

AFRICAN PEER REVIEW MECHANISM



COUNTRY REVIEW REPORT

REPUBLIC OF MOZAMBIQUE



June 2009

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

As of 31 May 2009, the APRM Participating Countries are the following:

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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 Njeuma of Cameroon, representing Central Africa

(Member)

APR Secretariat

Mr Assefa Shifa
Officer – in – Charge,
APRM Secretariat
P.O. Box 1234, Halfway House 1685
Midrand, South Africa
Tel: +2711 256 3400
www.aprm-international.org/aprm

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The APR Panel is proud to produce, yet again, another and the 11th in the series of APRM Country Review Reports, this time for Mozambique, a country that has reinvented itself after a devastating civil war.

Many people have worked relentlessly to see to the successful completion of the peer review process in Mozambique. The APR 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 all the needed support to undertake an independent exercise.

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TABLE OF CONTENTS

Countries Participating in the APRM and APR Panel of Eminent Persons.....	2
Acknowledgements	3
Political Map of Mozambique.....	8
Country Fact Sheet	9
Acronyms	19
Executive Summary.....	28

CHAPTER ONE

1. INTRODUCTION.....	65
1.1 The Evolution of the African Peer Review Mechanism.....	65
1.2 Progress in implementation of the Mechanism	66
1.3 The APRM Process.....	68
1.4 The APRM Principles.....	70
1.5 Key Objectives of the APRM Focus Areas.....	70
1.6 Implementation of the APRM Process in Mozambique.....	71
1.7 Activities Undertaken during the CRM.....	74
1.8 Structure of the Report.....	75

CHAPTER TWO

2. BACKGROUND.....	77
2.1 Brief Political History.....	78
2.2 The Economy.....	84
2.3 Major Achievements.....	87
2.4 Challenges	89
2.5 Opportunities.....	94

3. CHAPTER THREE

DEMOCRACY AND POLITICAL GOOD GOVERNANCE

3.1 Overview.....	97
3.2 Standards and Codes.....	99
3.3 Assessment of the Performance of APRM Objectives.....	102

CHAPTER FOUR

4. ECONOMIC GOVERNANCE AND MANAGEMENT

4.1 Overview.....	147
4.2 Standards and Codes.....	150
4.3 Assessment of the Performance of APRM Objectives.....	153

CHAPTER FIVE

5. CORPORATE GOVERNANCE

5.1 Overview.....	195
5.2 Standards and Codes.....	196

5.3	Assessment of the Performance of APRM Objectives.....	204

CHAPTER SIX

6. SOCIO-ECONOMIC DEVELOPMENT

6.1	Overview.....	229
6.2	Standards and Codes.....	230
6.3	Assessment of the Performance of APRM Objectives.....	232

CHAPTER SEVEN

7. CROSSCUTTING AND SPECIAL ISSUES

7.1	Overview.....	277
7.2	Crosscutting Issues.....	277
7.2.1	Poverty and Inequality.....	278
7.2.2	Party/government/business dichotomy.....	280
7.2.3	HIV/AIDs.....	282
7.2.4	Land ownership.....	283
7.2.5	High levels of illiteracy.....	285
7.2.6	High aid dependency.....	287
7.2.7	Information flow and paucity of data.....	288
7.2.8	Political inclusivity.....	289
7.2.9	Crime, safety and Security.....	289
7.2.10	Domestic violence.....	291
7.2.11	Capacity constraints and implementation challenge.....	292
7.2.12	Elections.....	293
7.2.13	Corruption.....	295
7.3.	Special Issues.....	296
7.3.1	Climate Change and Natural Disasters.....	296
7.3.2	Landmines.....	299
7.3.3	Beira.....	299
7.4	The Way Forward.....	300
7.5	Mozambique's National Programme of Action	300

APPENDICES

I.	Mozambique APRM National Programme of Action.....	303
II.	Comments from the Government of Mozambique.....	445

List of Tables

- Table 1.1: Countries that have joined the APRM between March 2003 and May 2009
- Table 1.2: Date of Launch/ Official Commencement of the Country Self-Assessment Process
- Table 3.1: Mozambique is a party to/signed the following international and regional agreements
- Table 4.1: Trends in Real GDP and GNP Per Capita Growth (in percentages)
- Table 4.2: Structure of GDP in Mozambique (1996-2007)
- Table 4.3: The Distribution of Financial Institutions and Network of Bank Branches
- Table 4.4: Exports, Imports and Trade Balance in Mozambique
- Table 5.1: The Status of Ratification of International Conventions on Environment in Mozambique
- Table 5.2: Risk Profile of Credit Institutions and Non-banking Financial Institutions in 2007
- Table 5.3: International Labour Conventions Ratified by Parliament between 1977 and 1999
- Table 5.4: Distribution of Financial Institutions and Network of Bank Branches
- Table 5.5: The Financial Institutions Structure in 2007
- Table 5.6: Transactions within the official listing market
- Table 5.7: The Proposed Tiers Minimal Capital Requirements
- Table 5.8: Insurance Premiums in Mozambique (2003 – 2007)
- Table 5.9: Formal Sector Employment in Mozambique by Province
- Table 6.1: Poverty Headcount and Poverty Gap
- Table 6.2: Measures of Inequality in Mozambique, 1996 and 2002
- Table 6.3: Changes in Inequality in Household Consumption in Mozambique
- Table 6.4: Provincial Distribution of HIV/AIDS in Mozambique by Percentage
- Table 6.5: Comparison of Urban and Rural Water provision Coverage (%) 2004-2008
- Table 6.6: Urban Water Supply Coverage By province in Mozambique (2004-2008) by Percentage
- Table 6.7(a): Transportation of Goods in Mozambique by Major Modes of Transportation in 10⁶TKM
- Table 6.7(b): Transportation of Passengers in Mozambique by Major Modes of Transportation in 10⁶PKM
- Table 6.7(c): Type of Road Surfaces by Provinces in Mozambique in 2007 (Km)
- Table 6.8: Women in leadership Positions
- Table 6.9: The number of reported cases of violence in Mozambique in the first 6 months of 2008 by province

List of Figures

- Figure 1.1: APRM Geographical Coverage
- Figure 2.1: Mozambique: Composition of GDP (in percent of GDP), 1996 and 2004
- Figure 4.1: Inflation rate in Mozambique
- Figure 4.2: Real Rates of Change in GDP, Total Investment and Net Exports (1996-2006)
- Figure 6.1: Tuberculosis Infection Rates in Mozambique

List of Boxes

- Box 1.1: CRM Consultations during the Country Review Mission
- Box 3.1: Good Practice in Applicability of Treaties
- Box 3.2: Best Practice in the GPA and the Peace Process
- Box 3.3: Best Practice in Demobilization, Disarming and Reintegration in Mozambique through Religious Leaders
- Box 3.4: Conflation of Party into State
- Box 3.5: The General Assembly's lack of Legislative Traditions
- Box 3.6: High Profile Cases of Corruption in Mozambique
- Box 3.7: Good Practice in Gender Representation in Parliament
- Box 3.8: Natural Disaster Management Strategy
- Box 4.1: Best Practice in Macroeconomic Performance
- Box 4.2: Best Practice in the Sequencing of Reforms in Mozambique and its Rationale
- Box 4.3: Best Practice in Strengthening Monetary policy in Mozambique
- Box 4.4: Mozal Aluminium Smelter

Box 4.5: Emerging Curse of 'Two Economies' in Mozambique
Box 4.6: The importance of Small Businesses and the Informal sector in Job Creation
Box 4.7: Industrialization and Growth
Box 4.8: Challenges in the Fight against Corruption in Mozambique
Box 4.9: The SADC Free Trade Area: Opportunities and Challenges
Box 5.1: The Underdevelopment of Indigenous Entrepreneurship in Africa
Box 6.1: The Dynamics of Aid Dependency in Mozambique
Box 6.2: Best Practice in Policy Dialogue on Poverty between the State and Non-state Actors in Mozambique
Box 6.3: Child Malnutrition in Mozambique
Box 6.4: Caution over the use of Mozambique's Poverty Statistics
Box 6.5: What Local People think should be done to address Rural Poverty in the Provinces
Box 6.6: Local Perceptions of Key Challenges in boosting Agriculture in Mozambique
Box 6.7: Social Protection Actions and Programmes being currently implemented in Mozambique
Box 6.8: The Imbalance between Primary Level Education and Secondary and Tertiary Education
Box 6.9: The Importance of Vocational Training
Box 6. 10: Legal framework for gender equality in Mozambique
Box 6.11: Good Practice: The National Council for the Advancement of Women
Box 6.12: Efforts to encourage Girl participation in Education
Box 6.13: Best Practice in reducing Mother to Child Transmission in Mozambique
Box 6.14: Low Participation by Women in Decision Making at Lower Levels
Box 6.15: Using Aid to eliminate Aid Dependency in Mozambique

Source: Instituto Nacional De Estadística, 2009.



COUNTRY FACT SHEET

Location:	South-eastern Africa, bordering the Mozambique Channel, between South Africa and Tanzania. Border countries: South Africa to the South, Swaziland, South Africa, Zimbabwe, Zambia, Malawi to the West, Tanzania to the North.
Area:	Total: 801,590 sq km Land: 784,090 sq km Water: 17,500 sq km
Coast line:	2,470 km
Population:	21,669,278 (2009 estimate)
Age Structure:	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 and over: 2.9% (male 257,119 / female 361,772) (2009 estimate.)
Population Growth Rate:	1.792 (2008 Estimate)
Birth rate:	38.21 births/1,000 population (2008 est.)
Death rate:	20.29 deaths/1,000 population (2008 est.)
Infant mortality rate:	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 est.)
Life expectancy at birth:	Total population: 41.04 years Male: 41.62 years Female: 40.44 years (2008 est.)
Total fertility rate:	5.24 children born/woman (2008 est.)
Capital:	Maputo
Main Towns:	Maputo, Inhambane, Beira, Chimoio, Quelimane, Nampula, Tete, Lichinga and Pemba
Land use:	Arable land: 5.43% permanent crops: 0.29%, other: 94.28%
Territorial provinces:	Niassa, Cape Delgado, Nampula, Zambesia, Tete, Manica, Sofala, Inhambane, Maputo Province, Maputo City
Ethnic Groups:	African 99.66% (Makhuwa, Tsonga, Lomwe, Sena, and others), Portuguese 0.06%, Euro-Africans 0.2%, Indians 0.08%
Languages:	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 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; devastating cyclones, earthquakes and floods in central and southern provinces
Independence:	25 June 1975 (from Portugal)
Constitution:	30 th November 1990
Legal System:	Based on Portuguese civil law system and 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: President elected by popular vote for a five-year term (eligible for a second term); election last held 1-2 December 2004 (next to be held on 28 October 2009); Prime Minister appointed by the President.

Election results: Armando GUEBUZA elected President; percentage of votes - Armando GUEBUZA 63.7%, Afonso DHLAKAMA 31.7%

Legislative:

General Assembly of the Republic or Assembleia da Republica (250 seats; members are directly elected by popular vote on a secret ballot based on proportional representation, to serve five-year terms) . FRELIMO has 160 and RENAMO has 90 seats; and rest of the political parties have no seats in the Assembly.

Number of Registered Political parties: 54

Judiciary:

Supreme Court (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, court marshal, labour courts
note: although the Constitution provides for a separate Constitutional Court, one has never been established; in its absence the Supreme Court reviews constitutional cases.

Sources:

Compiled from the Anuario Estatístico (Statistical Year Book, Mozambique, 2007), the CIA World Fact Book.

Economic Indicators

GDP (Purchasing power parity)	\$19.68 billion (2008 est.)
GDP (Official exchange rate)	\$9.788 billion (2008 est.)
GDP-real growth rate	6.95 (2008) 7.3% (2007)
GDP-per capita	\$900 (2008 est)
GDP-Composition by sector	Agriculture: 23.4 % Industry: 30.7% Services: 45.9% (2008 est)
Labour force	10.01 million (2008 est)
Labour force by occupation	Agriculture: 81% Industry: 6% Services: 13%
Unemployment	25.4% (2007)
Household income or consumption by percentage share	Lowest 10%: 2.1% Highest 10%: 39.4% (2002)
Distribution of family income-Gini index	47.3 (2002)
Investment (gross fixed)	24 % of GDP (2008 est.)
Budget	Revenues: \$2.786 billion Expenditures: \$3.108 billion (2008 est.)
Public debt	21.4% of GDP (2008 est.)
Inflation rate (consumer prices)	11.2% (2008 est.)
Central bank discount rate	9.95% (31 December 2007)
Consumer bank –prime lending rate	19.52% (31 December 2007)
Stock of money	\$1.261 billion (31 December 2007)
Stock of quasi money	\$1.467 billion (31 December 2007)
Stock of domestic credit	\$877.2 million (31 December 2007)
Reserve of foreign exchange and gold	\$ 2.067 billion (31 December 2008 est.)
External debt	\$ 4.316 billion (31 December 2008 est.)
Exchange rates	Meticais (MZM) per US Dollar – 24.125 (2008 est.) 26.264 (2007) 25.4 (2006), 23,061 (2005), 22,581

	(2004). (In 2005, Mozambique revalued its currency, with 1000 old meticaïs equal to 1 new meticaïs)
Major exports	Aluminium, prawns, cashews, cotton, sugar, citrus, timber, bulk electricity.
Major export partners	Italy 19.4%, Belgium 18.4%, Spain 12.5%, South Africa 12.3%, UK 7.3%, China 4.1% (2007)
Major imports	Machinery and equipment, vehicles, fuel, chemicals, metal products.
Major import partners	South Africa 36.7%, Australia 8.5%, China 4.6% (2007)
Industries	food, beverages, chemicals, aluminium, petroleum products, textiles, cement, glass, asbestos, tobacco.

Source: Bank of Mozambique and CIA World Fact Sheet

Macroeconomic Indicators

Indicator	1997	1998	1999	2003	2004	2005	2006	2007	2008
Real GDP growth (%age)	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 (USD)	217	241	271.3	252	300.5	338.8	356	387	450.8

Macroeconomic Aggregates

Item	Unit	2005	2006	2007
Gross Domestic Product and Population				
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	%age	8.4	8.7	7.0
Population	10 h	19.4	19.9	20.4
GDP mp per capita	MT	7819.9	9 062.5	10 159.5
GDP per capita	US \$	335.3	362.8	422.8
Investment				
Investment	10MT	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	-
Foreign Trade				
Export of goods and services	10MT	46 212.6	54 861.3	58 282.7
Import of Goods and services	10MT	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
Exchange rate Evolution				
Exchange rate at the bank of Mozambique	MT/US \$	23.3	25.0	25.6
Growth rate (+depreciation)	%	5.0	7.1	-3.8
Prices				
Private consumption deflator (Growth rate)	%	7.5	8.6	7.4
Wages				
Monthly minimum wage	MT	1277.1	1443.2	1645.2
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.

Gross Domestic Product (GDP) by expenditure, 2006-2007

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 (mp)	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 Expenditures-Growth rates of deflators, 2003-2007

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
Valuation Adjustment					
GDP (mp)	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 Indicators

Electricity production:	14.62 billion kWh (2006 est.)
Electricity consumption:	9.555 billion kWh (2006 est.)
Electricity exports:	12.83 billion kWh (2006 est.)
Electricity imports:	9.839 billion kWh (2006 est.)
Natural gas proved reserves:	127.4 billion cu m (1 January 2008 est.)

Communications

Telephones – main lines in use:	67,000 (2006)
Telephones – mobile cellular:	3.3 million (2007)
Radio broadcast stations:	AM 13, FM 17, shortwave 11 (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 1523 m: 36

under 914 m: 79 (2007)

Pipelines: gas 964 km; refined products 278 km (2007)

Railways: Total: 3,123 km

Narrow gauge: 2,983km 1,067 – m gauge;

140km 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

Key Development Indicators

Selected Indicators	1997	2003	2008	2015 (Goal)
MDGs Target Indicators				
Population living below the national poverty line (%)	69.4	54.1	45.0	40.0
Ratio of employed people over the total of 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 (EPI)	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 (one year old, %)	57.5	76.7	-	95.0
Maternal Mortality rate (per 100.000 live births)	1000	408	185	250
Deliveries assisted by qualified health staff (%)	44.2	47.7	53.8	N/A
HIV/AIDs prevalence among 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	41.1	44.8	-	50.0 (Rural)

access to an improved sanitation (%)				80.0 (Urban)
Net ODA, Total and to least developed countries received as GDP percentage	-	25.2	18.3	-
Debt service (% of goods and services exports)	-	3.9	1.97	-
Other Indicators				
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 and above, %)	39.5	46.4	-	-
Net enrolment rate in EPI (%)	44.0	69.4	95.5	100.0
Deliveries assisted by qualified health staff (%)	44.2	47.7	53.8	N/A

Source: *INE*

Human Development Index (HDI), Mozambique, 2003-2007

Description	2003	2004	2005	2006	2007	Changes 2007/2006
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 (\$PPP)*	1607.7	1749.8	1939.5	2 169.3	2 332.7	7.5

Source: *INE* (for life expectancy at birth, adult literacy and Mined for education enrolment)

* Estimates based on the World Bank PPP conversion rate.

Progress in attainment of the Millennium Development Goals in Mozambique

Millennium Development Goals					
	1990	1995	2000	2007	
Goal 1: Eradicate extreme poverty and hunger					
Employment to population ratio, 15+, total (%)	..	79	78	77	
Employment to population ratio, ages 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)	..	..	..	..	
Goal 2: Achieve universal primary education					
Literacy rate, youth female (% of females ages 15-24)	..	..	..	..	
Literacy rate, youth male (% of males ages 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	
Goal 3: Promote gender equality and empower women					
Proportion of seats held by women in national 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 (% ages 15-24)	..	..	..	..
Share of women employed in the non-agricultural sector (% of total non-agricultural employment)	11.4	..	..	..
Goal 4: Reduce child mortality				
Immunization, measles (% of children ages 12-23 months)	59	71	71	77
Mortality rate, infant (per 1,000 live births)	158	145	122	96
Mortality rate, under-5 (per 1,000)	235	212	178	138
Goal 5: Improve maternal health				
Adolescent fertility rate (births per 1,000 women ages 15-19)	..	..	153	155
Births attended by skilled health staff (% of total)	..	..	..	..
Contraceptive prevalence (% of women ages 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 ages 15-49)	..	..	..	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases				
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	..	..
Condom use, population ages 15-24, female (% of females ages 15-24)	..	..	..	..
Condom use, population ages 15-24, male (% of males ages 15-24)	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	177	265	383	443
Prevalence of HIV, female (% ages 15-24)	..	..	..	8.5
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	13
Tuberculosis cases detected under DOTS (%)	..	57	45	47
Goal 7: Ensure environmental sustainability				
Annual freshwater withdrawals, total (% of internal resources)	..	..	..	..
CO2 emissions (kg per PPP \$ of 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)	..	..	..	..
Goal 8: Develop a global partnership for development				
Aid per capita (current US\$)	74	67	48	77
Debt service (PPG and IMF only, % of exports of G&S, excl. 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
Other				
Fertility rate, total (births per woman)	6.2	6.0	5.7	5.2
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 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 ages 15 and above)	..	..	..	..
Population, total (millions)	13.5	15.9	18.2	21.4
Trade (% of GDP)	44.2	56.6	54.5	84.7
Source: World Development Indicators database				

Life Expectancy at birth (years) 2003-2007

Year	Total of males & females	Males	Females
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

Infant Mortality Rate (per those live births) 2003-2007

Year	Total of males & females	Males	Females
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 2003-2007

YEAR	MEASLES	BCG	DPT 1+HB	DPT 3 +HB	POLIO (1 DOSE)	TETANUS (1 DOSE 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 2002-2007

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	4,0934,23	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 – 2007

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
Total	11,642	6,674		2,903	1,677
2007 public	15,629	10,237		1,094	443
2007 private	2,184	1,728		753	612
Total	17,813	11,965		1,847	1,055

Crime reported by the Police, 2002-2007

Year	Against Property	Against Persons	Against order and public tranquillity	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 Action (MWSA)*

Transnational Issues:

Trafficking in persons: *Current situation:* Mozambique is 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: Transit point for South Asian hashish and heroin, and South American cocaine probably destined for the European and South African markets; producer of cannabis (for local consumption) and methaqualone (for export to South Africa); Corruption and poor regulatory capabilities makes the banking system vulnerable to money laundering, but the lack of a well developed financial infrastructure limits the country's utility as a one laundering centre.

