban areas	2012-14	Cars, bicycles and other users competing for urban roads regulated	Regular and fatal accidents eliminated	0	Municipal Parliament GPM CSOs
To provide transport infra-structure	Improve the use of sea transport for the movement of passengers and goods along the country's coastline of	Number of passengers and ton/volume of goods transported by sea through the five ports		MPD MTC Relevant provincial governments	Farmers Other producers Traders Citizens Passengers	2010-14	Alternative means of transport provided	Adequate and less expensive modes of transportation improved along the country's coastline	0.5	Parliament Cabinet CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	2 700 km.	Ports and boats improved								
To promote shelter	Address the issue of the paucity of data on housing and initiate a coordinated housing policy in all urban centres and rural areas.	Coordination of a housing policy in urban and rural areas initiated		MOPH Municipalities	Workers	2010-14	Housing policy established	Paucity of data on housing in urban centres and rural areas, addressed	0.0	GPM Municipal Parliament
	Increase budgetary allocation to housing in line with the recommendation of the African Ministerial Council on Housing's decision.	Amount allocated to housing and the number of houses constructed		MF MOPH Local governments	Workers Young people	2010-14	Recommendation of the African Ministerial Council on Housing's decision applied	Housing programme for young workers in progress	0.0	Parliament Cabinet CSOs
	Build capacity in the Directorate of Housing in the MOPH to carry out surveys and other tasks on housing demand and supply.	Surveys developed, published and disseminated		MOPH Local governments	Workers Young people	2012-14	Surveys on housing demand and supply leading the house construction process	State housing programme in the implementation process	3.000	Parliament Cabinet CSOs
To ensure land for the rural poor citizens	Rehabilitate and establish small-scale irrigation	Small-scale irrigation schemes rehabilitated	Rehabilitation in progress	MINAG	Rural communities	2010-2012	All small scale irrigation facilities reha-	Food security granted and food's external	0	Parliament GPM

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	facilities in order to ensure adequate use of agricultural land for food security.	and the type and quantity of products harvested					bilitated	dependence reduced		
To promote a more productive and balanced use of land	Review constraints in the implementation of current policies on irrigation systems, agrarian technologies, roads, markets, finance, and fair application of the land law among competitive users.	Results of the analysis discussed, approved, published and disseminated		All economic sector ministries (Agriculture, Public Works and Housing, Trade and Industry, and Mineral Resources) MF BM Provincial and district governments Microfinance operators	Agrarian and agrarian commercial sectors Rural communities	2011-	Constraints and conflicts eliminated and new approaches proposed	New policies for the agricultural sector approved	0.6	Cabinet NGC CSOs
	Promote a more productive use of land and better application of agricultural policies.  Review the 1997 Land Law.	Ratio tonnage per hectare significantly improved  Report on land conflicts resolved in a balanced and equitable manner		MINAG Agricultural commercial sector actors Rural and peasants' associations	Agricultural and commercial sectors Rural and peasants' associations Rural communities		Agricultural production increased and land conflicts reduced	Productivity per hectare of the family sector's main cultures (e.g. maize, sorghum and cassava) doubled	1.0	Cabinet CTA (Agricultural Directorate) CSOs NGC

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
To increase access to water and reduce existing imbalances	Review the strategy for extending access to water, taking into account its affordability.	Cost by m <sup>3</sup> for poor consumers reduced		FIPAG Provincial and district governments	All citizens	2010	Cost by m <sup>3</sup> reduced and access extended to more consumers	Price of water per m <sup>3</sup> reduced	0.1	MOPH
	Conduct a study on the exploitation of water resources for the provision of potable water.	Publication of the water resources study				2011	Sources of potable water identified		0.2	
	Implement the recommendations of the studies through rethinking public investments in water.	Percentage of urban and rural population with access to potable water		Águas de Moçambique (national water distribution company) FIPAG		2012-13	Significant improvement in access to water by everybody in all areas, both rural and urban	Increase by 75 per cent of the population drinking potable water	1.0	MOPH
To increase access to sanitation services and reduce existing imbalances	Ensure investments for carrying out sanitation plans in rural and urban areas.	Percentage of both the urban and rural population with access to sanitation services		Districts Government Municipalities		2012-14	Improved access to sanitation services	Increase by 75 per cent of households with access to sanitation services	100.0	MOPH Municipalities CSOs
	Implement drainage works and an improved latrine system.  Improve the management of	Promotion of low-cost latrine models		Provincial and districts government Municipalities Urban/rural communities		2010-14	The use of improved latrines extended	Majority of households with the possibility of using improved latrines and benefiting from drainage systems	18.5	