ACRONYMS

ACNUR	United Nations High Commission for Refugees
ADE	Direct Support to Schools
ADEL	Local Development Agency
AEA	Literacy and Adult Education
AF	Households
AfDB	Africa Development Bank
AGOA	African Growth and Opportunity Act
AGP	General Peace Agreement
AIDI	Combined Attention to Childhood Illnesses
AIDS	Acquired Immune Deficiency Syndrome
AMDC	Mozal Association for Community Development
AMDC	Mozal Association for Community Development
ANC	Africa National Congress
ANE	Road Authority
ANFP	National Authority of Public Service
APRM	African Peer Review Mechanism
APSP	Administration and Provision of Public Services
APSP	Administration and Provision of Public Services
AR	Assembly of the Republic
AR	Assembly of the Republic
ARMA	Regressive Auto Model of Mobile/Movable Media
ARV	Anti-retroviral
ASDI	Swedish Agency for International Development
ASSOTSI	National Association of Operators and Workers of Informal Sector
AT	Taxation Office of Mozambique
ATM	Central Revenue Authority
ATS	Anonymous Test Centre for HIV
AU	African Union
BAÚ	Unique Counte (One-Stop-Shop)
BBC	British Board Cast
BCI	Banco Comercial de Investimentos
BCI-Fomento	Bank of Commercial Investment, SARL – Fomento
BCM	Banco Commercial de Mocambique
BCP	Basel Core Principles
BdPES	Social and Economic Plan Review/Audit
BER	Budget Execution Report
BIM	International Bank of Mozambique
BIS	Bank of International Compensation
BM	Banco de Mozambique (Bank of Mozambique)
BNTs	Non Tariff Barriers
BPD	Popular Bank of Development
BR	Bulletin of the Republic
BSTM	Standard Totta Bank of Mozambique
BVM	Bolsa de Valores de Moçambique (Mozambique Stock Exchange)
CAME	Economic Mutual Aid Commission
CAP	Census Agro-pecuário
CAT OP	Optional Protocol to the Convention Against Torture and other Cruel, Inhuman Degrading Treatment or Punishment
CAT	Convention against Torture and other Cruel, Inhuman Degrading Treatment and Punishment
CAV	Old Age Assistance Centre
CAV	Old Age Assistance Centre
CBC	Commonwealth Business Council
CC	Constitutional Council
CCBG	Committee of Central Bank Governors

CCIABM	Brazil-Mozambique Chamber of Commerce and Industry
CCLJ	Council of Coordination of Legality and Justice
CCM	Christian Council of Mozambique
CCMI	Committee for the Coordination of Money Markets
CCPR	The International Covenant on Civil and Political Rights
CCPR OP1	The Optional Protocol to the International Covenant on Civil and Political Rights
CCPR OP2	The second Additional Protocol to the Covenant on Civil and Political Rights for the Abolishment of Death Penalty
CCR	Consultative Committee of Refugees
CCT	Comissão Consultiva do Trabalho
CDC	Commonwealth Development Corporation
CDM	Mozambique Breweries
CDMP	Medium Term Expenditure Scenario
CED	Convention for the Protection of All persons from Enforced Disappearance
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women
CEEI	Centre for Strategic and International Studies
CEI	Corporate Ethics Index
CEMPRE	Corporate Census
CENOE	National Emergency Operations Centre
CERD	International Convention on the Elimination of All Forms of Racial Discrimination
CESCR	The International Covenant on Economic, Social and Cultural Rights
CFM	Mozambican Rail Company
CFMP	Mid-Term Fiscal Scenario
CFMP	Medium Term Fiscal Scenario
CGE	State General Account
CINSFLU	Census to non - lucrative institutions
CIP	Center of Public Integrity
CIPE	Center for International Private Enterprise
CIREL	Inter-Ministerial Commission on Legal reform
CIRESP	Inter-Ministerial Commission on Public Sector Reform
CIS	Collective Investment Schemes
CISNA	Committees of Insurance, Securities and Non Bank Authorities
CLUSA	The Cooperative League of the USA – American NGO
CM	Council Of Ministers
CMH	Guest House Company
CMW	Convention on Protection of Rights of Migrant Workers and Members of their Families
CNAM	National Council for the Advancement of women
CNCS	National Council for Combating HIV/AIDS
CNCS-SE	National Council Ageist Aids – Executive Secretariat
CNE	Commission on Reintegration
CNPP	National Campaign for Promoting Savings
CNUCCOI	United Nations Convention against International Organized Crime
COMSEC	Commonwealth Secretariat
CONDES	National Council for Sustainable Development
CONSILMO	Confederation of Independent Unions of Mozambique
CORE	Commission on Reintegration
COSSE	Committee of Southern Africa Stock Exchanges
COVs	Vulnerable Orphans Children
CPA	Agriculture Promotion Centre
CPD OP	Optional Protocol to the Convention on the Rights of Persons with Disabilities
CPD	Convention on the Rights of Persons with Disabilities
CPE	Provincial Electoral Commission
CPEBS	Core Principles of Effective Banking Supervision
CPI	Centre for promotion of investment
CPLP	Community of Portuguese Speaking Countries
CPMO	Committee on Monetary Policy
CPSS	Committee of Liquidation and Payment Systems
CRA	Credit Rating Agencies

CRC OP AC	Optional Protocol to the Convention on the Rights of the Child on the Involvement of Children in Armed Conflict
CRC OP SC	Optional Protocol to the Convention on the Rights of the Child on the Sale of Children, Child Prostitution and Child Pornography
CRC	Convention on the Rights of the Child
CRMa	Constitution of the Republic of Mozambique
CRMb	Country Review Mission
CRR	Country Review Report
CRT	Country Review Team
CSAR	Country Self Assessment Report
CS-IID	Cruzeiro do Sul – Institute of Investigation for Development – José Negrão
CSMJ	Conselho Superior de Magistratura Judicial (High Council of the Judiciary)
CSMMP	Conselho Superior de Magistratura do Ministério Público
CSOs	Civil Society Organizations
CT	Technical Committee
CTA	Confederation of Economic Associations of Mozambique
CUT	Conta Única do Tesouro (Treasury Single Account Unit)
CVRD	Companhia do Vale do Rio Doce
DCA	Animal Science Directorate
DDR	Demobilization, Disarming and Reintegration
DFID	Department for International Development (of the United Kingdom)
DNA	National Directorate of Water
DNCP	National Directorate for Public Accounts
DNE	National Directorate of Statistics
DNM	National Directorate of Women
DNT – ADP	Area of Public Debt of National Directorate of Treasury
DNT	National Directorate of Labour
DOTS	Short Term Treatment under Direct Observation
DPPF	Provincial Directorate for Planning and Finance
DRI	International Debt Relief
DTS	Sexually transmitted diseases
E.P.	Public Enterprise
EAP	Economically Active Population
ECA	Strategy of Agricultural Commercialization
ECOSOCC	Economic, Social and Cultural Council of the AU
e-CUT	Electronic Treasury Single Account Unit
EDM	Electridade de Mocambique
EDR	Strategy of Rural Development
EDR	Strategy of Rural Development
EGFE	Estatuto Geral dos Funcionarios de Estado (General Statute of the Staff of the State)
EI	Entrepreneur in Individual Name
EISA	Electoral Institute of Southern Africa
EITII	Extractive Industries Transparency International Initiative
EMOSE	Insurance Company of Mozambicana of Safe
EN1	National Highway Number 1
ENSO	El Nino Southern Oscillation
EP1	Primary School of the First Degree
EP2	Primary School of the Second Degree
EPA	Economic Partnership Agreement
EPM	Monetary Policy Strategy
ES1	Junior Secondary Education
ES2	Senior Secondary Education
ESAN	Strategy of Nourishing and Nutritional Safety
ESDEM	Social and Demographic Statistics
ESG1	General Secondary School–First Cycle
ESG2	General Secondary School–Second Cycle
e-SISTAFE	Electronic version of SISTAFE
ESP	Balance of Economic and Social Plan
ESRP	Economic and Social Rehabilitation Programme

EU	European Union
EUA	United States of America
EWS	Early Warning System
FADM	Mozambican Armed Forces
FAIJ	Youth Initiative Support Fund
FAMOD	Forum dos Associacao Mocambicanas dos deficientes
FAO	Food and Agricultural Organization
FARE	Fund of Economic Rehabilitation Support
FATF	Financial Action Task Force
FBCF	Brute Formation of Fixed Capital
FCP	Provincial Common Fund
FDC	Community Development Foundation
FDI	Foreign Direct Investment
FEMA	Managerial Forum for the Environment
FFE	Road Fund
FIFIM	Cabinet of Financial Information of Mozambique
FIP	SADC Protocol on Finance and Investment
FMI	International Monetary Fund
FNAC	National Anti-Corruption Forum
FOMOE	Mozambican Forum for Electoral Observation
FRELIMO	Frente de Libertação de Moçambique (Mozambique Liberation Front)
FSTAP	Financial Sector Technical Assistance project
FTA	Free Trade Area
G-19	Group of Nineteen
G20	Group 20, Civil Society Platform
GAPI	Gabinete de Promoção de Investimentos
GAPVU	Vulnerable People Support Office
GBV	Gender Based Violence
GCCC	Gabinete Central de Combate a Corrupção (Central Office for Fight against Corruption)
GCG	The Group of Gender Coordination
GDDS	General Data Dissemination System
GDP	Gross Domestic Product
GFIA	General Financial Inspection Authority
GFP	Management of Public Finance
GGDS	General Data Dissemination System
GHGs	Greenhouse Gases
GIFIM	Office of Financial Information of Mozambique
GMD	Debt Mozambican Group
GNI	Gross National Income
GNP	Gross National Product
GoM	Government of Mozambique
Govnet	Official Page of Mozambican Government in the Internet
GPA	General Peace Agreement
GSA	General State Account
GTZ	German Technical Cooperation
HCB	Cahora Bassa Hydroelectric Dam
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries
HIV	Human immunodeficiency Virus
HP	Hodrick Prescott Method
IAF	Household Surveys
IAIS	International Insurance Supervisors
IAM	Mozambique Cotton Institute
IAS	International Accounting Standards
ICESCR	International Covenant on Economic, Social and Cultural Rights
ICS	Institute of Social Communication
ICT	Information and Communication Technology
IDA	International Development Assistance
IDD	Investimento Directo Privado Doméstico (Domestic Private Direct Investment)

IDE	Investimento Directo Estrangeiro (Foreign Direct Investment)
IDH	Index of Human Development
IDPs	Internally Displaced Persons
IDS	Health and Demographic Survey
IED	External Direct Investment
IES	High Education Institutions
IFAPA	Instituto de Formacao em Administracao Publica e Autarquica
IFC	International Finance Corporation
IFPRI	Research International Institute for Food Policy
IFPs	Teacher Training Colleges
IGEPE	Institute of State Participation
IGF	General Financial Inspection
IGF	General Inspectorate of Finance
IIAI	International Institute for Internal Audit
IIAM	Institute of Agrarian Investigation of Mozambique
ILO	International Labour Organization
IMAF	National Institute of Sea and Borders
IMF	International Monetary Fund
IMR	Infant Mortality rate
INAR	National Institute of Support to Refugees
INAS	National Institute of Social Action
INE	Instituto Nacional de Estatística (National Institute of Statistics)
INEA	National Institute of Adult Education
INGC	National Institute of Disasters Management
INSS	National Institute of Social Security
Interpol	International Police
IoDmz	Institute of Directors of Mozambique
IOM	International Organization for Migration
IOPS	International Organization of Pension Supervisors
IPA	International Association of Police
IPC	Index of perception of Corruption
IPCC	Institutes of Participation and Community Consultation
IPH	Index of Human Poverty
IRPS	Tax on Singular People Income
ISA	International Standards on Auditing
ISAP	Higher institute of Public Administration
ISO	International Organization for Standardization
ISRI	Superior institute for International Relations
ISRI-CEEI	Superior Institute of International Relations – Centre of Strategic and International Studies
ITS	Sexually Transmitted Infections
IVA	VAT
LDC	Least Developed Countries
LIIF	Local Initiative Investment Fund
LINK	Forum of NGOs
LOLE	Law of Local State Organs
M&E	Monitoring and Evaluation
M°P°	Prosecuting Counsel
M1, M2, M3	Monetary Aggregate
MAE	Ministry of State Administration
MAP	African Recovery Programme
MARP	Africano Per Review Mechanism (African Mechanism for Pair Review)
MCA	Millennium Challenge Account
MCEL	Mozambique Cellular
MCT	Ministri of Cience and Technology
MdE	Memorando de Entendimento
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MECa	Minerals and Energy Complex
MECb	Ministry of Education and Culture

MEFMI	Macroeconomic and Financial Management Institute
MEFP	Memorandum of Economic and Financial Policies
MEO	Module of Budget Preparation
MEX	Module of Budget Execution
MFI	Micro Financial Institutions
MFMI	Macroeconomic Financial Management Institute of Eastern and Southern Africa
MFPEP	Ministry of Finance Planning and Economic Development
MIC	Ministry da Industry e Commerce
MIC	Ministry of Trade and Industry
MICOA	Ministry for Coordination of Environmental Issues
MINAG	Ministry of Agriculture
MINEC	Ministry of Foreign Affairs and Cooperation
MISAU	Ministry of Health
MITRAB	National Institute of Employment and Training
MMAS	Ministry of Women and Social Affairs
MMI	Inter-banking Monetary Market
MMR	Maternal Mortality Rate
MNE	Ministry of Foreign Affairs
MoF	Ministry of Finance
MOPH	Ministry of Public Works and Housing
MoU	Memorandum of Understanding
Mozal	Mozambique Smelter Aluminium Company
MP	Member of Parliament
MPC	Monetary Policy Committee
MPD	Ministry of Planning and Development
MPS	Adjusted Participation to the Sexes
MSMEs	Micro, Small, and Medium-sized Enterprises
MT	National Mozambican Currency
MTEF	Medium Term Expenditure Framework
MULEIDE	Woman, Law and Development
MVA	Manufacturing Value Added
MWSA	Ministry of Women and Social Action
NAM	Non-Aligned Movement
NAR	Núcleo de Apoio aos Refugiados
NAR	Núcleo de Apoio aos Refugiados
NBFI	Non-bank Financial Institutions
NCAW	National Council for the advancement of Women
NDRN	National Directorate of Registers and Notaries
NEPAD	New Partnership for Africa's Development
NGC	National Governing Council
NGO	Non-Governmental Organization
NIB	Bank Identification Number
NIRF	Normas Internacionais de Relatório Financeiro
NMC	Coins and Notes in Circulation
NPL	Nonperforming Loans
NPOA	National Programme of Action
NTB	Non-Tariff Barriers
NTIC	New Information and Communication Technologies
NU	United Nations
OAU	Organization of African Union
OCDE	Organização para a Cooperação e Desenvolvimento Económico
OD	Observatory of Development
ODM	Millennium Development Goals
OEa	State Budget
OEb	Electoral Observatory
OECD	Organisation for Economic Cooperation and Development
OGE	State General Budget
OIM	International Organization for Migrations
OIP	Pelouro de Organização, Informática e Sistemas (do Banco de Moçambique)

OMM	Organização das Mulheres Moçambicanas (Mozambican Women Organization)
OMS	World Health Organization
ONG	Non – Government Organization
ONU	United Nations Organization
ONUMOZ	UN Peacekeeping Force
ONUSIDA	United Nations Joint Programme for HIV/AIDS
OP	Observatory of Poverty
OPDS	Bodies for Political Cooperation, Defence and Security
OPP	Provincial Poverty Observatory
OSCs	Organization of Civil Society
OTM	Organization of Mozambican Workers
OTM-CS	Organização dos Trabalhadores Moçambicanos – Central Sindical
OUA	African Union Organization
OVC	Orphans and Vulnerable Children
PAE	Programmes of Structural Adjustment
PAF	Performance Assessment Framework
PAFR	Rural Finance Support Program
PAMA	Rural Markets Support Program
PAP	Programmatic Support Partners
PARPA 2	Plano de Acção para a Redução da Pobreza Absoluta –II (PRSP II)
PARPA I	Plano de Acção para a Redução da Pobreza Absoluta –I 9PRSP I)
Pb	Basic points
PC – SADC	SADC Commercial Protocol
PCA	Chair of the Board of Directors
PE	Pequeno Empresário
PEE	Roads Strategic Plan
PEEC	Strategic Plan of Education and Culture
PEFA	Public Expenditure and Financial Accountability
PEN	National Strategic Plan for combating STD/HIV/AIDS
PENII	Plano Estratégico Nacional de Combate às DTS\HIV\SIDA 2005-2010
PES	Plano Económico e Social (Economic and Social Plan)
PESE	Strategic Plan for the Education Sector
PESEC	Strategic Plan for the Education and Culture Sector
PESOD	Economic and Social Plan and District Budget
PESOE	Economic and Social Plan and State Budget
PFM	Public Finance Management
PG	Procurator-General
PGEI	Política do Género e Estratégia de Desenvolvimento
PGR	Attorney General's Office of the Republic
PHI	Poverty Headcount Index
PIB	Gross Domestic Product
PIC	Polícia da Investigação Criminal
PMEs	Small and Medium Enterprises
PMMEs	Small, Medium and Micro Enterprises
PMTCT	Prevention of Mother to Child Transmission
PNAC	Nation Plan for Children
PNB	Produto Nacional Bruto
PNCM	National Programme of Fight Against Malaria
PNE	National Education Policy
PNUD	United Nations Programme for Development
PO	Poverty Observatory
POS	Point Of Sell
POTJ	Pelouro de Operações, Tesouraria e Assuntos
Pp	Percentage points
PPFD	Programme of District Planning
PPI	Prospective and Indicative plan
PPP	Public Private Partnership
PQG	Government Five-Year Plan
PRa	President of the Republic

PRb	Proportional Representation
PRE(S)	Social and Economic Rehabilitation Program
PRM	Police of the Republic of Mozambique
PROAGRI	National Programme of Agricultural Development
PROSAUDE	General Common Fund for Supporting the Health Sector
PRSP	Poverty Reduction Strategy Paper
PSP	Programme Support Partners
PSR	Public Sector Reform
PTV	Prevention of Vertical Transmission
PVD	Developing Countries
PWDs	People With Disabilities
QAD	Quadro de Avaliação do Desempenho (Performance Assessment Framework)
QUIBB	Survey of Indicators of Basic Well Being
R&D	Research and Development
RAI	Report on Impact Evaluation
RAP	Annual Poverty Report
RENAMO	National Resistance of Mozambique
REO	Report on Budget Execution
RETOSA	Regional Tourism Organization of Southern Africa
RILs	Liquid International Reserves
RISPD	Regional Indicative and Strategic Planning Development
RM-EP	Radio Mozambique – Public Entity
ROSC	Evaluation of Observance of Norms and Codes
RRRTV	Rural Network of Radio and Television
RSA	Republic of South Africa
RTGS	System of Liquidation of Big Companies
SA	Sociedade Anónima
SAAISA	Sociedade de Assistência à Agricultura e Indústria, S. A
SACU	Southern Africa Customs Union
SADC	Southern African Development Community
SAP	Structural Adjustment Programme
SARPCCO	Southern Africa Region Police Chief Cooperation Organization
SC	Sociedade em Comandita (Civil Society)
SCA	Sociedade em Comandita por Acções
SCI	Sociedade de Capital e Indústria
SEMOC	Seeds of Mozambique
SIDA	AIDS
SIFAP	System of Training in Public Administration
SINSFP	Sindicato Nacional da Função Pública
SINTICIM	Hotel and Tourism
SINTIHOTS	Civil Construction and Mining
SISTAFE	Integrated System for State Financial Management
SMI	Mother-child Services
SNC	Sociedade em Nome Colectivo
SNP	National System of Payment
SoE	State-owned Enterprises
SPS	Sanitary and Phytosanitary Measures
SQAM	Standardization, Quality Assurance, Accreditation and Metrology
SSR	Reproductive and Sexual Health
STAE	Technical Secretariat for Election Administration
STF	Transfer of State Funds
STV	Soico Television
STV	Single Transferable Vote
STV	Soico Television
SWAp	Sector Wide Approach
TA	Administrative Court
TARV	Tratamento Anti-retroviral (ARV Treatment)
TBT	Technical Barriers to Trade
TDM	Mozambique Telecommunications

TEI	Inter-banking Electronic Transfer
TFP	Total Factor Productivity
TI	International Transparency
TICs	Information Technology and Communication
TNF	Trade Negotiating Forum
TS	Supreme Court
UA	African Union
UAC	Unidade Anti-Corrupção (Anti-Corruption Unit)
UD	Democratic Union
ULC	United Leasing Company
UN	United Nations
UNAC	National Union of Peasants
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commission for Refugees
UNICEF	United Nations Children's Education Fund
UNIVISA	Single Visa System for SADC Countries
UPE	Universal Primary Education
URA	Mozambique Revenue Authority
USAID	United States Agency for International Development
USD	American Dollar, North America Currency
USE	Universal Secondary Education
UTRA	Technical Unity for Customs Restructure
UTRAFE	Technical Unit for the Financial State Reform
UTREL	Technical Unit for Legal Reform
UTRESP	Public Sector Reform Unit
VAIT	Valued Added into Industry Transformation
VAL	Present Amount of Debt
VAR	Auto Regressive Vector
VAT	Value Added Tax
WFP	World Food Programme
WHO	World Health Organization
WLSA	Women and Law in Southern Africa Research and Educational Trust
WTO	World Trade Organisation
ZANU	Zimbabwe Africa National Union
ZAPU	Zimbabwe Africa People's Union
ZCL	Free Trade Zone

1. THE APRM PROCESS

1.1 EVOLUTION OF THE APRM PROCESS

- i. Africa entered the new millennium with optimism, backed up by a commonly derived and broadly supported roadmap on how to overcome the development challenges of the last decades that were exacerbated by various factors, including conflict, institutional decay, leadership and managerial deficit, endemic corruption and economic mismanagement. The continent's agenda for renewal and 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 to spearhead the renewal process; and, increasingly exercise ownership of its development agenda.
- ii. 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; place African countries, both individually and collectively, on a path of sustainable growth and development; halt the marginalisation of Africa in the globalisation process and enhance its full and beneficial integration into the global economy; and to accelerate the empowerment of women.
- iii. At the core of these objectives is the need for good governance on the African continent as a pre-requisite for human security and political stability, high economic growth, sustainable development, and accelerated sub-regional and continental economic integration. In recognition of these ideals, the Heads of State and Government Implementation Committee of the AU also 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 Government of AU countries issued a Base Document on the African Peer Review Mechanism (APRM) to provide for the appointment of the Panel of Eminent Persons, the setting up of an APRM Secretariat and supporting services from NEPAD, strategic partners and special consultants and advisors.
- iv. Six years on, the African Peer Review Mechanism is now widely heralded as the jewel in NEPAD's crown and as an innovative initiative on governance in Africa. The instrument is voluntarily acceded to by member states of the African Union for self-evaluation. Assessment under the APRM is conducted within the framework of agreed values, codes and standards as contained in the Declaration on Democracy, Political, Economic and Corporate Governance.
- v. It has at its fulcrum the deepening of democratic practices, the strengthening of achievements, dissemination of best practices and the 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.

- vi. 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
 - Socio-Economic Development.
- vii. The implementation of the APRM over the years, albeit uneven in member countries, has generated valuable experiences 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, including citizen participation in the evaluation of how they are governed. There are concrete results on ground. Through the APRM, African countries are now able to learn from each other and further deepen African solidarity. Capacity in monitoring governance is being developed and partnerships are being created, facilitating greater advocacy for the APRM and showcasing Africa's innovative thinking in governance.
- viii. Notwithstanding its monumental achievement in the domain of Africa's governance, there are perceived obstacles which are receiving attention. The expectation now is for the mechanism to deliver qualitative improvements in governance and demonstrate the seriousness of Africa in tackling identified governance challenges 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.

2. BACKGROUND

- ix. 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, an unsuccessful socialist experience, and, above all, a ubiquitous and fratricidal civil war that plunged the country into political instability, massive social dislocation, economic ruin and mass poverty.
- x. 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. Unfortunately, this was not to be. The country was shortly afterwards engulfed in a vicious and brutal civil war, which left a trail of destruction across the country. This caused great suffering and considerable human misery. Experiencing very high poverty levels and a negative economic growth rate, Mozambicans were caught up in probably among the worst possible quality-of-life conditions in the world.
- xi. Undoubtedly, still one of the 'poorest' country in the world, Mozambique like the legendary phoenix- a mystical bird that is born again from its own ashes-has had a remarkable renaissance in the face of persistent natural and man-made adversity. The country has since the mid-1990s reinvented itself as a highly successful post-conflict transition country, with impressive economic growth and sustained macro-economic and political stability.
- xii. Since the devastating civil war ended in 1992, the country has enjoyed a remarkable recovery, achieving an average annual rate of economic growth of 8 percent between 1996 and 2007- one of 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 3 million people out of extreme poverty (out of a total population of 20 million). From the human development perspective, this has meant a 35 percent decrease in infant and under-five mortality, and a 65 percent increase in net primary school enrolment. Inequality remained relatively low by regional standards, and progress has been made toward the key Millennium Development Goals on infant mortality and primary enrolment.

- xiii. On the democratic front, the country has also made notable progress. Democratic principles are respected and the country has consistently held elections albeit under severe constraints. To date, Mozambique has had three presidential and parliamentary elections (1994, 1999, 2004); and two municipal elections (1998, 2003). Legislative and presidential elections are set for 2009. Civil and political rights have become deeply entrenched in the country as a result of constitutional guarantees being observed. Civil society participation in the development process and in institutional capacity building has added fillip to the formulation and implementation of important national action plans, policies and programmes. Important safeguards exist that enables the media to operate and disseminate information freely, although access to information remains problematic.
- xiv. Although the country still faces enormous challenges, Mozambique today stands as a beacon of hope for the rest of post-conflict countries, not just in Africa but across the world. Post-conflict countries can draw useful lessons from Mozambique's experience in political and economic management.
- xv. Despite these successes, Mozambique remains, to all intents and purposes, a post-conflict society with all the associated challenges. Mozambique is still one of the poorest countries in the world: 54 percent of the population find themselves below the national poverty line, and the country ranked 172 out of 177 countries in UNDP's most recent Human Development Report (2007/08). Although FRELIMO has been in power since independence, the country bears only the slightest resemblance to the vision they had proclaimed at independence.

3. SUMMARY OF FINDINGS IN THE THEMATIC AREAS

3.1 Democracy and Political Governance

- xvi. Mozambique gained independence in 1975 after a protracted armed struggle against Portuguese colonial rule. For the next sixteen years, the country fought a bitter civil war which ended only after a General Peace Agreement (GPA) was signed in 1992. Thus, it was not until peace was secured that the leaders could concentrate fully on the socio-economic development of the country and the promotion of the political and civil rights as well as the economic, social and cultural rights of the people. Mozambique's political evolution since independence has, therefore, been shaped by the desire to consolidate peace, rapidly grow the economy and ensure that the basic necessities of the people are met within an expanding framework of rights, duties and responsibilities.
- xvii. The national leadership has performed the balancing act reasonably well over the last sixteen years. This has enabled the country to transit relatively smoothly from a one-party state of Marxist orientation into a multi-party free market democracy. The Government of Mozambique (GoM) deserves much praise for the success so far achieved in trying to institutionalise democracy and political good governance, despite the challenges faced in reconciling competing political and social interests and the relative inadequacy of human and material resources.
- xviii. Mozambique's late start in embracing multi-party democracy and the global regime of human rights is reflected by the country's record with regard to the signing and ratification of international standards and codes. Mozambique has signed many relevant APRM standards and codes, but many more remain to be signed. It is commendable that no reservations were made to any of the agreements. A few important agreements which still remains to be signed or has been signed and awaits ratification include *The International Covenant on Economic, Social and Cultural Rights*; *The Optional Protocol to the International Covenant on Civil and Political Rights*; and *The Convention on the Political Rights of Women*.
- xix. Mozambique has experienced difficulties in complying with its reporting obligations to the UN treaty monitoring bodies and the ACHPR. The level of enforcement and implementation of international

codes and standards unfortunately remain unsatisfactory. This is partly due to low levels of awareness amongst those responsible for its enforcement such as lawyers, judges, public prosecutors, members of parliament and the general public.

- xx. The Mozambican Constitution can be considered international law friendly. It states specifically 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 the Mozambican law. No additional legislative act of domestication or incorporation is, therefore, required.
- xxi. Mozambique has enjoyed peace and stability since the signing of the General Peace Agreement (GPA) on October 4, 1992. Despite occasional outbreaks of violence since then, it has been possible to sustain the spirit of the agreement and to maintain peaceful conditions necessary for political stability and socio-economic development. Since the GPA was signed seventeen years ago, strenuous efforts have been made to reduce distrust and deepen peace through consultations, dialogue, consensus and inclusive policies to reintegrate formerly warring opponents and inculcate a new patriotism based on mutually defined national objectives and aspirations. The example of former war protagonists in both FRELIMO and RENAMO turning into peace advocates has had a salutary influence on their teeming members leading to the adoption of dialogue and consultation as national ethic for conflict resolution. Thus, the GPA provides a reference and framework for the resolution of intra-state conflicts and indeed the conditions for the establishment and consolidation of multi-party democracy.
- xxii. However, there are challenges to the sustenance of peace. There is evidence of rising violence because of the perceived inequities in the procedures for elections such as 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 that the Police have repressed with maximum force
- xxiii. Poverty, together with economic and social exclusion, is also identified as a major cause of violent conflict in society. Some of the violent conflicts in Mozambique can be traced to persisting imbalances in regional development in terms of investments, socio-economic infrastructure, service delivery and large scale projects that could alleviate unemployment.
- xxiv. Trust, which is the foundation of the peace constructed after painstaking negotiations lasting about two years, seems to be gradually eroding. There are evident problems with the practice of inclusivity and political pluralism which lies at the heart of the GPA. While the GPA framework remains in place, having been given expression in the Constitution and state laws, inconclusive implementation of key aspects of the peace agreement and practices that deviate from its spirit and letters portend a gradual retreat from the compromises and concessions agreed to in 1992. Among the major issues indicative of the challenges to integration and social inclusion are the following: *incomplete disarmament, economic exclusion and social exclusion*.
- xxv. The ambiance of peace is also disturbed by inconclusive demobilisation and rehabilitation programmes especially those demobilised after the 16-year civil war. Those eligible among demobilised soldiers (mostly FRELIMO soldiers) were paid stipends over a period of eighteen months during which their reintegration into society was expected to be completed under the Reintegration Support Scheme which was funded from a Trust Fund managed by the UNDP. Most RENAMO soldiers not absorbed into FADM were excluded from the payment of the 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 began under the Commission on Reintegration (CORE), but was taken over, when the latter wound up, by the Ministry of Labour and run in collaboration with UNDP and the ILO.

- xxvi. 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 under-aged soldiers. The Government has recently stepped in to try 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 not covered by any safety net. Many of those declared medically unfit have not received any benefits, and among those eligible there are still many waiting to be paid.
- xxvii. 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 percent from 36,257 in 2006 to 41,902 in 2007. 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 laws into their hands and lynching suspects or people apprehended during the perpetration of crimes. The free circulation of weapons (small arms) in Mozambique aids crime and violent conflicts.
- xxviii. 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 freely in the country's territorial waters because of the small size and limited capability of the Navy. However, in 2007, Mozambique obtained three patrol boats from the United States of America to enhance naval fleet capability. This is reinforced by the cooperative arrangements between Mozambique and South Africa under the South Africa-Mozambique Joint Permanent Commission on Defence and Security.
- xxix. Control of and access to land is a source of conflict in many communities. Ownership of land is vested in the State but individuals can apply for the right of use which, if approved, confers lease right for a specified number of years.
- xxx. In addition, elections were also identified as causes of conflict in Mozambique. In the 2004 elections many violent clashes between FRELIMO and RENAMO supporters occurred at Inhamitanga where an armed guard of the national leader of RENAMO was shot dead, Mozambique Island, Chimoio, Angoche and other areas. There were violent clashes during the local elections of November 2008 in Beira, Dondo and Marrimau in Sofala Province and in Tete and Nampula Provinces.
- xxxi. In terms of promoting constitutional democracy, including periodic political competition and opportunity for political choice, the rule of law and supremacy of the Constitution, the Mozambican constitutional order has undergone radical changes since 1997. The 1975 Constitution established a one-party socialist state led by FRELIMO with no separation of powers between the executive and the judiciary. In 1990, a new Constitution was drafted as part of the peace negotiations which established a multiparty constitutional democracy, recognition of fundamental human rights and independence of the courts from executive and party control. In 2004 a third post-independence Constitution was adopted to take Mozambique into the twenty-first century, strengthening human rights and breaking away from the struggle rhetoric of its predecessor.
- xxxii. The Constitution of the Republic of Mozambique is the supreme law of the land and both the state and the law are subordinate to the Constitution. The Constitution contains detailed provisions on nationality, 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 and the African Charter on Human and Peoples Rights. A notable exception is the provision of preventative imprisonment. Although the period is fixed by law, and the reasons for imprisonment and the judicial decision by which imprisonment is ordered shall be promptly communicated, the concept of preventative detention violates internationally accepted human rights.

- xxxiii. The Constitution consecrates the principle of universal suffrage and the political party as the way to manifest political pluralism. Linked to these principles, the Constitution recognises a series of rights e.g. the right for 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 which includes the duty of all citizens to respect the constitutional order and that “Acts contrary to the provisions of the Constitution shall be subject to punishment in terms of the law”.
- xxxiv. The rule of law is also guaranteed by the Constitution through the consecration of the principle of legality in public administration performance, the citizens’ prerogative to resort to courts in case of violation of their legally protected rights or interests, and a series of institutions to guarantee those rights, i.e. the courts, the Public Prosecution Service, the Ombudsman, the Constitutional Council, and the Petition Commission of Parliament. It is also the function of the courts to guarantee the rule of law, as an instrument of legal stability. 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.
- xxxv. From a practical perspective, however, there are many problems. The constitutionally protected rights are not enforced and institutions designed to protect the rule of law either do not function or their functions are severely curtailed. This is due to inadequate functioning of the courts and the justice sector in general, limitations of the Administrative Court, the fact that the Constitutional Council is almost fully unknown and that there is no tradition of constitutional litigation. The Ombudsman is a recent creation which is not yet operational. The lack of a clear distinction between the state, government, and party in the eyes of not only certain politicians and government officials but also the general public further poses problems.
- xxxvi. As far as periodic political competition is concerned the Constitution provides that political parties are to be equal before the law, shall have the right to freely and publicly propound their policies, be given guarantees of access to the mass media and public funding by the Electoral Act, and no citizen shall suffer discrimination by virtue of his membership of a political party. In return, political parties shall avoid the use of acronyms or symbols that can incite violence or have divisive connotations or exploit race, region, tribe, gender or religion, and must practice internal democracy. The Constitution captures the GPA provisions by providing that the “people shall exercise political power through elections 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”.
- xxxvii. The strong determination to ensure acceptability of electoral outcomes, especially immediately after the civil war, is reflected in the detailed provisions made on the establishment of the National Electoral Commission and its functions, on the Voting Assemblies, and on the conduct of the elections into the Assembly of the Republic and the Presidency.
- xxxviii. The Constitution provides term limits of five years for elected officials and bodies. General elections (Presidential and National Assembly) have been conducted in 1994, 1999, and 2004, while another is due this year (2009). Municipal elections have been conducted in 1998, 2003 and 2008. The cycle of elections has been sustained since multi-party elections commenced, except for the municipal/district elections due in 2007 which were postponed until 2009. Significantly, 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 conducted so far under the existing arrangements have laid the foundation for the consolidation of democracy and multi-party

elections as the means of choosing political leaders. Currently, women constitute 37.2 percent of the membership of the National Assembly, much higher than in many African countries.

- xxxix. Challenges to the conduct of periodic elections include the rejection of election results by the opposition after each election save the municipal elections of 2003. The CRM learnt about widespread misgivings about the conduct of elections, starting from the registration of voters, designation of polling stations, balloting, counting of the votes and collation of results during the stakeholder workshops in all the Provinces. Complaints relate to disruption of freedom of movement, free expression of opinions and the right to unfettered access to all parts of the country to campaign for votes. The conduct of the police during elections is partisan and alleged to assist the FRELIMO agents to perpetrate electoral malpractices. There were complaints that the registration of voters is not done transparently, erring in favour of FRELIMO. Spokesmen of the opposition 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. In addition the presence of RENAMO members still under arms during elections has a menacing influence. There were allegations of a lack of transparency in the counting and collation of votes because members of STAE connive to inflate results in favour of FRELIMO. This allegation seemed confirmed in 2003 when the CNE within one week issued three different results of the 2003 local elections.
- xl. The playing field is not level for all political parties in Mozambique. The CRM was inundated with allegations of discriminatory administrative practices which 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, in practice most vacancies are filled on the basis of affiliation with the party. FRELIMO supporters are allowed to organise cells in their work places, hold meetings during office hours, and make financial contributions to the party using official channels to effect deductions from salaries of members.
- xli. The impact of the alleged discriminatory administrative practices on the support base of opposition political parties and their electoral fortunes is not quantifiable. But, evidently, electoral support for the opposition is gradually eroding, judged by the outcomes of successive elections since 1994. This raises questions about the capability of opposition parties to function effectively, in the long term, to afford the people of Mozambique a credible alternative leadership choice during elections. Worryingly, though, voter turnout has been declining, portending even greater hazard to the sustenance of democracy in Mozambique as system of leadership recruitment through competitive elections.
- xlii. In an attempt to ensure the promotion and protection of rights, the Constitution of Mozambique guarantees a wide range of civil, political, economic, social and cultural rights as well as duties. Mozambique is a party to the International Covenant on Civil and Political Rights, but not to the First Optional Protocol to this Covenant, which would give individuals the right to access the complaints mechanisms under the Covenant and also not to the Covenant on Economic Social and Cultural Rights.
- xliii. The CRM received mixed reactions regarding the enjoyment of freedom of expression: Many felt that freedom of expression is observed, emphasising that there is open governance and the people are given opportunity to freely express themselves i.e. each Mozambican has a right to have and air his own ideas and opinions. Those who disagreed argued that Government is not pro-people, saying that especially at the community level those who speak out against what is wrong are seen as political adversaries. Others informed the CRM that some people are afraid to speak openly; a person who criticises government consistently may most likely face persecution. Some argued that poverty is not solved by political party colours, and that people should be allowed to criticise the system and that democracy should be participatory despite ideological differences.

- xliv. Freedom of information in Mozambique is yet to be fully operationalised pending the enactment of the Access to Information Law. The absence of this law hampers sectors of society seeking information for investigative or other purposes, because the Official Secrets Law is cited as a ground of non-release of information. The accessibility of the written media will however remain limited as long as the problem of illiteracy prevails.
- xlv. Dissemination of government policies, processes and programmes is fundamental to the development process. At the Province/District level, meetings are held to disseminate government policies, and this information is passed on to the communities. However, there are allegations that the information regarding the fund of 7 million meticaís sent to the districts is not disseminated to community members thought to belong to the opposition, and that FRELIMO members are favoured. Due to lack of information regarding the allocation of the fund, perceptions abound that the allocation process is not transparent and that the money is being misapplied.
- xlvi. Cross border crime is a source of concern to Mozambique. Prohibited substances coming via the Indian Ocean have been captured through Police interventions. Small arms trafficking are prevalent in the coastline. Trafficking in women and children is also rampant but the Government is undertaking measures to build the capacity of the Police to combat it and other cross-border crime in cooperation with neighbouring countries, Interpol and SADC.
- xlvii. Access to justice is fundamental in protecting human rights of citizens and courts are vanguards of those rights. In this regard it is important for the courts to be objective and efficient arbiters; for citizens to be aware of their rights and have easy resort to courts whenever their rights are infringed upon by state or private actors. In Mozambique, the majority experiences difficulties in accessing courts and awareness of rights has posed a challenge.
- xlviii. Access to justice for the ordinary person is hampered by the technical procedure and other constraints. District Courts are not accessible for the people who live in remote areas due to distance and resources. Courts are not established in all districts and the norms or rules of justice are not understood by the people. Illiterate citizens often lack access to information which would facilitate knowledge of their constitutional rights. 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 too long to be resolved.
- xliv. Civil society in Mozambique has been very dynamic in engaging several development processes and in shaping government policies. The operation of NGOs is governed by legislation regarding their registration and operations. Because of the value they add to the development process, more Ministries are resorting to partnering with NGOs in the execution of their mandates in service delivery. Participation of CSOs in monitoring and participating in the electoral processes has increased public oversight in elections. In fact, the president of the CNE is from civil society.
 - i. Few CSOs are, however, involved in political activism or in governance. The reasons adduced for this are that many CSOs fear to be involved in this area as those who do so, risk being viewed as members of the opposition. Also, most donors who provide significant resources focus more on projects dealing with socio-economic development. CSOs also observed that because it is difficult to measure the impact of democracy, communities prefer tangible, visible things e.g. schools water pumps or health centres.
 - li. The Constitution of Mozambique recognises several economic and social rights such as the right of ownership and inheritance; right to work; right to retribution and to safety at work; freedom of professional associations and unions; right to strike and prohibition of lock-outs; right to education and health; 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 not legally enforced mostly due to resource constraints.