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	waste and other residues.							Improved waste system		
To increase access to finance and microfinance	Identify barriers that hinder the establishment of banking and microcredit institutions.	Number of financial institutions in rural areas increased significantly		MIC BM	Agricultural sector Rural communities	2011	More commercial banks and other financial institutions present in rural areas	Savings and credit in rural areas increased	1.6	Cabinet CSOs
	Adopt incentives for these financial institutions to invest in underfinanced sectors and over a longer term.									
	Spread the postal bank network to all districts simultaneously with the implementation of public investment and incentives.	Percentage of the rural population with access to financial services		Private sector Post office network Commercial and postal banks	Agricultural sector Rural communities	2012-13	Substantial improvement in accessing finance, and microfinance services in particular, in the rural areas	Savings raised The allocation of credit to agriculture and industry by the financial sectors increased	2.0	BM CSOs
To improve access to markets, in particular the agrarian ones	Review the agricultural commercialisation system so as to include the link between smallholders and large farmers, and the link	Study published and disseminated among producers and buyers	The operationalisation of the government's Economic and Social Plan and state budget  The government implementing	MPD MIC MINAG	Agricultural commercial sector. Rural communities Private sector	2010	Access to markets improved	Improved system of agricultural commercialisation and of other rural markets	0.2	Cabinet. National System of Food Security



Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	with buyers		investment projects aiming at expanding socioeconomic infrastructure at district level							
	Improve the government purchase system to store locally, in order to create safety stocks and price stabilisation.	System stabilised and broadly diffused  Percentage of commercialisation of agricultural surplus increased		MIC	Agricultural commercial sector  Rural communities	2013	Improved commercialisation system of agricultural produce	Food security granted	400.0	Cabinet. National System of Food Security
To increase access to ICTs and reduce imbalances in this regard	Undertake a study on the feasibility of the extension of telecentres in the districts.	Study on district ICT access completed, disseminated and broadly discussed  Percentage of districts with telecentres		MTC Eduardo Mondlane University	Communities living in districts	2011	Improved access to ICTs	More districts provided with ICTs	0.1	GPM
	Implement the recommendations of the studies on ICTs in districts.	Percentage of districts with ICT and telecentres				2012			1.0	
To increase access to housing in rural and urban areas	Analyse the housing fund policy so as to identify reasons	The results of the analysis published and discussed	The government is expanding the existing Promotional	MOPH National Council of Youth	Young people (who have completed their high school or	2011	Access to housing improved in general, and for young couples	Increased number of people with their own habitation, in	0.2	GPM NGC CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	for the low outreach, and recommend solutions.		Housing Funding to the central and northern regions of the country.		university studies and have recently started a job; young couples)		in particular	particular the youth		
	Design and implement a policy and strategy for the development and financing of housing.  Develop low-cost housing projects and create incentives for the establishment of a dynamic and growing housing market.	The funding policy and strategy for the development and financing of housing approved by the Cabinet, published and disseminated		MOPH MMAS Housing Fund Provincial and district governments		2012			1.4	

**Objective 5: To progress towards gender equality in all critical areas of concern, including equal access to education for all girls at all levels**

To increase the impact of gender policies up to the microlevel	Conduct studies on factors that hinder the implementation of current gender policies and strategies in all areas of concern.	Percentage of women with access to, and opportunity for, formal education and employment		MMAS CSOs NGOs		2011-12	Gender balance	Current gap rate reduced to half		MMAS CSOs
	Approve an action plan for multi-stakehold-									