- lii. The CRM learnt from the Minister of Education that children's right to education is being promoted vigorously. However, illiteracy levels of women remain high. At the higher levels, the presence of girls is less visible, e.g. the rate of girls enrolling in secondary school has been estimated at 9 percent. The Mozambique Report on the MDGs of 2008 notes that adult literacy has grown to 48.1 percent in 2005.
- liii. The GoM has made progress in providing health services to the population although the public and private health systems remain unable to cater for the whole population. The Ministry of Health informed the CRM that in the last ten years there has been a reduction in infant mortality. However, maternal mortality is still a major cause of death in women and it is highlighted in the Action Plan for the Reduction of Absolute Poverty 2006-2009 (PARPA II). HIV AIDS continues to have a high incidence of death rates, with a prevalence of 16 percent. However, there has been notable success in providing health care for persons living with HIV. Malaria and cholera have also posed a public health challenge. Malaria is on the decline since 2007-8 due to preventive measures such as spraying of households. The capacity of diagnosis of TB is improving but provision of healthcare services is stretched by the increase of TB due to HIV AIDS.
- liv. The primary responsibility to create conditions that will result in employment activities and promote the social welfare of the citizen rests on the Mozambican government. However, there remain several challenges in this area. In addition to the challenges that this developing country emerging from the ravages of a prolonged era of war faces, natural disasters have negatively affected the ability of the citizens to be involved in gainful economic activities. Floods and drought have affected several regions. In Inhambane, the CRM learnt that floods, cyclones and droughts affect the region frequently. As a result, poverty in these regions is very high, causing several consequential limitations in the enjoyment of several other rights.
- lv. The majority of Mozambicans live on subsistence farming and production; people's survival depends on the land. While land is vested in the government and can be allocated to the citizen, allocation of land has been identified as problematic, with the choicest parts in urban areas being allocated to the wealthy and influential. The land allocation system is not seen as being equitable in promoting equal opportunities for economic activities.
- lvi. There is very low access to credit by the citizens, and this is more acutely felt in the rural areas. Government has allocated funds (7 million meticaïs) to the district to alleviate the lack of funds. Projects are identified by the communities as a basis of funding. However, in most Provinces where hearings were held, allegations abound that the community leaders are FRELIMO members and that the allocation of the seven million is granted on a partisan basis so not all benefit. Some voiced the preference that such funds be channelled through a neutral agency such as a commercial bank rather than Community leaders.
- lvii. All citizens have the right to a suitable home. According to the Constitution, the state is obliged in accordance with national economic development, to create the appropriate institutional, normative and infrastructural conditions. In furtherance of this, the State is responsible for funding and supporting the initiatives of the local communities, the local authorities and the people, in order to promote private and co-operative construction as well the accessibility of home ownership. There was a privatisation of houses i.e. those who live in government houses can buy them. Nonetheless, the provision of houses through government interventions or programmes is still a big challenge.
- lviii. 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 with regard to the fact that the President appoints the President of the Supreme Court and the Attorney General without involvement of the legislature. The Constitutional mechanisms to ensure accountability, transparency and horizontal control are limited. The President and government are not politically accountable before the Assembly. Government must, however, discharge its functions in accordance with the decisions of the President and the Assembly.¹ The Constitution provides a jurisdictional mechanism for the resolution of conflicts between the different branches of government by means of the Constitutional Council. However, in the Mozambican political history 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.

- lix. A further impediment in the way of good and unbiased 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. It was found by the CRM 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, which contributes to parliament's incapacity to offer credible checks and balances to a strong executive. The comfortable majority of FRELIMO in the legislature has contributed in manipulating parliament's role vis-à-vis the executive. Significant key legislation has been passed without the participation of RENAMO MPs, who has 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.
- lx. The Supreme Court is the highest body within the hierarchy of courts. The President and the Vice President of the Supreme Court are appointed by the President after consultation with the High Council of the Judiciary. The Constitution provides for a High Council of the Judiciary (CSMJ), which is the responsible body for the management and discipline of the judiciary. As a result of the power imbalance favouring the President and the executive, the judiciary also suffers from a lack of capacity and low public confidence. However, the 2004 Constitution has enhanced the principle of judicial independence. Judges also require prior authorisation to undertake any other private or public activity.
- lxi. The public service of Mozambique has a deplorable reputation for incompetence and ineffectiveness, corruption, bureaucratic red-tape, and poor service delivery. The incompetence and ineffectiveness are partly the result of the limited well-trained and 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 well beyond their capability.
- lxii. Recruitment into the public service, despite the need for quality and for all available local expertise to be harnessed to the task of nation building, is not merit-based. Party affiliation, nepotism and cronyism dominate as the criteria for 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 percent.
- lxiii. Inadequate financial and material resources also affect the performance of the public service in Mozambique negatively. Besides offices not being adequately funded to optimally run for the financial year, they also are not adequately equipped, especially with ICT facilities to 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 to the application of rule prevails instead of a results-orientation focus.
- lxiv. Corruption has been a major issue in Mozambique's system of public administration mainly as a result of negative value orientation, insufficient mechanisms for ensuring transparency and accountability,

¹ Art 202(1).

low staff wages and the wide gap between high and low income workers. Workers residing in urban areas are challenged to make 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 sector of healthcare and education as well as in security and the justice sectors. Health workers 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 for the examinations. Access to justice is cumbersome and expensive and its processes very slow and complex. The Police are hampered by inadequate numbers and lack of necessary equipment and expertise to handle investigations competently.

- lxv. The CRM confirmed that the Government has embarked upon tremendous efforts to revamp the public service of Mozambique since the cessation of civil war in 1990. A two-phased programme of public sector reform (PSRP) was adopted (Phase I, 2001-2005; Phase II, 2006-2011) to make the public service more effective in promoting the Government's development initiatives and poverty reduction efforts.

- lxvi. The focus was to improve public sector management and service delivery through, decentralisation of structures; improvement of policy formulation and monitoring; enhancing professionalism in the public sector; improvement of financial management and accounting; good governance and fighting corruption; improvement of service delivery to citizens and the private sector; strengthening local government; professionalising the public administration; and enhancing good governance and fighting corruption. Serious efforts are being made to transform the governance machinery through institutional reforms and human capacity development across the entire public sector.

- lxvii. 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. Various training programmes have been conducted for staff of central and local governments such as for technicians from Quissanga, Ibo, Mecufi and Montepuez Districts in Cabo Delgado Province; Manica and Gondola Districts in Manica Province; and Marracuene in Maputo Province. Three hundred and fifty technicians from the 11 Provincial Health Directorates and officials from the customer centre of the Ministry of Education were trained on the handling of correspondence. Other achievements include for instance documentation management, establishment of a training centre and the redesign of the data management database for the management of contractors for the Ministry of Public Works and Housing.

- lxviii. Chapter IV of the Constitution empowers the Government to decentralise powers to local administration government bodies and local authorities. Government will act in the localities through local administration government bodies to ensure more effective penetration of society and efficient and effective service delivery. As defined by the Constitution, the purpose of local administration, (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 an effective government presence in the localities while, at the same time, enabling autonomous local self-determination in a defined sphere.

- lxix. The Provincial and District Governments are charged with the implementation of Government policies in the Provinces and supervision of 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 supported by provincial directors in charge of directorates (sector services) who are appointed by their sector Ministers. The main functions of the Provincial Government are the approval and monitoring of the implementation of the Provincial development plan and budget; supervision and support of district and local governments in accordance with Government policies; and natural disaster/emergency management.

- lxx. Provincial revenues are derived from three main sources – State budget allocation; provincial taxes, fees and charges. As a field office of the Central Government, the Provincial Government is accountable to the Government through visits by various Ministers to monitor sector programmes and mandatory periodic reports.
- lxxi. A district is headed by a District Administrator who is complemented by a District Secretary and Directors of Services at the district. District revenues are derived from State revenue transfers and own taxes. A district investment fund of seven million meticaïs (as high as 10 million meticaïs in exceptional circumstances) was instituted to support poverty reduction through revolving loans to deserving applicants for food production and income generating activities. The fund's administration has been fraught with some challenges. The CRM heard repeated complaints, at all the validation workshops, that it is mainly the supporters of the ruling party that receive the loans. The officials, on the other hand, revealed that the loans are difficult to recover as beneficiaries decline to make refund. Consequently, rather than being a revolving loan, it is unavailable to be extended to other potential beneficiaries. There is also an infrastructure grant (2, 352,000 meticaïs in 2007) distributed to all the districts.
- lxxii. The scheme of deconcentration is complemented by devolution of powers to local authorities. For this purpose, the Constitution empowers Government to designate municipalities (for towns) and administrative posts (for settlements) as local authorities which 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), own staff and enjoy decisional autonomy subject to the administrative supervision of the State established by a specific legal instrument made by the Government, and existing alongside the district administration structures of deconcentration. Local governments have very little autonomy in practice and are totally dependent on Government for most of their funds. Not only are transfers inadequate, but they are often delayed by bureaucratic processes. The poor state of infrastructure also plays a part in weakening local administration. Only 48 districts out of 128 have a commercial bank and the absence of electricity has delayed linkage of many of them to Provincial headquarters and the centre by ICT.
- lxxiii. Traditional rulers gained recognition 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.” The Constitution provides for traditional authority, and the provision states that the “State shall recognise and esteem traditional authority that is legitimate according to the people and to customary law” and that the State shall also define its role in the economic, social and cultural affairs of Mozambique. The traditional rulers play a significant role in land administration by identifying vacant lands and recommending the grant of right of use by individuals to the appropriate authorities. They also play important roles in the maintenance of law and order, conflict resolution and social mobilisation for national programmes, such as inoculations, elections, and environmental protection.
- lxxiv. The main constraint to their more effective participation in governance is the fact that they have no formal enforcement capacity and as society rapidly modernises they are finding it difficult to deal with problems of security, social indiscipline and the fact that their recommendations on land use rights may be ignored or reversed in favour of privileged people.
- lxxv. Many reforms are in place as far as good governance and the fight of corruption is concerned. Although wide-ranging, the nature of many of the reforms reflects the degradation of the system of public administration. The Government's commitment together with the sympathy and assistance of donors is making an impact as there are already signs of improvements in service delivery and enhanced capacity of public servants.

- lxxvi. In the area of promoting and protecting the rights of women, Mozambique has a good record in promoting gender equality, second only to Rwanda and South Africa on the continent. The ruling party, FRELIMO, has a gender policy which sets aside a quota 35 percent of women in 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. They are still subjected to considerable social discrimination and marginalisation. Gender-based domestic violence is very common and the trafficking of women a significant hazard.
- lxxvii. A National Council for the Advancement of Women has been set up to guarantee full implementation of National Gender Policy at the national and provincial levels, and to promote gender equality. It comprises of women from diverse backgrounds in the private sector, government and NGOs. It undertakes situational analyses in women's welfare in order to give help. The Council in Beira has undertaken several activities such as support to women in jail, alleviating the plight of orphans and vulnerable children and raising awareness on women's rights.
- lxxviii. Discrimination has been manifested in several forms of violence. Violence against women is prevalent in Mozambique, in the domestic as well as public arena. There is low reporting of cases of domestic violence, and in the case of sexual violence, taboos around the subject inhibit women from publicising their problems or seeking legal help. Lack of awareness of rights increases the vulnerability of women to domestic violence. Some cultures exalt wife beating as a form of affection.
- lxxix. Sexual harassment of the girl child is prevalent. Early child marriages are usually seen as a way of handling issues of sexual abuse. Speaking about issues of domestic sexual abuse are taboo and not dealt with publicly. Trafficking of women and children is a common problem. The government has passed a law on Trafficking of Persons, particularly women and girls, in order to combat this specific crime. However, prosecution of this crime remains low even where traffickers are apprehended.
- lxxx. An area that the government has invested substantially is health, especially maternal health. As stated in the Mozambique Report on the MDGs of 2008, maternal mortality has gone down from 1,000 deaths per 100,000 births in the 1990s to 408 in 2003. Government has disseminated information to women to go to hospital rather than give birth through traditional modes and as a result; the rate of women going to hospital has gone up five times. There are several policies and programmes around maternal and child health care.
- lxxxi. To promote and protect the rights of children, Mozambique has ratified the CRC, its Optional Protocol, the African Charter on the Welfare of Children and adopted the Declaration of Rights of the Mozambican Child. Children's rights are enshrined in the Constitution. A National Plan for Children (PNAC) as well as the Action Plan for Orphans and Vulnerable Children was instituted to give effect to the implementation of children rights. Mozambique has a specific Ministry for Youth Affairs, a National Council on Youth, a Youth Initiatives Support Fund and National Youth Policy. Despite all these plans in place, legislation on youth issues has not been passed by parliament.
- lxxxii. In spite of good intentions in abundance, children and youth face severe problems in the economic and social sphere. Problems such as sexual abuse, low levels of education, child prostitution, child labour, early orphanage, lack of employment, lack of housing and xenophobia especially against foreign children, are faced by the children of Mozambique. Particularly vulnerable children like those in the workforce, the girl child, stateless children and children with disabilities are facing multiple forms of marginalisation and abuse.
- lxxxiii. 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 there are policies for the protection of vulnerable people, their implementation is constrained by financial limitations.

- lxxxiv. The promotion and protection of the rights of women, children, and other vulnerable groups could benefit from enhanced budgetary allocations to the relevant agencies and CSOs which have responsibility for their welfare; ratification of the international standards and codes which guarantee their rights, such as the Rights and Dignity of People Living with Disability; and establishment of a National Council for Disability.

3.2 Economic Governance and Management

- lxxxv. By all accounts, Mozambique represents one of the best cases of post-conflict transition to political stability, democracy, and good political and economic governance in Africa. The country has consistently attained high economic growth rates, the highest for a non oil producer in Africa over the last one and a half decades. Growth averaged 8 percent between 2000 and 2006, but fell slightly to 7.3 percent in 2007. GDP per capita grew at an average rate of 5.9 percent between 1996 and 2006.
- lxxxvi. Strong macro-economic management has contributed to the current good economic performance in Mozambique. 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 been largely brought under control, falling from double digit figures between 2000 and 2004 to an average of 7 percent between 2005 and 2007 and 8.16 percent in 2008. Exchange rates have been largely stable and the fiscal deficit has been reduced to close to the SADC target of 5 percent of GDP.
- lxxxvii. The Government has also taken serious efforts to ratify and domesticate international standards and codes. In particular, significant progress has been made in implementing standards and codes aimed at strengthening the country's financial sector, with most of the practices provided for having been mainstreamed in various pieces of legislation, policies and programmes. Particularly noteworthy is the progress in the implementation of the following: Good Practices on Fiscal Transparency, the Payment Systems Guidelines, and the Key Guidelines on an Efficient Banking Supervision, the National and International Corporative Governance Guidelines, Policies on Debt Management and the International Accounting and Auditing Standards.
- lxxxviii. However, a major deficiency in economic management in Mozambique is that the growth process has largely resulted from large foreign investments in mega projects and substantial aid flow. With foreign expenditures amounting to over 50 percent of public expenditures, Mozambique is one of the most aid dependent countries in Africa. Mega projects are a small number of projects which dominate what some stakeholders see as an otherwise small and slow moving economy. Two very large projects especially dominate the economic data from the 1990s through to the early 2000s: the Mozal aluminium smelter and the Sasol gas pipeline. There are also big project investments in agriculture (60 percent of land under sugar is in large-scale farms), which makes up around 20 percent of GDP. While some sectors, such as cotton and sugar, are expanding, others, notably cashews, are not, as prices collapsed in 2000.
- lxxxix. The dominance of capital-intensive mega-projects in Mozambique'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 mega projects to the rest of the economy is minimal, and there is almost no spill-over effect or significant job creation in related industries. Even tax revenues have not increased because the mega-projects are the beneficiaries of generous tax holidays. Their contribution to employment creation is minimal.

- xc. The Government has taken a number of steps to address the problem of the dominant role of mega industries in the economy and the substantial tax benefits they enjoy. These include the laws adopted in June 2007 providing for specific taxation in the mining and petroleum sectors and specifying the incentives and benefits applicable on the mining and petroleum sector. The plans of the Government to accede to the Extractive Industries Transparency International Initiative (EITI) will also increase the benefits to the economy from this sector.
- xcii. More far reaching measures are, however, required. In particular, the Government should embark on a broad-based pro-growth strategy for development in order to create the structural conditions for sustainable growth and poverty reduction. Such a strategy should allow a significant role for the private sector, especially SMEs. Present measures to increase investments in social and physical infrastructure should also be reinforced.
- xcii. An important outcome of such a strategy will be increased domestic resource mobilization and reduced dependence on external aid. The Government is conscious of the importance of reducing dependence on external aid by increasing domestic resource mobilisation. 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 National Tax Authority and the measures to make it more efficient, effective and transparent. However, while progress has been made towards meeting the target of increasing revenue collection by 0.5 percent a year, this target was not met in 2008. In addition, problems of transparency and perceptions of inequities continue to plague the tax system.
- xciii. 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, the shift from incremental to programme budgeting, and greater coordination of the economic planning process at the level of the Central Government and among the various levels of government. Effort is 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.
- xciv. A major challenge facing the Government and society 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 capacity of this body to perform its tasks effectively needs to be strengthened. In particular, the ability of Parliament to hold the executive branch accountable in public financing management needs to be considerably reinforced.
- xcv. Not much progress has been made in realising the objective of the Government to decentralise public finance management to 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 area is the lack of capacity of local authorities to take full ownership of their economic development.
- xcvi. 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; 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. In this regard, increasing the capacity of the private sector and CSOs, and ensuring that relevant information is more widely disseminated, especially in rural areas, are urgently required.

- xcvii. As in many other African countries, Mozambique is plagued with the problem of corruption. Consciousness and awareness of the importance of this problem for good governance in Mozambique is widespread, 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 measure adopted by the Government to reduce corruption include the Anti-Corruption Strategy 2006-2010; and the establishment of the Central Office to Combat Corruption. Major shortcomings in the anti-corruption strategy include 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.
- xcviii. Mozambique is committed to regional integration, especially within the framework of the Southern Africa Development Community (SADC) that 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, Mozambique does not seem to have been gaining much from its membership in SADC, largely because its entrepreneurs are neither strong enough to face the competition from other SADC members, especially South Africa, and because its entrepreneurs and public are not sufficiently well informed about the activities of SADC and how they could benefit from it. 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 provides a good opportunity to address these shortcomings.
- xcix. In sum, 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 the country has already embarked upon. 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 the dependence of Mozambique 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.
- c. 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 accountable and their capacities should be strengthened.
- ci. The fight against corruption is another important challenge that requires more effort from the Government. What is required are not only new laws and institutions, but energetic implementation of existing rules and policies, and building the capacity of existing institutions. The political leadership of the country must demonstrate in a tangible and forceful manner its commitment to fight corruption, irrespective of the identity of the perpetrators and the form corruption takes.
- cii. Finally, the APR Panel recommends that greater effort 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 and must be sensitised about the importance and potential gains from regional economic integration and empowered to take advantage of it, especially Mozambique's membership in SADC. The steps being taken by SADC to accelerate the process of economic integration must also be domesticated and internalised.

- ciii. The economic achievements of Mozambique during the last decade have been quite impressive. These achievements are, however, not self-sustaining. Mozambique should further strengthen its frameworks for monetary and fiscal policy, based on the principles of transparency, stability, responsibility, fairness and efficiency. This should be used to deliver economic stability for the long-term and use it as a lever to eradicate stubbornly high poverty levels.

3.3 Corporate Governance

- civ. Corporate Governance (CG) within the context of the APRM seeks to highlight the ethical principles, values and practices that facilitate holding the balance between economic and social goals and between the individual and communal goals. However, Corporate Governance in Mozambique is still in its embryonic stages.
- cv. 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 organizations. Corporate governance principles are neither entrenched in the core businesses of most companies nor are there proper regulator institutions in place, dedicated to upholding Corporate Governance 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.
- cvi. To strengthen CG, the country has ratified 19 out of the 23 conventions on the environment, four have been signed but not ratified, while the status of the one on 'substance that deplete the ozone layer' is not yet clear. Overall, Mozambique is at different levels of compliance with the core principles on bank supervision, securities market regulation and insurance oversight, although they are all voluntary.
- cvii. 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 recognizes that international conventions ratified by the Mozambique Parliament as part of the internal juridical order shall have the same value as the internal Laws and regulations.
- cviii. Financial accountability is generally low. This is mainly because Mozambique has been operating government accounting systems which did not take into account IFRS or ISA standards. The systems differ from 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 and mandatory use of the Portuguese language.
- cix. In response to this weakness, Mozambique has now taken the following measures:
- Adopted IFRS to apply to all banks from 2008, by directive of the Bank of Mozambique(BM); and,
 - Agreed to apply IFRS to other enterprises by 2010.
- cx. The requirement to adopt IFRS standards on publication of financial records of the financial institutions and the implementation of the 2005 Commercial Code and those of listed companies (although still very few) will greatly improve the situation in the medium and long term.
- cxi. Mozambique has continued to implement far reaching financial policy reforms, which include privatisations of major state owned banks and the reform of the Mozambique 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 which set the rules of the banking system. Mozambique has in this regard adopted the Core Principles of Effective Banking Supervision (CPEBS), and the country is working with the international banking system to implement best practices.

- cxii. Mozambique has also complied with 17 principles of the 27 Basel Core Principles on effective banking supervision, four partially and four still outstanding, while 14 on liquidity risk management, 15 on operational risk, 17 on internal control and 23 on collective remedial powers of supervisions have been partially complied with. The BM affirmed that it is preparing comprehensive risk-based regulations to be able to comply with the outstanding principles and felt that given the low money and security market deals by the banks the compliance with some principles may not be so urgent.
- cxiii. The BM is also acting as the independent regulator of the stock exchange 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 it would also devote more time to the promotion and development of the capital market.
- cxiv. The office of the General Inspector of Insurance of Mozambique regulates the conduct of insurance business in Mozambique. However, the Insurance Inspectorate has not yet sought membership to the International Insurance Supervisors (IAIS) or the International Organization of Pension Supervisors (IOPS), pending full compliance with the core standards.
- cxv. Accessing finance remains a serious challenge in Mozambique. Big businesses have access to a wide range of facilities, including foreign loans, the Mozambique stock exchange and the traditional trade finance from financial institutions. However, the small and medium business face the constraint of lack of security, high interest rates and generally low levels of transparency complicated by lack of acceptable records. The limited number of branches in the districts (43 only out of 128 districts) poses yet another bottleneck.
- cxvi. Private sector business is predominantly informal, unskilled and lacking entrepreneurial skills. CTA, the private sector apex body, while playing an important link role between Government and the private sector, has no capacity to service the entire country.
- cxvii. The World Bank's *Doing Business in 2008* Report indicates that entrepreneurs can expect to go through at least 10 identifiable steps to launch a business that lasts, on average, 29 days. Overall, the ease of doing business in Mozambique is ranked at 134 out of 178 countries. The Government and the private sector continue to work with donors to improve the business environment.
- cxviii. In recent years, infrastructure in Maputo has improved significantly, with reliable power supply, reasonable major roads and adequate telephone capacity. However, major challenges remain in the case of feeder roads, rural electrification and telephone services to the districts. Furthermore, oil security reserves are non-existent in a situation where there are no refining facilities.
- cxix. The Mozambican Stock Exchange, founded in October 1999, was started with less than USD 5 million in capitalization. Although a fundamental instrument for the raising of finance by companies, to date the exchange has only one listing (*Cervejas de Mocambique*). Currently, liquidity is very low given the limited equities (one) and debt instruments (15). The *Banco de Mozambique* (BM) exercises oversight functions but has no plausible plans to promote and develop the capital market.
- cxx. As indicated above, land is owned by the state and rights on it can't be mortgaged, sold or transferred without bureaucratic processes of obtaining permission. Improvements on the land can however be used as collaterals. Without transfer of the underlying rights, such collaterals are unattractive. The legal system recognises and protects property rights to buildings and movable property. Since private ownership of land is not allowed, the Government grants land-use concessions for periods of up to 50 years, with options to renew. The government has at times granted overlapping land concessions.
- cxxi. 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. But this process 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 cars and private houses, as collateral.

- cxxii. CSR depends on each enterprise situation and circumstances. The Mega projects and foreign companies in general are positively disposed to CSR but largely as a marketing tool instead of than corporate citizenships responsibility, some businesses seemed to show contribution fatigue aggravated by lack of accountability by recipient of funds granted.
- cxxiii. Judicial systems performance has been boosted with the introduction of the Commercial Court to administer the new 'commercial code' but public awareness of the new code remains low.
- cxxiv. Accountability has generally improved in the traditional sectors controlled by foreign interests. The governance best practices of 'Audit Committees' and conflict of interest management are receiving attention in various fora. The establishment of a national code of corporate governance to enhance accountability is overdue and remains a big challenge.

3.4 Socio-economic Development

- cxxv. Following a prolonged period of internal conflict during which a great deal of the country's economic and social infrastructures were destroyed, Mozambique has made sustainable efforts to reconstruct and revitalise the socio-economic sector. Once called the 'poorest' country in the world, and struck by cyclical droughts and an apparently never-ending war, Mozambique has since the mid-1990s reinvented itself as a highly successful post-conflict country in transition, with impressive economic growth and sustained macro-economic and political stability.
- cxxvi. To buttress and enhance the process of improving the well-being of its people, Mozambique has signed and/or ratified international standards and codes in order to benchmark progress in socio-economic development against accepted international norms and practices. Many Instruments on socio-economic still need to be ratified before being a backbone of the standards and norms in the promotion of socio-economic development of Mozambique. Such unratified instruments include Right to Development of 1986, Sustainable Development of 2002 and Millennium Development Goals in 2000.
- cxxvii. Within the framework of international standards and codes, the Government of Mozambique (GoM) has come up with the necessary policy and institutional framework to address the numerous socio-economic 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.
- cxxviii. The Government's PQG *Plano Quinquenal do Governo* (Five-Year Programme) and *Plano de Acção para Redução da Pobreza Absoluta II* [National Poverty Reduction Strategy] or PARPA II provides the overall policy and strategic framework for the country to pursue its objectives of ensuring that all citizens are able to improve their social economic conditions and to effectively contribute to the development of the nation by having easy access to basic services, including education, health, food, clean drinking water and sanitation.
- cxxix. The Poverty Reduction Strategy has had some success in reducing the proportion of Mozambicans living in absolute poverty, from 69.4 percent in 1997 to 54.1 percent 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 strong achievement, suggesting that

the central objective of PARPA, which is to reduce the incidence of absolute poverty to less than 60 percent by 2005, was attained.

- cxxx. However, it is difficult to ascertain poverty reduction in Mozambique beyond the year 2003 as there is no recent data on poverty beyond this year. This presents a major challenge to policy makers to design and implement appropriate anti-poverty programmes. Significantly, it makes it difficult to monitor progress on the attainment of the Millennium Development Goals.
- cxxxi. But there is no doubt that Mozambique has made progress towards attaining some MDGs. Notable success has been made in school enrolment. The number of public schools in lower primary (E1) increased from 8,007 in 2003 to 9,303 in 2007, while that in upper primary (E2) rose from 950 to 1,116 during the same period. This saw an increase in the enrolment of pupils in E1 and E2 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. Equally, efforts are underway to expand other levels of education, including secondary, vocational training and adult literacy.
- cxxxii. A key area of concern, though, is the imbalance between enrolment in primary and secondary schools as a consequence of Mozambique's *pyramidal structure of education which is very sharp at the top*. The latter has not kept pace with expansion in the former, particularly at the EP1 level which has registered considerable increases in enrolment. As a result, large numbers of ill-trained primary school leavers, who could not access secondary level education, are regularly thrown into the job market without any skills. Also, high enrolments in primary school level are not proportionally matched by 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.
- cxxxiii. These challenges have constrained government efforts to provide universal education, especially efforts to fight illiteracy. Despite some marginal progress made in increasing the literacy rate from 43.3 percent in 2000 to 46.4 percent in 2003, illiteracy is still very high in Mozambique and it is a very serious impediment to its development. Victims of illiteracy are unable to take full advantage of information and know-how conveyed through various media, to better their lot and to actively participate in the development of the country. Consequently, there is a need to review current policies and strategies to ascertain their effectiveness.
- cxxxiv. In the health sector, there has also been some progress in delivering better health services, particularly with regard to the development and distribution of health centres across the country and training of needed human resources. 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 health care 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.
- cxxxv. Despite this progress, the national health system remains structurally very weak. The key challenge that the 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 percent of Mozambicans still walk 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 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 challenge as Mozambique ranks among the ten most affected countries in the world. Other diseases like malaria and tuberculosis remain high and pose a serious health challenge to the country.

- cxxxvi. Overall, basic social services in Mozambique, such as, finance, markets, and ICT are unequally distributed not only among provinces, but also between urban and rural dwellers and the socio-economic strata of the population in Mozambique. This has serious implications for improving the wellbeing of Mozambicans.
- cxxxvii. Mozambique has, however, made considerable progress in promoting gender equality. The country has supportive policies, laws and an institutional framework to guide the efforts towards achieving gender equality and equal opportunities for all individuals. The GoM has in this regard subscribed to several regional and international initiatives that promote equal rights of women and men. These Instruments commit the Parties to revise discriminatory laws, and to formulate new policies and programmes for the benefit of women.
- cxxxviii. Despite this notable socio-economic progress over the years, effective policy implementation remains a critical challenge in Mozambique. Corruption, inadequate resources, lack of capacity, particularly at lower levels, and politicisation of development programmes are major challenges, reinforced by deficient public expenditure management, revenue enhancement and coordination of development assistance. This suggests that there is a need to strengthen programme monitoring and evaluation capacity.
- cxxxix. 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 affected the quality of service delivery at the local level. 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 unemployment, particularly among the youth.
- cxli. Another source of concern is rising income inequality. Mozambique has not been able to fully address the problem of rising income inequality (within and across regions and between urban and rural areas). The inequalities are not only evident for income but also for other basic social services such as health and education.
- cxli. Underlying all this is Mozambique's high dependence on external sources of funds. While this dependence has been declining over the years, it 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 socio-economic policies over the years.
- cxlii. Given this high aid dependency, there is no doubt that donors and lenders have penetrated in 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 – known as International Development Assistance (IDA) graduates – which succeeded by ceasing aid dependence. The IDAs vigorously pursued broad-based and diverse macroeconomic policies, which were critical to their development of dynamic processes of productive capacity and accumulation.
- cxliii. Ultimately, sustainable socio-economic development, redistribution, and growth are crucial for Mozambique's social and political stability. Determined efforts from the Government of Mozambique and all segments of society are required to accelerate and sustain the good start that has been made in promoting socio-economic development and reducing poverty.

4. CROSS CUTTING ISSUES

- cxliv. The major cross-cutting issues which featured prominently in all the thematic areas are highlighted below. A comprehensive approach is needed to address these issues as they have wider ramification for the various dimensions of governance in Mozambique.

cxlv. The following are the major thirteen crosscutting issues emerging from this report:

- Poverty and Inequality;
- Party/government/business dichotomy;
- 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 challenge;
- Elections; and,
- Corruption.

4.1 Poverty and Inequality

- cxlvi. 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. In addition, a recent report by the World Bank provides evidence of a 'nutritional paradox'.² While real consumption levels have risen across the country, chronic malnutrition has not declined apace, and has even worsened in some areas (Zambezia, Sofala, Inhambane, Gaza and Maputo province).
- cxlvii. Mozambique has also not escaped the impact of soaring food prices that has engulfed several countries in recent years. In a country where 54 percent of the population lives below the national poverty line, 34 percent of households are food insecure and face perpetual hunger. It is having 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 fertilizers, 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, Mozambique annually imports about 890,000 tons of cereals, leaving it susceptible to global food price increases.
- cxlviii. Related to the challenge of poverty in Mozambique is the issue of inequality – the gap between the rich and the poor. While inequality is multi-faceted, it is especially linked to the ethno-regional dominance of the south. This dominance 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 Province, Inhambane).
- cxlix. The danger is that the current economic divisions may harden into permanent social divisions, setting in motion a self-perpetuating cycle of social disadvantages. The other concern is that increase of inequalities

² The World Bank, Beating the Odds: Sustaining Inclusion in a Growing Economy. A Mozambique Poverty, Gender and Social Assessment. Africa Region, Poverty Reduction and Economic Management, Report No. 40048-MZ, 2007.

in the distribution of resources can lead to social conflicts. Moreover, inequalities in health, education and income are key components of human development which matter deeply to social well-being.

- cl. 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.

4.2 Party- Government- Business Interpenetration: The Moral Conundrum

- cli. The commitment of African states to collectively and severally fight corruption is demonstrated by their endorsement and becoming a party to 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. Similarly, it is a 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.
- clii. Missing critically 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 African national integrity systems. In Mozambique, the problem is more acute because at the time of independence, as 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 economic elite especially as virtually all economic infrastructures were ruined during the war.
- cliii. When the Government embarked upon structural adjustment of the economy in the 1990s and privatised many public companies, it was inevitable that Government officials see it as part of the rewards of their tenacious struggles against colonialism and internal rebellion to buy off privatised public companies and take over the reins of the economy. Senior Government and party officials and their families have over the years, through strong equity participation, management consultancies and partnerships and fronts, held the economy in their stranglehold to such an extent that it is difficult to imagine the State can autonomously regulate 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 might.
- cliv. 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 to avert the corrosive impact of unbridled economic activities on public morality.

4.3 HIV/ AID

- clv. Since its discovery in the early 1980s, HIV/AIDS has become a global pandemic that has consumed the world, with sub-Saharan Africa bearing the heaviest brunt. The southern African (SADC) region is the most affected by the HIV/AIDS pandemic. Although this sub-region accounts for less than two percent of the global population, it has the highest HIV infection rates in the world, with approximately 14.9 million or 39 percent of the global population living with HIV/AIDS (at the end of 2006).³

³ Kondwani Chirambo (ed.) (2008), *The Political Cost of AIDS in Africa*. Idasa, p.17.

- clvi. Mozambique has not been spared from the adverse impact of the HIV/AIDS pandemic. With an estimated HIV prevalence among adults (15 – 49 years) of 16.3 percent in 2005, Mozambique ranks among the 10 most affected countries in the world. An estimated 500 people are infected every day. Of adults living with HIV/AIDS, the impact is not uniformly distributed. An estimated 57 percent are women. They are generally infected at much earlier ages than men, with consequential effects in terms of impact since women lose more years of life than men. This gendered pattern of HIV infection is typical of the sub-region 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.

- clvii. The national rate of HIV prevalence masks considerable regional differences in Mozambique, with adult prevalence rates being estimated at 13.2 percent for the south; 16.5 percent for the centre; and, 5.7 percent 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.

- clviii. 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 HIV/AIDS programmes and more people are reached with prevention, treatment and care services, it is vital to strengthen the capacity of Mozambican individuals and institutions to manage and deliver these services.

- clix. 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 must take these realities into account, and look at ways in which the general development of Mozambique can progress. In particular, economic strengthening interventions can help AIDS-affected individuals and their households to survive the shocks caused by HIV/AIDS, 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 to support themselves.

4.4 Land Ownership

- clx. 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 post-independence policy. There is increasing recognition 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 an important part of sustainable development.

- clxi. The regime of rights to land in Mozambique has undergone radical changes in the last few years. There has been a successive and rapid amendment to legislative instruments dealing with land issues culminating in a new Land Policy that was passed in 1997. The landmark 1997 Land Law (*Lei de Terras 19/97*), which provides the legal foundation for current policy, emerged out of process widely described as one of the most participatory and democratic in recent Mozambican history.

- clxii. While the policy-making process revealed a wide range of divergent interests around the question of property rights, substantial consensus was achieved around three core issues: continued state ownership of land, 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 counties in the region to extend legal protection to the rights of communal land users.

- clxiii. Pursuant to the mode of Portuguese law, the new Land Law, 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 ambiguities and lacunae, concerns 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 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 the different actors and interests' than a strategy of reform.
- clxiv. There is a clear need to improve the way 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 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 obtaining economic situation.

4.5 High levels of illiteracy

- clxv. At just slightly above 40 percent, Mozambique has one of the highest illiteracy rates in the world. Despite some improvements in recent years, the gender disparities in adult literacy is still very strong, with just over 30 percent of women aged 15 years and above being literate compared to over 60 percent of all men aged 15 years and above.
- clxvi. 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 of PARPA I. Nonetheless, significant challenges remain. For example, the primary school completion rate is still below 50 percent. Girls' enrolment, especially at the post-primary levels, lags significantly behind that of boys. Mozambique is thus at 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 programs, and 30,000 in tertiary programs. 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, making it ever more difficult for government education policies to be effectively pro-poor.
- clxvii. The quality and relevance of education continues to be a concern. Of the seven million people active in the labour market, more than 90 percent 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 sixteen higher education institutions, less than one-third major in natural sciences, agriculture, engineering and health sciences, and fewer eventually graduate. Nationwide, less than 300 people have Ph.D. degrees.
- clxviii. Notwithstanding notable progress achieved in promoting adult literacy in Mozambique and encouraging projections about the continued positive trends due to the development and expansion of the literacy campaign, the high rate of illiteracy as it stands now, is likely to have very negative implications on the extent to which the majority of the population contributes to the development of the country.

- clxix. 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 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 reading and writing deficits. Their inability to function normally in society because of their functional illiteracy may increase the friction they experience with the mainstream of society, and thereby increase 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 through strengthening of the education system and adult literacy programmes.

4.6 High Aid dependency

- clxx. Over the past 50 years, aid has undergone significant changes in terms of its objectives and composition. There is today a strong view 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 that include the 2005 Paris Declaration on Aid Effectiveness and the Accra Agenda for Action (AAA), among others, empirical evidence continue to point to a number of obstacles associated with aid modality, management, donor accountability and harmonization.
- clxxi. 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 in various angles has made it a major destination of ODA. A group of 18⁴ donors, known as 'G-18', currently provide budget support to Mozambique. During this period the country has seen the volume of ODA it receives steadily grow, with aid inflows into Mozambique increasing from around an annual average of just over USD 900 million during the 1990s to an annual average of over USD 1.3 billion between 2000 and 2005 (OECD, 2007).
- clxxii. Interactions with stakeholders, especially government officials, and a review of evidence availed to the CRM from various government ministries and departments, suggest that Mozambique has become heavily dependent on international aid in a multidimensional, structural and dynamic manner, namely, with respect to finance, policy choices, institution building, the culture of civil service and civil society organisations, and even the development and dynamics of political institutions and of the economy. Admittedly, Mozambique has been a pioneer in the establishment of coordination mechanisms between 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 the governments have been left with little choice but to accept them. Ministers and officials spend so much time in dealing with donors and they have insufficient time left for their responsibilities. And combined with the fragmentation of the planning and budgeting system, it makes it very difficult for the GoM side to develop alternative strategies due to lack of capacity and brain drain. Thus, the fundamental question in the case of Mozambique is not about how to manage aid dependency, but how to reduce it considerably. Critical to this is how aid can be used to help achieve this goal.
- clxxiii. At present, it is not clear the extent to which Mozambique is trying to use aid to create endogenous development. 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.
- clxxiv. In the context of negotiation of influence and agendas between agents with unequal capacities and bargaining power and seeking different goals in a contested, dynamic and asymmetric environment,

⁴ The 18 key donors include 3 multilaterals (The World Bank, the AfDB and the EU) and 15 bilaterals (Denmark, Norway, Finland, Sweden, Switzerland, The Netherlands, Belgium, Germany, France, Spain, Portugal, The UK, Republic of Ireland, Italy and Canada).

donors usually take the upper hand. Inevitably, the space for policy initiative and innovation in an aid-dependent country is considerably diminished.

- clxxv. Mozambique should begin to seriously address the issue of using aid to build strong and dynamic productive capacities. The country should also seriously begin working on changing the structure and dynamics of its public expenditure to support and expand private investment and the development of viable, sustainable and competitive productive and trade capacities.

4.7 Information Flow and Paucity of Data

- clxxvi. The role of accurate and reliable data in policy formulation is of the utmost importance. Information forms a crucial part of any governance system, especially information that is readily available to citizens. Just as important is also the quality and reliability of the information.
- clxxvii. A problem pertaining to the quality of information in Mozambique is deeply tied to the nature of the governance system. This is a highly centralised system which operates on the basis of highly aggregated data which does not allow for detailed views of the situation. While the country has made significant progress in this area, particularly as far as internet presence is concerned, there are still many gaps in information which need to be addressed, also as part of Mozambique's development of its own governance structures.
- clxxviii. In this respect, it is important to capacitate the *National Statistics Institute (Instituto Nacional de Estatística-INE)*. 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 is conducted in principle every ten years, and is compiled based on the national statistics yearbook (produced in July, with a summary appearing in February/March), and the price index.
- clxxix. Economically, lack of quality, reliable and up-to-date data make it difficult to do proper forecasting and projections. This tends to create difficulties for policing and programming not just for government officials but also for commercial enterprises. The country is yet to apply all of the standards stipulated by the IMF's General Data Dissemination System (GDDS).
- clxxx. 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 realm, lack of recent data tends to complicate policy-making and programming.

4.8 Political Inclusivity

- clxxxi. The need for political inclusivity in a post-conflict society is critical for reconciliation and reconstruction. In Mozambique, there is a disturbing trend 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 Mozambique's political evolution. In particular, there is much concern that Mozambique is sliding into a one-party state. Many stakeholders express concern that the ruling FRELIMO party appears to dominate the public sphere, blurring the distinction between state and party.
- clxxxii. The 1998 elections 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 with the FRELIMO party organisation. There is a strong feeling among many in Mozambique 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 of colonial liberation, made public pronouncements contemptuous of democracy and opposition parties.

- clxxxiii. 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 ruled recently against decisions that seemed to be party-politically motivated⁵. Given the widespread belief that the country is in the tight grip of FRELIMO this obvious show of resistance from two institutions which 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 good will.