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	ers with shared responsibilities so as to eliminate existing constraints.									
To guide efforts towards achieving gender equality and equal opportunities for all individuals	Accelerate and intensify the implementation of strategies for retaining the girl child in primary and secondary school, and encouraging them to undertake training in vocational skills as a strategic role for empowering Mozambican women.	<p>Long distances to schools reduced</p> <p>Free or subsidiary school materials (uniforms and stationery)</p> <p>Subsidiary secondary school fees</p> <p>Developed campaign in communities about the negative effects on girls of early marriage and pregnancy</p>		<p>MEC</p> <p>MMAS</p> <p>CSOs</p> <p>Traditional leaders</p> <p>Community leaders</p>	<p>School-age girls</p> <p>Women</p> <p>Rural communities</p>	2010-14	<p>Girls and boys with the same schooling opportunities</p> <p>Abolishment of the ministerial Decree of 2003 that states that all school girls who become pregnant have to attend night school or leave the school</p>	<p>Girls' attendance at primary and secondary school increased</p> <p>Training in vocational skills implemented to empower women</p>	2.0	Cabinet CSOs
	Speed up enactment of the Domestic Violence Law, which addresses gender-based violence.	Domestic Violence Law approved and published		<p>Parliament</p> <p>MAI</p> <p>MMAS</p>	<p>Women</p> <p>Girls</p> <p>Family members of the abused</p> <p>Men</p>	2010	Domestic Violence Law approved and in implementation	Gender-based violence addressed by the approved Domestic Violence Law	0.0	Parliament Cabinet CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	Develop a nationwide programme to train and sensitise law enforcement agencies as well as communities on issues of gender-based violence.	Police trained in women's rights and in giving assistance to the victims of violence  Centres for abused women and children created		MAI MMAS	Women Children Girls	2010-14	Nationwide programme to train leaders, women and agencies to fight against gender-based violence created, dis-seminated and in implementation	Gender-based violence reduced  Women trained to use the Domestic Violence Law to protect themselves  Negative socioeconomic and human rights impacts decreased	1.600	Cabinet CSOs
	Accelerate implementation of the National Plan for the Advancement of Women, and of gender budgeting.	National Plan for the Advancement of Women and gender budgeting implemented		MMAS CSOs			Promotion of initiatives that the government, CSOs and communities themselves undertake to improve their budget	Women having more possibilities for accessing credit, markets and agro-processing capacity	0.0	Parliament Cabinet CSOs
To guide efforts towards achieving gender equality and equal opportunities for all individuals	Strengthen the effective role of women's participation at local levels through training programmes that strengthen women's leadership skills, confidence, advocacy and	Training programmes to strengthen women's leadership skills, self-esteem, etc. in progress		Local governments CSOs	Women	2010-14	Enhanced participation of women in decision making at lower levels	Gender equality on the ground improved	10.0	GPM CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	self-esteem.									
	Develop gender monitoring indicators for assessing progress with gender mainstreaming and gender budgeting.	Gender monitoring indicators developed		MMAS Local governments CSOs			Gender budgeting mainstreamed into the planning and resource allocation process in accelerated implementation	Undertaking training in gender mainstreaming Gender-responsive budgeting for sectoral ministries and local government monitored	5.0	Cabinet CSOs
	Accelerate the implementation of the national plans developed for vulnerable persons by improving the resources allocated to social welfare.	Quantity of resources allocated to social welfare improved		MMAS MAE	Vulnerable groups (e.g. older persons; orphans and vulnerable children; and persons with disabilities)	2010-14	Prevention of vulnerable groups dropping out of school at primary and secondary levels, and prevention of the shortage of food and other needs	Resources for the livelihoods of displaced communities reinforced	0.0	GPM CSOs
<b>Objective 6: To encourage broad-based participation in development by all stakeholders at all levels</b>										
To improve the technical quality and of inter-ventions by civil society organisations for effective participation in the development process	Ensure the training and capacity building of CSOs' technical staff.	Number of technicians trained and employed in CSOs		CSOs		2011-13	Extended and improved technical capacity of intervention by the civil society	Broader and effective CSO intervention in the development process	0.5	CSOs NGC
	Attract qualified members to CSOs.	Indicator of the quality of participation in, and lobbying of, CSOs								