4.9 Crime, Safety and Security

- clxxxiv. 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. 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.
- clxxxv. In a country with a still-fledgling independent media and a lack of reliable crime statistics, it is difficult to pinpoint just how bad crime 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. Carjacking is increasingly common.
- clxxxvi. Official statistics indicate that the levels of crime in Mozambique remain relatively low in comparison to other Southern Africa countries. Just one per cent of all the crime recorded in the SADC (Southern African Development Community) region occurred in Mozambique. The number of recorded crimes in Mozambique declined slightly 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. But the number of crimes in which firearms were used, rose from 703 to 740.
- clxxxvii. 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 (a fall from the figure of 42 per cent in 2007). But 635 of the firearms-related offences - 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 lynching and attempted lynching in 2008, in which 54 people were murdered, and 26 were injured. An apparent spike in crime, and the police force's inability to deal with it, was said to be behind the lynching.
- clxxxviii. 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 point for illegal narcotics coming from South Asia and Central Asia bound for Europe and the United States.

⁵ 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.

There are also signs that primarily Pakistani gangs have begun to establish drug labs 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.

- clxxxix. 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 PIC have been regularly accused of summary executions and torture of alleged criminals. More investment in intelligence and community policing will likely prove more effective than the use of brute force.
- cx. Although there is no “ideal” approach to crime and violence prevention, interventions such as slum-upgrading projects, youth development initiatives and reforming the criminal justice system can contribute to reducing crime and violence. Creating mechanisms to increase parliamentary oversight over the security services and establishing an effective unit to deal with police corruption might improve the effectiveness of PRM. The international community and INTERPOL should continue to play a vital role in supporting the Mozambican government in such efforts.

4.10 Gender-based Violence

- cxci. ‘Gender-based violence’ (GBV) is still an emerging and developing term. 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.
- cxcii. In Mozambique, CRM consultations revealed that the forms of gender based violence most prevalent in the country include: domestic violence (e.g. childhood 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 preference of sons; and 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.
- cxci. 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 impacts. Violence against women has several health, human rights and socio economic consequences on affected women and their families. Abused women are more likely to suffer from mental health problems such as depression, anxiety, psychosomatic symptoms, eating disorders, and sexual dysfunctions. Women who have been sexually abused as children are at greater risk of having unprotected sex as adolescents and adults and therefore at risk for contracting HIV/AIDS. Affected women may suffer from different reproductive health problems such as STDs, including HIV/AIDS, gynaecological problems and unplanned pregnancies. Consequences such as HIV/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, severe injury or suicide.

4.11 Capacity Constraints and Implementation Challenges

- cxci. At the heart of development is capacity building with a view to developing not only a capable state, but a capable nation and society. The essence of capacity and a capable state and society is the ability 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.

- cxcv. For understandable reasons, capacity weaknesses are inherent in Mozambique. These are manifest in institutional weaknesses, low human resource development, problems of coordination and management, lack of comprehensiveness, and challenges of knowledge generation and information management and weaknesses of ownership and donor coordination. The lack of human resource and institutional capacity are a significant constraint to development in Mozambique, regardless of the sector, region, or issue.
- cxcvi. 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 was sabotaged and abandoned, and the country was left with a largely dysfunctional economy and an unskilled human resources base. Shortly, 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. While there has been a boost in school enrolment over time, the educational system, especially at the tertiary level, has not been able to meet the critical skill demands.
- cxcvii. 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 mechanism put in place to realise this vision. However, the country needs to comply 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 work in the manner in which it was intended to function.
- cxcviii. The CRM notes that often legislation and policies exist to promote governance in all the four thematic areas but are not implemented. While institutions have been established, they function ineffectively, and well-intentioned and clearly articulated goals are set aside. Although there are often a number of reasons for the gap between plans and implementation, the principal reason, if often not the lack of political will, but appear to be deficiencies and gaps in capacity instead. 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 effectively and efficiently implement policies and programme.
- cxcix. Invariably, the capacity gaps are stronger at the provincial and district levels as compared with the national level. For this reason, capacity building should be a central feature of the decentralization process. The goal should be to fully empower local communities so that they become increasingly responsible for their own destinies, within the framework of a common national vision.
- cc. Equally important is the need to recognize that capacity building is a goal not only for the state, but 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 people 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 all or most of the time on the government or donors to solve problems for them. Related to strengthened capacity of CSOs is the need to enhance capacity building in corporate governance. Institutions like the Centre for Investment Promotion need strengthening. Measures should also be taken to strengthen the capital market.
- cci. 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 and 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 stake holders would be required to monitor and evaluate progress in this area.

4.12 Elections

- ccii. The litmus test of the electoral process is the possibility of a peaceful change in government. Beyond formal party pluralism, the opposition must have a real chance of winning the next elections. As a result, democracy and elections are prerequisites for each other. Ironically, the lesson emerging so far from the sub-Saharan African experiences with multiparty democracy is that it is possible to have elections but no democracy. While many African citizens are now, in principle, 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 are imperfectly observed in practice - particularly in between elections.
- cciii. Mozambique is not immune from accusations about electoral malpractices. Admirably, while all elections since the introduction of multi-party democracy have been marred by fraud accusations, 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 as they document the country's willingness to uphold international standards. But more still needs to be done to strengthen the electoral system and processes, and in particular to promote accountability of the elected representatives to the electorate.
- cciv. Mozambique's parliamentary system, which lacks direct representation, has left citizens without the levers 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 by the current conflation of government and party (FRELIMO).
- ccv. These points to the existence of the 'democratic deficit' in one form or other in Mozambique. The notion of 'democratic deficit' refers to the failure of established, liberal notions of representative or participatory democracy to link citizens with the institutions and processes of the State, impacting on the quality and vibrancy of democracy which results in reduced accountability. This tends to promote a sense of disappointment as to how little elections have improved government 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.
- ccvi. It is important that citizens are the guardians of democracy and hold whatever government comes to power to account. The conflation between state and party must be replaced by the promotion of accountable politics.
- ccvii. Ultimately, the people of Mozambique must be the stewards of a democracy that operates through a government that respects the rights of 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 on how best to 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

- ccviii. The scourge of corruption is a serious governance challenge in many countries. It has an adverse impact on all the 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 policymaking and in 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. This scenario undermines the development efforts of a country.

- ccix. 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 of the undesirable effects of corruption and the urgency of addressing its root causes. It has also provided the much needed impetus for policy makers to view the problem more seriously and take action.
- ccx. Corruption occupies a prominent place in Mozambique's political and economic landscape. Transparency International's 2008 Corruption Perceptions Index (CPI) ranked Mozambique 126th out of 180 countries surveyed, which is a downgrade in both relative and absolute terms. Mozambique ranked number 111 out of 180 countries in both 2006 and 2007.
- ccxi. As indicated in the CSAR, corruption continues to flourish in Mozambique, not only at the highest political levels, through rent-seeking practices and manipulation of procurement, but also in the shape of so called "petty corruption", through small bribes demanded by traffic police and hospital staff. Despite government commitments to solve the problems, progress remains slow due to bureaucratic inefficiency and a lack of judicial capacity.
- ccxii. Legal provisions in Mozambique concerning the governance and integrity of public institutions are still weak. The Anti-Corruption Act which was established in 2004, does not give full prosecuting powers to the Gabinete Central de Combate à Corrupção (GCCC), thus impacting negatively on its general performance.
- ccxiii. While the introduction of the Anti-Corruption 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, raising doubt over the applicability and efficiency of the Act.

5. SPECIAL ISSUES

- ccxiv. In addition to the cross-cutting issues highlighted above, Mozambique should also pay attention to the following special issues identified by the CRM, which are presented below:

Climate Change

- ccxv. Mozambique is vulnerable to climate change due to its geographical location at the downstream of many international rivers flowing into Indian Ocean. Other factors for the country's vulnerability include a high population growth rate, high levels of poverty and a high dependence on natural resources for livelihood.⁶ According to MICOA (2007), and confirmed by CRM at its meeting with the National Council on 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

⁶ 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 due to the fact that the tropical cyclones and depressions formed in the Indian Ocean cross the Mozambique Channel inland affecting landmasses along the coastal zone.

countries of the Republic of South Africa, Zimbabwe, Zambia, Malawi and Tanzania.⁷ Generally, floods, drought and hurricanes are cyclical in nature, while earthquake occurs occasionally in the country.

- ccxvi. The GoM has devoted considerable attention to mitigating the adverse impacts of natural disasters. The CRM was informed that in order to reduce the negative impacts of natural disasters in Mozambique, the Council of Ministers at its 32nd session on 04 December, 2007, approved the following four action plans and objectives:
- Strengthening of the Early Warning System (EWS) so that information could reach affected communities with minimum delay. The action will involve the installation and/or rehabilitation of 15 synoptic stations to be evenly distributed all over the country. It is expected to cost US\$2,700,000;
 - Strengthening capacities of agricultural producers to cope with climatic change through the provision of drought resistant seeds for cultivation;
 - Reduction of climate change impacts in Coastal Zones;
 - Management of water resources under climate change.
- ccxvii. While the government's efforts so far are commendable, the APR Panel suggests that Mozambique:
- 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 dependence 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/ Scientific Unit to carry out studies on the use of the basins to alleviate poverty in addition to protection of biodiversity and prevention/reduction of flooding incidence; and,
 - Strengthen the Natural Resource Information System by enhancing institutional capacity building for officials at the community, district and provincial and national levels in to ensure effective management of the country's environmental resources as well as reduce to a minimum the negative impacts of climate change and implement environmental regulations.

Land Mines

- ccxviii. Mozambique is affected by landmines and explosive remnants of war (ERW), 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 anti-personnel mines and killed by anti-tank mines.
- ccxix. Since the signing of the peace agreement in October 1992, demining has been under way, but Mozambique has not yet met its targets, partly because of difficult access to mined areas. Clearly, Mozambique has advanced in dealing with its mine and UXO problem. 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 programs for children. In the process, Mozambique is taking bold steps down the road to greater security and prosperity. However, tens of thousands of land mines remain and they are a gruesome threat to civilian safety and rural economic recovery.
- ccxx. 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 land mines, requesting for an extension of the time granted under the Ottawa Convention for it to be declared a country free of land mines. The Mozambican request was accepted, and the deadline for land mine clearance has been

⁷ For example, in 2007, out of an average total flow of about 216 km³/yr, only 100km³/yr or 46% was generated within Mozambique while the remaining 116km³/yr (54%) originated from the neighbouring countries.

extended by five years, from 2009 to 2014. The international community are enjoined to continue to support Mozambique in its demining programme so that the country can meet the target of becoming a country free of land mines by 2014.

Beira

- ccxxi. With an estimated population of 436, 240 inhabitants 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 as well as the land-locked nations of Zimbabwe, Zambia and Malawi. Beira is also a major railway terminus, with links extending to Zimbabwe, South Africa, Zambia, the Democratic Republic of Congo and Malawi.
- ccxxii. 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.
- ccxxiii. 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, tourism, fishing and trade. The city prospered as a cosmopolitan port with different ethnic communities (Portuguese, Indian, Chinese, indigenous Africans) employed in administration, commerce, and industry.
- ccxxiv. 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.
- ccxxv. After independence from Portugal in 1975, many white ethnic Portuguese left the city. The city was also at the epicentre of the civil war that ravaged Mozambique from 1977 to 1992. 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 later in the early 1980s by the Mozambique National Resistance Movement (MNRM). At a point, its famous Grande Hotel was occupied by around 1,000 homeless people, and by the end of the civil war it was in near-ruins.
- ccxxvi. The 2000 Mozambique flood 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.
- ccxxvii. 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 environmental challenges, the Government needs to channel considerable attention towards rebuilding the city.

6. BEST PRACTICES

- ccxxviii. Below are the five best practices which the APR Panel has in Mozambique that are 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 capital at work in the reconciliation of warring factions of a country.

The uniqueness of the GPA goes beyond the laying down of arms by the combatants. It enunciated principles and values that should be the foundation of multi-party democracy going forward which have proved a valuable framework for anchoring political activities to date. Multi-party democracy, the electoral system, guarantee of freedoms and rights, restoration of traditional rulers to the structure of governance are some of the features of Mozambique's Constitutional and political order traceable to the GPA.

- **Best Practice in Demobilisation, Disarming 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 the efforts to completely disarm and rehabilitate Mozambicans who came to possess arms as result of the civil war. It is estimated that the UNOMOZ operation resulted in the recovery of 150, 000 arms, but as at the time of the Mission, the CCM had recovered over 600, 000 small arms and light weapons. The CCM has received financial support from some countries, but especially Canada, Germany and Japan, to pay for arms or purchase farm tools, sewing machines and other work tools to exchange for arms.

Economic Governance and Management

- **Strong Macroeconomic Performance:** Mozambique is a successful example of post-conflict transition, with impressive economic growth averaging 8 percent from 2000 to 2006 and 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 percent between 1986 and 1996. It more than quadrupled to 5.9 percent 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, between 2005 and 2007 inflation averaged about 7 percent. The inflation rate currently stands at 8.16 percent, which is lower than the 13 percent 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 from those perceived to be relatively easy to implement 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 *Banco de Mocambique* (BM) assumed the central bank role of coordinating monetary management and serving as banker to the government of Mozambique. The BM has in this regard striven to maintain a judicious monetary policy stance supported by close coordination with the fiscal authorities as well as a comprehensive liquidity management framework which helps to maintain stability in the financial markets. To strengthen policy formulation, the BM has intensified its monitoring, analysing and forecasting of macro-economic and monetary indicators, thanks in part to the introduction of quarterly reports on GDP by the National Institute of Statistics.

Socio-economic Development

- **Policy Dialogue on Poverty between the State and Non-state Actors in Mozambique.** PARPA (i.e. the Programme of Action for the Eradication of Absolute Poverty) has introduced the Poverty Observatory (PO), which has turned out to be a useful platform for dialogue between the government and civil society. The Observatory brings together government representatives and representatives of civil society organisations, including employers' associations and trade unions. It has a consultative character, but has

proven a powerful instrument to broaden the discussion of policy options in the country. CSOs also engage the Government in the discussion of policy by making concrete suggestions on how to tackle certain issues. Since the Poverty Observatory was launched in 2003, it has held at least one plenary session per year at the national level. The outcome of the Poverty Observatory process is presented to Parliament and feeds into the development of the annual development plans.

- **Reducing Mother to Child Transmission in Mozambique.** Mozambique has made significant progress in improving the access of pregnant women and women living with HIV to ART. There has been a noticeable increase in the number of PMTCT sites in Mozambique, up from 222 by end 2006 to 386 by December 2007. The number of health centres with antenatal care facilities that offer PMTCT services is almost 800. In 2006, the total estimated number of pregnancies in Mozambique was 760,000, and 35 percent of these women (269,084) received antenatal care at a health facility with PMTCT services. The proportion of HIV+ pregnant women receiving ARV prophylaxis to the overall HIV+ pregnant woman population has increased from 0.2 percent in 2002, to 8.3 percent in 2006 and 29.7 percent in 2007 (GoM, 2008). In addition, the number of HIV+ women who receive ART for their own health has increased. However, there is still a large unmet demand for reproductive health services, and urges the country to continue scaling up the efforts to improve access to PMTCT and ART.

7. CONCLUSION

- ccxxix. The remarkable recovery that Mozambique has made since the end of the civil war in 1992 should make the people proud of their accomplishments. Over the last two decades, Mozambicans has made considerable progress in rebuilding its political, economic and social institutions, with noticeable progress. 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 rapidly move forward.
- ccxxx. With its abundant natural resources, Mozambicans can exploit these resources for the benefit of the majority of its people. But 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.

INTRODUCTION

1.1 The Evolution of the African Peer Review Mechanism

1. Africa entered the new millennium with optimism and a commonly derived and broadly supported roadmap on how to overcome the development challenges of the last decades that were exacerbated by various factors, including conflict, institutional decay, leadership and managerial deficit, endemic corruption and economic mismanagement. The continent's agenda for renewal and 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; and, 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; place African countries, both individually and collectively, on a path of sustainable growth and development; halt the marginalisation of Africa in the globalisation process and 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 pre-requisite for human security and political stability, high economic growth, sustainable development, and accelerated sub-regional and continental economic integration. In recognition of this, the Heads of State and Government Implementation Committee of the AU also 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 Government of AU countries issued a Base Document on the African Peer Review Mechanism (APRM) to provide for the appointment of the Panel of Eminent Persons, the setting up of an APRM Secretariat and supporting services from NEPAD, strategic partners and special consultants and advisors.
4. The Sixth Summit of the Heads of State and Government Implementation Committee (HSGIC) of the New Partnership for Africa's Development (NEPAD), held in March 2003 in Abuja, Nigeria, adopted the Memorandum of Understanding (MoU) on the African Peer Review Mechanism (APRM). 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 African Peer Review Mechanism is now widely heralded as the jewel in NEPAD's crown and as an innovative initiative on governance in Africa. The instrument is voluntarily acceded to by member states of the African Union for self-evaluation. Assessment under the APRM is conducted within the framework of agreed values, codes and standards as contained in the Declaration on Democracy, Political, Economic and Corporate Governance.
6. It has at its fulcrum the deepening of democratic practices, the strengthening of achievements, dissemination of best practices and the 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
 - Socio-Economic Development.
8. The implementation of the APRM over the years, albeit uneven in member countries, has generated valuable experiences 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, including citizen participation in the evaluation of how they are governed. Through the APRM, African countries are now able to learn from each other and further deepen African solidarity. Capacity in monitoring governance is being developed and partnerships are being created, facilitating greater advocacy for the APRM and showcasing Africa's innovative thinking in governance.
9. Notwithstanding its monumental achievement in Africa's governance terrain, there are perceived obstacles which are receiving attention. The expectation now is for the mechanism to deliver qualitative improvements in governance and demonstrate the seriousness of Africa in tackling identified governance challenges 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 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, the mechanism only had 10 pioneer members. Since then membership in the mechanism has grown. Togo's accession in June 2008 brought to 29 the total number of AU member countries that have voluntarily acceded to the APRM.
11. The current APRM membership by regional grouping is presented in Table 1. However, Mauritania ceases to be a member following its suspension on 25 October 2008 for the unconstitutional change of government following the 6 August 2008 coup that ousted its democratically elected President, Sidi Ould Cheikh Abdallah.

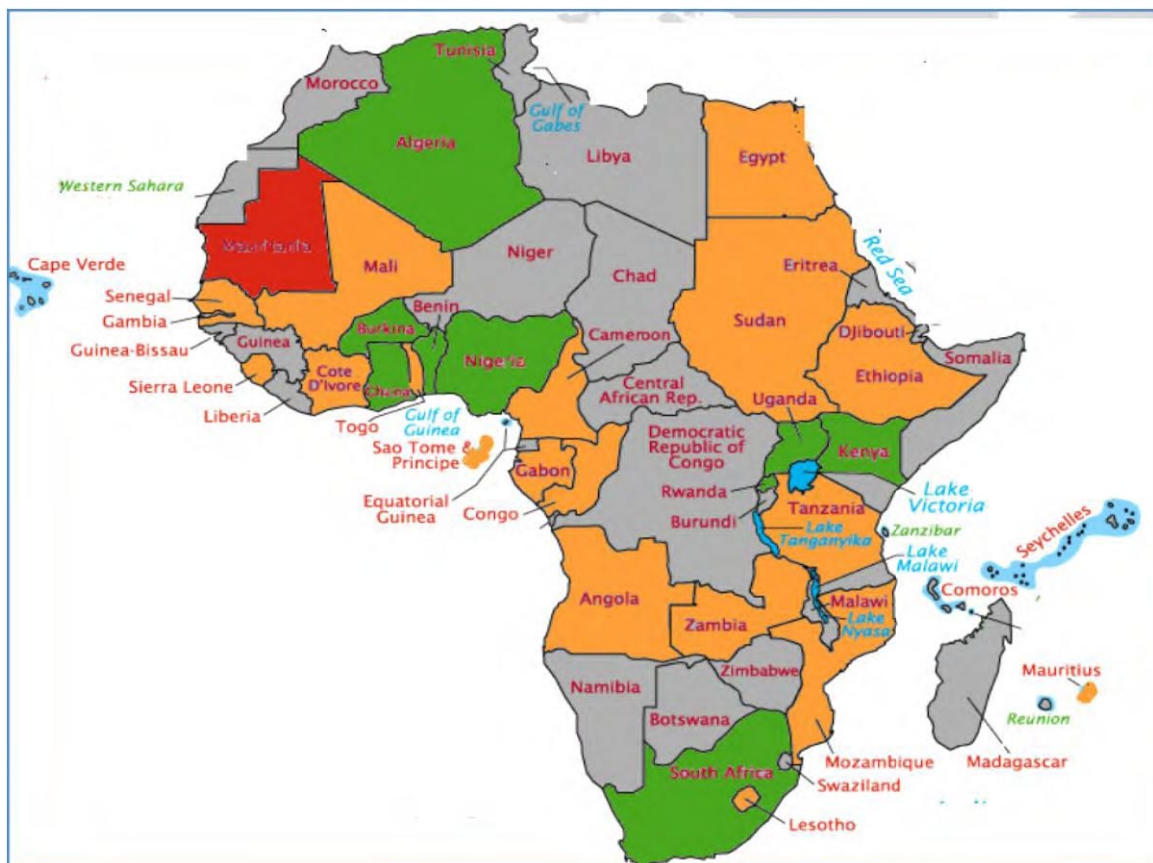
Table 1.1: Countries that have joined the APRM between March 2003 and May 2009

Region	Country
Central Africa (5)	Cameroon, Gabon, Republic of Congo, Rwanda and 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 (8)9	Benin, Burkina Faso, Ghana, Mauritania, Mali, Nigeria, Senegal, Sierra Leone and Togo

Source: APRM Secretariat, September 2008.

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

Figure 1.1: APRM Geographical Coverage



Source: APRM Secretariat, April 2009. (Adapted fromWorldAtlas.com)

-Legend-

Green – Reviewed Countries
Orange – Other Participating Member Countries
Grey – Non-Participating Countries
Red- Suspended 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 NPOA arising from the review and the operationalisation of the agreed parameters for good governance across the four thematic areas.
14. Since inception in 2003, the APRM has initiated reviews in 15 countries (by order of launch) as shown in Table 1.2. Reviews have been finalised for nine countries and the Country Review Reports (CRR) have been peer-reviewed by Heads of State and Government. The review process itself began in 2005, with review missions fielded to three countries, namely, 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 2006.

Table 1.2: Date of Launch/ Official Commencement of the Country Self-Assessment Process in APRM Member Countries

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

Source: APRM Secretariat, March, 2009.

15. The peer review of Algeria and South Africa, the first two of the five initiating members of NEPAD to reach this stage, was conducted at the Seventh APR Forum Summit Meeting, held in Accra, Ghana, in July 2007.
16. The pace of implementation of the mechanism, which has hitherto been very slow, 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 socio-economic development. Commendably, four peer reviews were conducted in 2008. Benin had its country review mission in July 2007 and was peer reviewed at the APR Forum Summit held in Addis Ababa in January 2008.
17. The Uganda, Nigeria and Benin Country Review Missions took place in the first quarter of 2008. Uganda was peer reviewed in June 2008 at the 9th Summit of the Forum held in Sharm-el-Sheik, Egypt, while that of Nigeria commenced but it could not be completed due to time constraint. The peer review of Nigeria was eventually concluded, together with that of Burkina Faso, at the First Extraordinary Summit of the Forum that took place in Cotonou, Republic of Benin, in October 2008.
18. The Country Review Mission 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 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 The APRM Process

20. The APRM consists of five inter-related 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 national level. The structures include the designation of a Focal Point and the establishment of 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 National Programme of Action (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 socio-economic development. The NPOA is, thus, 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 - the government, civil society organisations, private sector, the judiciary, political parties, national assemblies, the media, women, youth, people with disabilities, trade unions, religious bodies, professional bodies, corporate entities and organisations (private, public and informal), academia, and research institutions in implementing the programme.
24. As the country prepares its CSAR, including the NPOA, the APR Secretariat prepares a comprehensive background document on the country. The preparation of the document draws on up-to-date information from national, sub-regional, 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 Country Review Mission 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 the different issues 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 under Stage Three is drafting of the Country Review Report (CRR) by the CRM. This drafting is informed by the CSAR and NPOA, the Background Paper and the *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, together with 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. 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 APR Forum's mandate. If the country demonstrates strong will to rectify 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 of the APRM process entails the formal publication and presentation of the country review report to various institutions after it has been considered by the APR Forum. The key institutions include the regional and sub-regional structures, such as the regional economic community to which the country belongs, the Pan-African Parliament, the African Commission on Human and Peoples' Rights, 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 to 12 months.

1.4 The APRM Principles

34. The effectiveness of the APRM is dependent on a number of essential factors and principles. Among others, these include: 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 inter-state conflicts;
- Fostering constitutional democracy, i.e. 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 Objectives

- 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 Objectives

- 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.

Socio-Economic Development Objectives

- Promoting self-reliance in development and building capacity for self-sustaining development;
- Accelerating socio-economic development 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. An Advance Mission was fielded to Mozambique in August 2004 which cautioned against proceeding with the process because of the impending elections at the time.. The process was put on hold until after the conduct of the presidential and parliamentary elections of 1 to 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 and tasked it with leading and creating the necessary structures for the operationalisation of the APRM process in the Country, monitoring and following up its implementation, thus ensuring the inclusive participation of all national citizens in the APRM in an independent, professional and credible manner.
40. The APRM National Forum which was formally inaugurated on 7th August 2006 is made up of fifty nine members representing the following stakeholder groups- the National Council of Agenda 2025, National Youth

Council, Civil Society, *Higher Social Communication Council*, eight Working Committees of the Parliament, Deans of Public and Private Universities, three provincial governors, the Governor of the Bank of Mozambique and the President of the National Statistics Institute (INE).

41. The APRM Support Mission, led by Ambassador Bethuel Kiplagat, Lead Panellist for Mozambique was fielded in August 2006 during which the APRM Memorandum of Understanding on the Technical Assessment and Country Review was signed, paving the way for the Country Self-Assessment process to get under way.
42. In order to operationalise the APRM process, the National Forum established a national APRM secretariat in January 2007 and a National Forum Technical Unit in June 2007 saddled with the administration of all APRM operation process 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 has been established in the APRM baseline survey.
44. The Research Institutions are:
 - Centro de Estudos Estratégicos Internacionais: Democracy and Political Governance;
 - Austral/Cowi: Economic Governance and Management and Corporate Governance;
 - Cruzeiro do Sul– Research and Development Institute, Socio- economic Development.
45. The Technical Research Institutes immediately commenced the task of preparing the Country Self-Assessment which was executed using a holistic approach. As it is widely becoming the convention, four research instruments were used namely: Desk Research, Expert Panel Interviews, Focus Group Discussions and National Sample Survey. In addition, the Commission carried out Public Hearings and received Memoranda and written submission from various interest groups across the country.
46. The household survey, comprising a sample of 4200 households, was administered by the Centre for International Strategic Studies of the Higher Institute for International Relations (CEEI/ISRI), under the technical direction of the National Statistics Institute (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 2-day seminars that took place in each provincial capital. Thus, eleven seminars corresponding to the eleven provincial capitals were held, including Maputo City, with the representation of the Civil Society of one hundred and twenty eight districts.
48. The Country Self Assessment Report was submitted to the APRM Secretariat in April 2008 and the draft National Programme of Action in August 2008. Everything considered, the self assessment report comprising four volumes one (one report for each thematic area) is sufficiently candid about the governance and socio-economic situation in Mozambique. It represents the actual situation on the ground despite some dissenting issues and criticisms, especially by some NGOs and these were taken up during the Country Review Mission.
49. The Country Review Mission was fielded from 7 February – 3 March, 2009. It was led by Ambassador Bethuel Kiplagat, Lead Panellist for Mozambique
50. The review team was composed of independent experts in the four APRM thematic areas; experts from strategic partner institutions – the African Development Bank (AfDB), and United Nations Economic Commission for Africa (UNECA) – as well as members of the APR Secretariat, as indicated hereunder.

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).

Socio-economic 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

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

D. APR 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. Getrude 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 7th February 2008 at a ceremony held at Joaquim Alberto Chissano International Conference Centre, attended by His Excellency President Guebuza. The CSAR, together with the NPOA, was ceremonially handed over by the President to the Leader of the CRM.
54. In his speech, the President located 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 Team to work objectively, noting that what Mozambique expected from the exercise was the mobilization 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 Country Review Mission during the opening of the Country Review Mission at the Joaquim Alberto Chissano International Conference Centre, 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 of various institutions with a bearing on governance, including the Cabinet, the Judiciary and the Attorney General, the General Assembly, Internal Revenue Authority, Auditor General, the Central Bank, Anti-Corruption Body, and various government departments. The CRM also held discussions with non-stake stakeholder groups, including private sector representatives, civil society organisations, women's groups, and political parties. The CRM 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 Mozambique's nine provinces. The regional visits commenced in Maputo Province at Matola on 17th February, 2009, followed by Gaza and Inhambane Provinces at Xai-Xai on 18th February. On 20 and 21, February, the Team held sessions in Zambezia Province at Quelimane and departed for Nampula on 22nd February. As elsewhere, the CRM held sessions at Nampula for Niassa, Capo Delgado and Nampula Provinces. Representatives of stakeholders from three provinces were in attendance. On 24th February, the Team departed for Beira City it held sessions the next day for Sofala Province. The Team wound up its provincial tours with sessions in Chimoio City on 26th February, attended by delegates from the two provinces of Tete and Manica.

Box 1.1: CRM Consultations during the Country Review Mission

Due to a shortage of funds, most of which were provided by donors, the National Governing Commission could print only few copies of the historic self-assessment report. The Country Assessment Report (CSAR) is, however, available on the NGC 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 badly translated into English. Despite these constraints, Mozambique must be commended for its conduct during the Country Review 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.

Source: Compiled by the CRM, March 2009.

57. The regional visits allowed the CRM to get the views of key stakeholders on the 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, non-governmental organisations (NGOs), academia, the media, small businesses, 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. The CRM returned to Maputo city for continuation of its interactions with stakeholders and wrap-up sessions on 27th February, 2009. 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 player, it is not the sole player. 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 Socio-Economic Development) respectively. Each of these chapters has two sections: the first 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 boxes.
60. Chapter Seven discusses the cross-cutting issues considered critical due to their wider impact on governance and thus require holistic, immediate and urgent attention. These salient issues are the following:
 - Poverty and Inequality;
 - Party/government/business dichotomy;
 - Land;
 - High levels of illiteracy;
 - Eliminating aid dependency;
 - Information flow and paucity of data;
 - Inclusivity;
 - Crime, safety and Security;
 - Domestic violence;
 - Capacity constraints and implementation challenge;
 - Elections; and,
 - Corruption.

61. The Chapter also highlights three special issues of interest to Mozambique and the Mission - the Environment, land mines 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 TWO

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, an unsuccessful socialist experience, and, above all, a ubiquitous and fratricidal civil war 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. But this was not to be. The country was shortly afterwards engulfed in a vicious and brutal civil war, which left a trail of destruction across the country. This caused great suffering and considerable human misery. Experiencing very high poverty levels and a negative economic growth rate, Mozambicans were caught up in probably among the worst possible quality-of-life conditions in the world.
65. Undoubtedly, still one of the 'poorest' countries in the world, Mozambique rose like the legendary phoenix from its own ashes-having a remarkable renaissance in the face of persistent natural and man-made adversity. The country has since the mid-1990s reinvented itself as a highly successful post-conflict country in transition, with impressive economic growth and sustained macro-economic and political stability.
66. Since the devastating civil war ended in 1992, the country has enjoyed a remarkable recovery, achieving an average annual rate of economic growth of 8 percent between 1996 and 2007- some of 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 3 million people above the poverty line out of extreme poverty (out of a total population of 20 million). From the human development perspective, this has meant a 35 percent decrease in infant and under-five mortality, and a 65 percent increase in net primary school enrolment. Inequality remained relatively low by regional standards, and progress has been made toward the key Millennium Development Goals on infant mortality and primary enrolment.
67. On the democratic front, the country has also made notable progress. Democratic principles are respected and the country has consistently held elections albeit under severe constraints. To date, Mozambique has had three presidential and parliamentary elections (1994, 1999, 2004); two municipal elections (1998, 2003). Legislative and presidential elections are set for 2009. Civil and political rights have been more deeply entrenched in the country as a result of constitutional guarantees being observed. Civil society participation in development process and in institutional capacity building has added value to the formulation and implementation of important national action plans, policies and programmes. Important safeguards exist for the media to operate and disseminate information, although access to information remains problematic.
68. Although the country still faces enormous challenges, Mozambique today stands as a beacon of hope for the rest of post-conflict countries not just in Africa but across the world. Post-conflict 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. Mozambique is still one of the poorest countries in the world: 54 percent of the population find themselves below the national poverty line, and the country ranked 172 out of 177 countries in UNDP's most recent Human Development Report (2007/08). Although FRELIMO has been in power since independence, the country bears only the slightest resemblance to the vision they had proclaimed at independence.

2.1 Brief Political History

70. Mozambique has had a chequered history of struggle for liberation, peace, political stability and democracy. This brief exposition of Mozambican 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, the history of Mozambique has been divided into three phases: pre- colonial, colonial and post-colonial.

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 migrated from the north through the Zambezi River valley and then gradually into the plateau and coastal areas. The Bantu migrants were farmers and ironworkers.
72. When the Portuguese explorer, Vasco da Gama, reached the coast of Mozambique in 1498, he found Arab trading settlements which had existed along the coast and outlying islands for several centuries, and political control of the coast was in the hands of a string of local sultans. Muslims had actually lived in the region for quite some time; the famous geographer and historian, Al-Masudi, reported Muslims amongst Africans in the land of Sofa in 947 (modern day Mozambique, itself a derivative of the name of the Arab Shiekh, Musa bin Ba'ik, who ruled the area at the time when the Portuguese). Most of the local people had embraced Islam.

Colonial History

73. Historical accounts suggest that Portuguese traders first arrived in Mozambique in 1498 and from the foothold provided by the 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 organized for the administration of the territory.
74. As with all colonial enterprises, Portuguese colonial rule focused on the exploitation of the resources of the country for the benefit of Portugal. Consequently, save for the education provided by the missionaries, no conscious efforts were made to develop the human resources of the country or prepare the country for national self-determination. Besides the plantations owned by the Portuguese on which Mozambicans worked as labourers, the only other investments were the construction of rail 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 benign domination to aggressive possessiveness when Dr. Antonio de Oliveira Salazar became Prime Minister of Portugal and adopted a new colonial policy of *lusotropicalism* which justified development of closer links between Portugal and her colonial territories. Dr. Salazar's belief that Portugal's modest resources could not guarantee her economic self-sufficiency implied that the colonies would be exploited more intensely to ensure Portugal maintained her imperial status. To this end, emigration was encouraged and the Portuguese population in Mozambique began to grow. This policy and 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 Organization of African Unity proclaimed support for the total liberation of the African 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 President Julius Nyerere, where they formed the Front for the Liberation of Mozambique (FRELIMO), with Eduardo Mondlane as its leader. Harsh repression against anti colonial agitation in Mozambique forced the liberation movements to resort to an armed struggle, with Tanzania as the launching pad in 1964. 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.
78. In 1969, Mondlane was assassinated and was succeeded by Samora Machel who continued the armed struggle against colonial rule. The collapse of the Government of Portugal in a coup d'état on 25 April 1974 changed the dynamics of the liberation war. Faced with a political crisis at home, the new regime could not withstand the economic and political costs of anti-colonial war abroad and ceded independence on June 25, 1975 to FRELIMO whose leader, Samora Machel, became the first president.
79. Mozambique, thus, became independent after more than ten years of sporadic warfare in the country. FRELIMO took complete control of the territory 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 Portuguese coup, almost all the Portuguese population had left the African territory – some expelled by the new post-independence government of independent Mozambique, some fleeing in fear.
80. The Portuguese's rapid exodus left Mozambique with few skilled human resources. As a result, the Mozambican economy collapsed. Some history texts claim the country was left with fewer than five engineers after June 1975. In any event, as late as 2001, the economic outcome could still be seen in cities like Beira – the second largest in Mozambique. Once a thriving vacation city on the coast, many of Beira's 300,000 people live as squatters in unfinished 1970s era luxury hotels facing the Indian Ocean.

Post-independence Politics

81. After Mozambique became independent in June, 1975, FRELIMO initially pursued Marxist-Leninist policies. It responded to their lack of resources and the Cold War politics of the mid-1970s by moving into alignment with the Soviet Union and its allies. Its leadership established a one-party socialist state, and quickly received substantial international aid from Cuba and the Soviet Bloc .
82. The Marxist ideology adopted by FRELIMO brought it into conflict with the leaders of other political parties which were outlawed, traditional rulers who were removed and rural dwellers adversely affected by the government's policies. Severe conflicts started to erupt, culminating into full-scale civil war between the one-party FRELIMO government and the *Resistência Nacional de Moçambique* (RENAMO), formed in 1976/7 under Rhodesian direction, but drawing on popular resentment (primarily in the central region) against the government.

The civil war (1976–92)

83. Mozambique was embroiled in a civil war for sixteen years. The proclamation of Mozambique's independence in 1975 and its 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 (now Zimbabwe). In particular, Mozambique's support for the African National Congress (ANC) of South Africa and ZANU and ZAPU liberation movements of Zimbabwe, 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 right wing groups, set up RENAMO, financed and trained it in order to destabilise Mozambique and undermine the fulfilment of its political and economic agenda through low intensity guerrilla warfare. In addition, Mozambique's close relations with the extinct Non-Aligned Movement (NAM) and the former Communist bloc marked it out as one of the Cold War battlegrounds.

84. However, it should be noted that, although Rhodesian and South African secret services created and supported RENAMO in its struggle against FRELIMO, the movement appears to have been internally supported by FRELIMO's dissidents, RENAMO's captives, and the local population in RENAMO's controlled areas.
85. Available evidence indicates that in May 1975, 5,000 former FRELIMO members were branded as traitors. In August of the same year, various top army commanders were expelled and sent to prisons or re-education camps.⁸ In December, 1975, the government successfully cracked down a rebellion and 'those involved in it were severely punished'; and in February 1976, five members of FRELIMO's Central Committee were also expelled from the party (Serapião 1989: 11-12). According to Serapião, among the top military commanders expelled were André Matadi Matsangaisa – the first president of RENAMO – and Afonso Marceta Dhlakama – the current president of RENAMO. Both had escaped from a re-education camp and then 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 Africa', a radio station aimed at broadcasting anti-FRELIMO propaganda. In February 1977, André Matsangaisa, Afonso Dhlakama and other FRELIMO's dissidents returned to Mozambique through Manica province to fight against the FRELIMO government.
86. In Manica province, the small group of RENAMO's fighters mounted a successful raid against a re-education camp and freed close to 500 detainees.⁹ Of these, 300 detainees were incorporated into RENAMO ranks. Apart from targeting re-education camps where most FRELIMO dissidents were sent to, RENAMO fighters adopted outrageous methods of kidnapping, ambushes, threats, destruction of villages and farms of local populations, sabotage, and mutilation in order to force people adhere to RENAMO's objectives, increase the number of guerrillas, and widen its base of support inside Mozambique, as reported in a range of studies on the subject.
87. This is said to explain the overwhelming increase in the number of fighters and the pace at which the war was spread throughout Mozambique. According to Serapião 1989 (12-13), until 1981, the war was limited to Manica province only, in 1982 the war spread to four provinces: Tete, Sofala, Inhambane, and Gaza. In 1983, the war spread to three more provinces: Maputo, Zambézia, and Nampula; and, by 1984 had reached the provinces of Niassa and Cabo Delgado.
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 the socio-economic infrastructure. The costs of the war were massive (Hanlon and Smart, 2008). These included an estimated 1 million casualties; 1.7 million refugees in neighbouring countries; and 3.2 million displaced people inside Mozambique.
89. As a result of devastation of 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 (UNDP 1998). The economy experienced a steady decline as reflected in falling GDP, production, real incomes, employment, a negative balance of payments, and an average per-capita income of less than 100 US dollars (Hanlon and Smart, 2008)¹⁰.
90. Faced with severe shortages of food supplies and the need to restore the socio-economic 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) 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 (Hanlon and Smart, 2008).

⁸⁸ Serapião, L. B., 1989, 'FRELIMO and political legitimacy in independent Mozambique', *Africa Quarterly*, Vol.29 No.1-2: 10-26.

⁹ Kulipossa, F. P., U.d, 'Mozambique'.

¹⁰ Hanlon, J. And Smart, T. (2008), *Do Bicycles Equal Development in Mozambique?* Currey, Oxford.

91. The concessions made by Mozambique to Western countries had immediate positive pay-offs. Aid increased from 360 million US dollars in 1985 to 1 billion US dollars in 1990. In the 1990-1994 period, Mozambique had become the largest aid recipient in sub-Saharan Africa (SSA), accounting for more than 1.1 billion US dollars 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 "front-line 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 peace agreement, signed in Rome, between FRELIMO and RENAMO in 1992.
93. In an attempt to end the war, Mozambique under the leadership of the late President, Samora Moises Machel, in 1984 negotiated the infamous Nkomati Accord with P. W. Botha and the South African government, in which Mozambique was to expel the African National Congress 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 continued. In 1986, President Samora Machel died in a mysterious plane crash inside South African territory on his way from a frontline meeting in Zambia. Although unproven, many suspect the South African government of responsibility for his death. Samora Machel was replaced by Joaquim Chissano as president.
94. In 1990, with apartheid crumbling in South Africa, and support for RENAMO drying up in both South Africa and in the United States, the first direct talks between the FRELIMO government and RENAMO were held. In November 1990, a new Constitution was adopted. Mozambique was now 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, were signed in Rome between President Joaquim Chissano and RENAMO leader, Afonso Dhlakama, which formally took effect on the October 15, 1992. A UN Peacekeeping Force (ONUMOZ) oversaw a two-year transition to democracy. The last ONUMOZ 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 peace agreement signed between the FRELIMO government and RENAMO, on 4 October 1992 in Rome.
96. The peace agreement was reached due to the recognition by the warring parties 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 to end the war. This helps to understand RENAMO's 16 points document distributed to the media in Nairobi and Washington, D.C., in August 1989, after its first congress held in Gorongosa between 5 and 9 June 1989. There were also internal pressures on both sides, especially from Catholic Bishops through their 1987 Pastoral Letter, to seek peace and end the war.
97. At the regional level, Mozambique's neighbours - especially Tanzania, Malawi, 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 1994 multiracial elections.
98. At the international level, donors put pressures on the warring parties to seek peace settlement for the conflicts, even going as far as providing financial support to RENAMO to assist it in making the transition from rebel movement to 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, resulting in the cessation of hostilities.