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
To strengthen the institutional structure of CSOs and reduce resource imbalances between large and small CSOs	Identify CSO intervention areas.	Discussion forums between CSOs and between these and the government		MOJ CSOs		2009-11	Greater interaction among CSOs and between CSOs and the government	Annual evaluation with improvements year after year in a consistent manner	0.0	CSOs NGC
	Establish collaboration mechanisms eliminating overlapping tasks.  Expand the number of registered CSOs.									
To ensure decentralisation and civil society building	Initiate capacity building programmes for local communities and CSOs enabling them to participate effectively in the planning, implementation, monitoring and evaluation process for improving service delivery.	Adequate information available for locals to monitor the delivery of services, capacitate CSOs operating in rural areas, and help to organise CSOs		MPD Local governments CSOs	CSOs Local communities	2010-14	CSOs well organised and technically capacitated in rural area issues High level of participation by vulnerable groups	CSOs participating effectively in the planning, implementation, monitoring and evaluation process	6.0	GPM CSOs
	Ensure representation by, and participation of, all marginalised	All marginalised groups participating in different local committees,		Local governments CSOs	Local communities	2010-14	Anyone having the opportunity to participate in the consultation process of	Mechanisms created for any group to include marginalised people in	1.000	GPM CSOs

Specific objectives	Required action	Monitoring indicators	Ongoing activities	Implementing agencies	Key stakeholders	Timeframe	Expected output	Achievements	Estimated cost (US\$ million)	Monitoring and evaluation agencies
	groups in the development processes.  Strengthen information dissemination and sensitisation on the laws that promote broad-based participation.	such as for water, irrigation and schools					specific committees placed at provincial and district levels	discussions on local issues		
	Strengthen the role of the Poverty Observatory so that it guarantees that citizens' views are adequately addressed and feedback is given.	A major citizens' point of view adequately integrated in the Poverty Observatory as a consultative forum for the government		CSOs	All stakeholders	2010-14	Greater participation by citizens in monitoring the implementation of PARPA through the OP	The OP party to the Joint Annual Review Process The OP a good achievement for CSOs	1.600	GPM CSOs
<b>TOTAL CORE AREA</b>									<b>3 445.80</b>	
All activities of this Programme of Action will be monitored by the National Governing Council (APRM National Forum).										



### 1.7 Budgeting per focus area for the overall five-year period


For each focus area's main objective, the NPOA shows specific objectives to be achieved; expected outputs, activities or actions to be undertaken; monitoring indicators; main goals; entities responsible for the implementation; the implementation timeframe or deadline; as well as the respective budget.

In summary, the cost per focus area for the five-year period (2009–14) and as a percentage of the total cost and of GDP is as follows:

Focus area	US\$ million	Percentage of global cost	Cost per focus area as a percentage of the GDP
Democracy and political governance	82 450.0	2.1%	0.12%
Economic governance and management	351 003.0	8.9%	0.53%
Corporate governance	60 630.0	1.5%	0.09%
Socioeconomic development	3 445 800.0	87.5%	5.21%
Total focus areas	3 939 883.0	100.00%	5.95%

### 1.8 References

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## APPENDIX III

PROCEEDINGS OF THE PEER  
REVIEW OF MOZAMBIQUE AT THE  
ELEVENTH SUMMIT OF THE  
COMMITTEE OF HEADS OF STATE  
AND GOVERNMENT  
PARTICIPATING IN THE AFRICAN  
PEER REVIEW MECHANISM  
(APR FORUM) ON 30 JUNE 2009  
IN SIRTE, LIBYA



## INTRODUCTION

1. The Peer Review of Mozambique, together with that of Mali and Lesotho, was conducted at the Eleventh Summit of the Committee of Heads of State and Government Participating in the African Peer Review Mechanism (APR Forum) held on 30 June 2009 in Sirte, Libya. The Summit was chaired by His Excellency Meles Zenawi, Prime Minister of the Federal Democratic Republic of Ethiopia and Chairperson of the APR Forum. In what follows, we present the deliberations at the Peer Review of Mozambique.

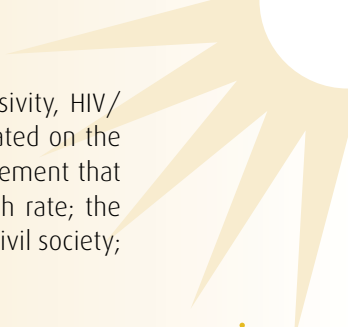
### Attendance

2. The following Heads of State and Government attended the Summit:
  - (i) H.E. Abdelaziz Bouteflika President of the Republic of Algeria;
  - (ii) H.E. Meles Zenawi, Prime Minister of the Federal Democratic Republic of Ethiopia and Chairperson of the APR Forum;
  - (iii) H.E. John Atta Mills, President of the Republic of Ghana;
  - (iv) H.E. Pakalitha Mosisili, Prime Minister of the Kingdom of Lesotho;
  - (v) H.E. Amadou Toumani Touré, President of the Republic of Mali;
  - (vi) H.E. Armando E. Guebuza, President of Mozambique;
  - (vii) H.E. Bernard Makuza, Prime Minister of the Republic of Rwanda;
  - (viii) H.E. Fradique de Menezes, President of São Tomé and Príncipe; and
  - (ix) H.E. Jacob Zuma, President of the Republic of South Africa.
3. The Heads of State and Government of Angola, Benin, Cameroon, Cape Verde, Congo, Egypt, Gabon, Kenya, Malawi, Mauritius, Nigeria, Senegal, Sierra Leone, Sudan, Togo, Uganda and Zambia were represented by ministers and senior officials.
4. H.E. Jean Ping, Chairperson of the African Union Commission, was also in attendance.
5. The members of the African Peer Review Mechanism Panel of Eminent Persons (APR Panel) present were Dr Graça Machel, Prof. Mohamed Séghir Babès, Amb. Bethuel Kiplagat, Mrs Domitila Mukantaganzwa and Dr Dorothy Njeuma.

### The Peer Review of Mozambique

#### *Presentation of the Country Review Report of Mozambique*

6. Amb. Bethuel Kiplagat, the Lead Panellist for Mozambique, presented the Country Review Report. He indicated that Mozambique has had a traumatic past as a result of its colonisation by Portugal, which lasted 490 years, and a bitter war. Mozambique has since made considerable progress in democracy and economic



governance. There are still several challenges, such as political inclusivity, HIV/Aids, gender equality and overdependence on foreign aid. He elaborated on the seven best practices identified by the Panel – the General Peace Agreement that has prevailed; the recovery of small arms; the high economic growth rate; the sequencing of reforms; policy dialogue between the government and civil society; and the reduction in mother-to-child transmission of HIV/Aids.

7. The Lead Panellist concluded that Mozambique indeed represents a resilient society that has moved from a deep crisis to regenerate and sustain itself, with the support of other countries.

### ***Response by President Armando Guebuza***

8. In his response, H.E. Armando E. Guebuza, President of the Republic of Mozambique, indicated that, since its independence in 1975, the country has been making efforts towards developing a stable society. He elaborated on the public sector reforms and the separation of power between the executive, legislative and judicial organs of the state. The President clarified that the war in Mozambique was not a civil war; it was a crisis inspired by external forces.
9. President Guebuza highlighted socioeconomic developments among the best practices identified in his country. He commented on the megaprojects and cited road rehabilitation, transparency in public funds management, improvement of the business sector, land tenure reforms, improved quality of education, healthcare and electric power supply among the positive elements to his country's credit. He agreed on most of the findings in the Report, but disputed the claim that Beira has been neglected.

### ***Response by the Forum***

10. The Forum commended Mozambique for the quality of its report and urged the government to undertake measures to improve relations between FRELIMO and RENAMO so as to foster peace and stability in the country. It noted that there is room for improvement in Mozambique's land tenure system, but cautioned the Panel against prescribing choices for countries on this sensitive issue.