99. The factors that led to the cessation of hostilities in Mozambique suggest that there was no winner or loser because neither FRELIMO nor RENAMO were militarily annihilated or victors. The most important winner was the Mozambican people, including former soldiers of both FRELIMO and RENAMO armies, who had suffered most from the civil war. Hence, the solution was to introduce fundamental economic and political reforms to reconcile and accommodate FRELIMO's and RENAMO's interests within the Mozambican political system and then implement 'zero-generation' reforms aimed at placating the majority of people who had suffered most from the civil war. This helps to explain the durable cessation of violent conflict in Mozambique.
100. Another contributing factor for the durable cessation of violent conflict was the astute mediation of members of the Catholic Community of Sant Egidio, the Italian government, and the 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 peace agreement was a detailed blueprint for truce, demobilisation of armed forces, de-mining and reopening 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 Government of Mozambique has instituted several economic, social and political reforms to put conditions in place for socio-economic development based on the foundation of democratic pluralism, inclusiveness, periodic free and fair elections, the rule of law, respect for human rights and reduction of potential of intra- and inter-state conflicts. It has also began reforms in the way 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 decentralization. The implementation of the peace agreement 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 explains why Mozambique's turnaround has been succeeding and is sustainable.

Political reforms

102. In the wake of the 1992 Rome Peace Agreement, Mozambique has gone through political and economic restructuring, rapidly moving from the 16-year civil war and one-party autocracy to multi-party democracy. Socio-political changes that occurred in the world in the late 1980s enabled the introduction of broad political reforms toward a liberal democracy. The approval of the 1990 Constitution accelerated the democratisation process in general, and provided for an environment more favourable toward dialogue, participation, and organisation of democratic elections.
103. Since 1994, the conflict has been contained consistently resulting in the cementing of a multiparty atmosphere. To date, the country has had three presidential and parliamentary elections (1994, 1999, 2004); three municipal elections (1998, 2003 and 2008), and is set to organize its first provincial elections as well as legislative and presidential elections in 2009. In 2004, a new constitution was approved, which deepened democratic liberties and, is in tune with an environment of economic growth, favoured the chances of both domestic and foreign investment in social areas, including the steadily evolving media sector. The country also held its first democratic elections in 1994 in which Joaquim Chissano was elected President with 53 percent of the vote, and a 250-member National Assembly was voted in with 129 FRELIMO deputies, 112 RENAMO deputies, and 9 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.
104. Democratic decentralisation was introduced in 1998, with the first-ever local elections 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 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 democratization to local contexts; and to improve the effectiveness of the 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 more accommodations to the opposition's procedural concerns for 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 voter registration was conducted from July to September 1999, providing voter registration cards to 85 percent 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 in which 5 of the 33 municipalities passed peacefully to the RENAMO-led opposition (including the secondary largest city of Mozambique, Beira). This was the first time that FRELIMO, RENAMO-UE, and independent parties competed without significant boycotts. The 24 percent turnout was well above the 15 percent turnout in 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 4 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 elections were held on December 3-5, 1999, with high voter turnout. International and domestic observers agreed that the voting process was well organised and went smoothly. Both the opposition and observers subsequently cited flaws in the tabulation process that, had they not occurred, might have changed the outcome. President Chissano won the presidency with a margin of 4 percent points over the RENAMO-Electoral Union coalition candidate, Afonso Dhlakama, and began his 5-year term in January 2000. FRELIMO increased its majority in the National Assembly with 133 out of 250 seats. RENAMO-UE coalition won 116 seats, one went independent, and no third parties are represented.
109. The opposition coalition did not accept the National Election Commission's results of the presidential vote and filed a formal complaint to 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 elections law that contained innovations based on the experience of the 2003 municipal elections. The third general elections occurred on December 1-2, 2004. FRELIMO candidate Armando Guebuza won with 64 percent of the popular vote. His opponent, Afonso Dhlakama of RENAMO, received 32 percent of the popular vote. The estimated 44 percent turnout was well below the almost 70 percent turnout in the 1999 general elections. FRELIMO won 160 seats in Parliament. A coalition of RENAMO and several small parties won the 90 remaining seats. Armando Guebuza was inaugurated as the President of Mozambique on February 2, 2005.
111. Elections in Mozambique's 43 municipalities took place on November 19, 2008. FRELIMO mayoral candidates won in 42 of the 43 contests. Presidential and parliamentary elections are scheduled for late 2009.
112. All of these changes have established a framework for governance and administration based on democratic principles: representation, political equality, limitations on state power, and extended political participation. This has contributed to Mozambique's 'turnaround': a durable cessation of violent conflict, 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 Mozambican economy went into a virtual standstill, experiencing a very sharp drop in economic activity. As a response to this situation, the post-independence FRELIMO government adopted in the late 1970s a strategy of central planning of the economy, aimed at achieving rapid economic growth and ending underdevelopment by the 1990s. The failure of this strategy to achieve these goals, partly due to its unrealistic nature, but also to the multiple economic and political constraints the country faced after independence, led the government to adopt in the mid 1980s a comprehensive agenda of economic liberalisation and reform that has continued to the current period.
114. From the early 1980s, Mozambique was plunged into 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 debt repayments. By the time President Joaquim Chissano and RENAMO leader Afonso Dhlakama signed a peace agreement in 1992, much of the country's physical infrastructure -- roads, bridges, railways, sugar mills, rural shops and much else lay in ruins. Annual per capita GDP had fallen from \$133 in 1981 to \$90 in 1993.
115. Although exports increased by 83 percent between 1977 and 1981, a number of serious economic setbacks developed as the civil war continued. Its agricultural policy failed due to the abuse and misuse of resources. A large proportion of industrial workers started to leave the country, which led to a fall in the industry sector's share of GNP from 40 percent to 27 percent between 1981 and 1986. Revenues also decreased as Mozambique's 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 for the government to build on in the post-war era.
116. In early 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 have been diverted by powerful leaders of FRELIMO. Carlos Cardoso, a journalist investigating these allegations, was murdered and his death was not satisfactorily explained.
117. Much of the economic recovery which has followed the end of the Mozambican Civil War (1977-1992) is being led by investors and tourists from neighbouring South Africa and from East Asia. A number of returning Portuguese nationals have also invested in the country as well as some Italian organisations. However, the country remains as one of the poorest in the world.

Economic reforms

118. In response to the national economic collapse and evolving international context, the Mozambican government launched in 1987 the Structural Adjustment Programme (SAP) in order to reverse the decline in production by creating better conditions for rural populations, ensure a minimum level of consumption and income, reduce domestic financial imbalances, strengthen the balance of payments, and lay the foundation for economic growth (GoM, 1987). The implementation of the SAP entailed two main stages: stabilisation and adjustment. The first stage aimed at devaluing the national currency and cutting drastically public expenditures. The second one 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 SAP accelerated inflation, hardships, and deprivations for the majority of the population in the first years of its implementation, its benefits started to be felt in the following years, with substantial growth in the agricultural and industrial sectors. To mitigate the negative effects of the SAP, the government implemented 'zero-generation' reforms aimed at placating the majority of people who had suffered most from the civil war.

The introduction of social safety net programmes, such as the Demobilisation Fund for FRELIMO's and RENAMO's retrenched soldiers, Food and Subsidy Scheme, Social Fund for Medicines, Infant Food Supplement, School Social Action Fund, School Lunch Programme, Civil Servant Wage Supplement, and Emergency Programme, were part of the 'zero-generation' reforms. This suggests that SAP in Mozambique had been relatively successful in halting economic stagnation and in boosting a rapid economic growth, despite the criticisms levelled by some scholars against the Bretton Woods institutions (Hanlon 1996).

120. Notably though, while the Mozambican government accepted the neo-liberal 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. It also had severe implications for 'uncompetitive' industries and regions, resulting in increased inequalities between in particular rural and urban areas in Mozambique (Peck and Tickell, 1992:355).
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 and attempts at re-invigorating economic reforms within the framework of the liberalistic enthused Economic and Social Rehabilitation Programme (ESRP) were initiated (Arndt *et al.*, 2000a:300). It included a sequence of standard stabilisation measures such as monetary restraint, fiscal adjustment, and devaluation of the exchange rate. Based on neo-liberal¹¹ principles, 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.
122. Today, Mozambique's development strategy is framed in the *Plano de Acção para Redução da Pobreza Absoluta II* (Action Plan for the Reduction of Absolute Poverty II – 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 encompassing the public sector, fiscal policy governance and the business climate.
123. The implementation of a computerised integrated budget and treasury management system (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 the PARPA 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).

The impact of economic reforms

125. From 1990, the Mozambican economy has been among the fastest-growing in the world, with an average annual GDP growth of about 8 percent. The cyclone and devastating floods of early 2000 reduced the economic growth for that year to 2.1 percent, but the country bounced back in some style - GDP growth approximated 14 percent in 2001.
126. Pivotal to Mozambique's structural adjustment, sound macroeconomic management and fiscal prudence became key constituents in its efforts towards economic reform. The country achieved much of its impressive results only at a later stage of its transition, under its Action Plan for the Reduction of Absolute Poverty 2001-05 (PARPA I), sustaining economic growth of approximately 8 percent per year on average since 1993, and reducing the Poverty Headcount Index (PHI) from 69 percent in 1996 to 54 percent in 2003.

¹¹ The neo-liberal ideology originates from the neo-classical 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 (WC) and the Second-generation reforms.

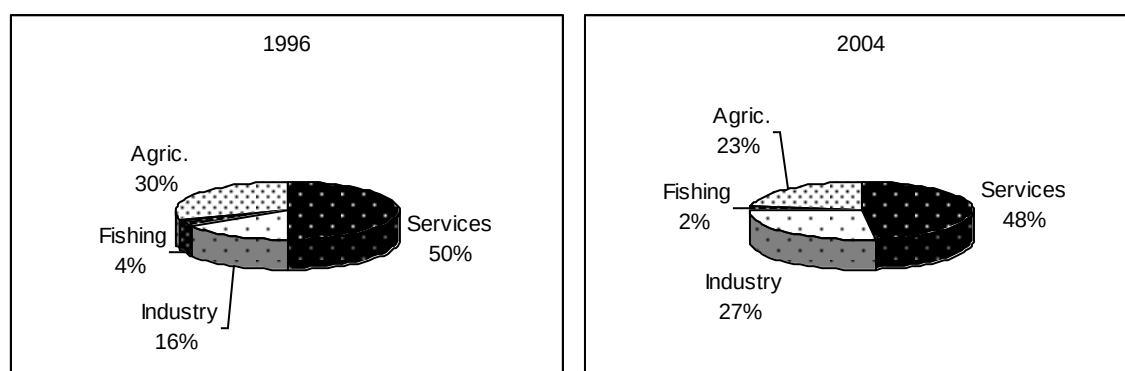
Central to the ESRP, PARPA I mainly focused on the prime determinants of growth. Economic growth, the World Bank (2006a:2) asserts, has been 'pro-poor', meaning that "the rate of consumption growth of people below the poverty line was strongly positive due to agricultural expansion, greater non-farm activities in rural areas, and a rise in employment".

127. In 2006, however, Mozambique, as noted above, introduced PARPA II (for 2006-09) in order to shift the balance of emphasis more towards alleviating poverty. As pointed out by the IMF (2007b:8), PARPA II broadened its definition of poverty: "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". 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 percent in 2003 to 45 percent of the population in 2009.
128. Notably, PARPA II differentiates itself by giving higher priority to an increase in productivity and a greater integration of the national economy. By focusing specifically on the contribution which the reforms may have had after 1992 on economic growth and poverty reduction in Mozambique, this section initially highlights the possible effects of reform-induced changes in investment, trade and privatisation, respectively, on growth and poverty. It then draws the 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 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. 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 service sector, being the largest sector, experienced a volatile period since 1996 after its share of GDP initially rose by 5.6 percent to an exceptional high of 55.1 percent in 2000, falling to 48 percent in 2004 (see Figure 1 below). Biggs *et al.* (1999:13) argue that because private sector investments increased by almost 3 percent of GDP annually, especially after 1997, they have appreciably contributed to at least the initial growth phase. Clearly, as Figure 2.1 indicates, the service sector – particularly ports and railways, the services it provides for its landlocked neighbours – is one of Mozambique's core economic strengths that should be developed by means of increased privatisation.

Figure 2.1: Mozambique: Composition of GDP (in percent of GDP), 1996 and 2004



Sources: IMF, 2005a:7; Kulipossa, 2006:44.

131. Growth in the agricultural sector as a percentage of GDP drastically decelerated from 30 percent in 1996 to 18.8 percent in 2001, and then recovered somewhat to 23 percent in 2004. The growth of not only

Mozambique's industrial sector, but also of its entire economy over this period is mainly driven by construction, whose share of GDP increased from 6.6 percent in 1996 to 11.7 percent in 2001. This is primarily due to the benefits received from FDI since 1999 in the Mozal aluminium smelting mega-projects (Mozal I and II) of BHP Billiton. In fact, a number of other mega-projects in natural gas (Sasol), titanium mining (Moma), and the Cahora Bassa hydro-electric dam and generating station, among others, are the result of considerable private capital inflows, attracted by the new, reformed environment since 1992.

132. The mega-projects are considered Mozambique's main source of growth (Business Africa, 2006:6). As indicated in Figure 2, over the period of 1996 to 2006, total investment in Mozambique grew at an average rate of 11.6 percent. This is 3.1 percent higher than the country's average real GDP growth rate¹² for this period and 1 percent 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 percent of GDP), while gross capital formation experienced intense volatile phases. The steep incline in 2006 is mainly due to strong growth in public investment (51 percent) which is, throughout the period, recognised for its contribution towards reducing poverty (World Bank, 2007:242).
133. However, it should be noted that Mozambique's meteoric growth comes from an extremely small base. In 1997 Mozambique's per capita GNP was still the lowest in the world at US\$90, and much of the country's health and education infrastructure had yet to be rebuilt from almost nothing. But sound economic management, massive international debt relief and great investment in human capital have been quite successful in alleviating poverty in the country.

Industrialisation

134. Mozambique was rated the sixth most industrialised economy in Sub-Saharan Africa during the late colonial period (World Bank, 1990). Independence from Portugal in 1975 and the political turmoil that followed, however, led to a sharp decline of industrial activity, with manufacturing output falling by over 30 percent between 1974 and 1976. A key factor behind this debacle was the departure of around 200,000 Portuguese settlers in the aftermath of independence, who had supported the growth of these manufacturing sectors by providing skilled labour and a growing demand for locally produced manufactured goods.
135. As a response to this situation the post-independence FRELIMO government adopted a model of central planning of the economy, intervening in numerous industrial firms abandoned by its Portuguese owners, and formulating a strategy aimed at ending underdevelopment by the 1990s, based on a process of accelerated industrialisation (World Bank, 1985). Despite these intentions, by 1985 manufacturing activity had reached a historical low, with production down to levels of the early 1960s and capacity utilisation estimated to be below 30 percent in most industries (World Bank, 1990).
136. In 1986, the Mozambican government initiated a process of structural reform and economic liberalisation that has continued until the present date. In the two decades that have elapsed since then, manufacturing activity has, overall, experienced a substantial recovery, with the share of manufacturing value added over GDP reaching a historical peak of 14.8 percent in 2004 (World Bank, 2007). 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 and weakening of Mozambique's manufacturing base, with manufacturing employment falling from over 111,000 workers in 1987 to 31,500 in 2005. Thus, by 1999 only nine firms accounted for 56 percent of industrial production, with the two largest, South African Breweries and Coca-Cola, responsible for 25.7 percent of industrial output (WTO, 2001). This process of growing concentration has continued into the 2000s as several industrial mega-projects 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 percent of the country's GDP, 38 percent of its growth and 55 percent of its

¹² Between 1989 and 2006, real GDP growth averaged 7.5%, almost twice the comparable figure in SSA.

exports in 2004, whilst only employing around 1,100 workers. Meanwhile, other traditionally important sectors have fared less well. Some have almost disappeared, as is the case of garments and textiles, barely accounting for 0.1 percent of manufacturing production in 2005, down from 23 percent in 1988, or the cashew-nut industry, which in the 1970s was one of the most important in the world.

138. Several factors have been identified as currently constraining manufacturing development in Mozambique. The most frequently cited refers to investment climate constraints imposed by a burdensome regulatory and administrative environment, and the general inadequacy of business infrastructures (CTA, 2004). In addition to these business environment considerations, the manufacturing sector suffers 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 above 25 percent in nominal terms throughout most of the late 1990s and 2000s.
139. The CRM also noted a steep decline of 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 fall of formal employment in the economy. Additionally, this sectors' general technological backwardness and weak skill base has further undermined local manufacturing firms' competitiveness and market position in local and international markets (RPED, 2003). Finally, the privatisation of over 1,200 SOEs undertaken throughout the 1980 and 1990s does not appear to have led to any significant modernisation of the manufacturing sector's technological base (Cramer, 2001; Pitcher, 2002).
140. These manufacturing dynamics have coincided with a weakening of the Mozambican policy and institutional framework for industrial development, further hampering the possibility of addressing these multiple constraints. At present there are various institutions and NGOs 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 (Warren Rodriguez, 2007a). 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 services; But it is also the consequence of the fragmentation and weak coordination of these interventions, the lack of a clear strategy for manufacturing development in Mozambique and the few resources devoted to these purposes. The government does have a National Strategy for the Industrial Sector, which sets out the guiding principles for government intervention in this sphere.

2.3 Major Achievements

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

Sustaining the Peace Dividend

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

Political Reforms and Multi-party Democracy

143. Following the end of the 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 is 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.

Macroeconomic Reforms and Stabilisation

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

Decentralisation

145. In 1997, the Mozambican parliament passed Law 2/97, on municipalities that entail the devolution of political and economic powers to local institutions. As a result, on 30 June 1998 municipal assemblies, local councils, mayors, and local parliamentarians were elected. These bodies were vested with the power of making laws, planning and budgeting, acquiring and administering resources, and taxing. In the exercise of their powers, municipal institutions are encouraged to co-ordinate their activities with traditional authorities in satisfying specific needs of local communities.

Broader Public Sector Reforms (2001-2011)

146. In 2001, the Government of Mozambique passed its Global Strategy for the Public Sector Reform (PSR) aimed at enabling the public sector to promote socio-economic development and reduce absolute poverty. Rationalisation and decentralisation of service delivery is one of the key components of the reform and it entails the restructuring of the public sector based on functional analysis and restructuring plans for all ministries. The 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 six key areas: (i) improving service delivery through decentralisation and institutional restructuring, (ii) strengthening the policy formulation and monitoring process, (iii) enhancing professionalism in the public sector, (iv) improving financial management and accountability, (v) promoting good governance and combating corruption; and, (vi) management of the reform process.

2.4 Challenges

147. While progress has been achieved in pursuit of reforms, Mozambique still faces a number of major challenges that could complicate its quest to achieve to improve the welfare of the majority of its people. The challenges that require urgent attention include:

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 by far the most important sector but is underdeveloped. As a result, Mozambique's 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, since mega-projects generate limited spill over effects on the rest of the economy and contribute relatively little to job creation and tax revenue, broad-based growth remains a major challenge.

High Poverty Levels

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: 54 percent of its population find themselves below the national poverty line. Moreover, the country's poverty reduction efforts have had uneven results across regions. In particular, poverty rates increased in Maputo city and province. The high poverty level and its associated regional imbalances pose the dangers of social polarisation. The challenge for Mozambique is to ensure that the benefits brought by growth and stability can raise the living standards of the vast majority.

Rising inequality

150. Related to the issue of poverty is rising income inequality. This inequality comes in many forms. The regional asymmetries continue to be one of the constraints in the balanced distribution of provision of benefits resulting from the socio-economic development. Thus, urban districts present larger opportunities than rural districts in terms of access to services. The southern region presents larger indexes of service provision compared to the central and northern regions of the country, however with inter-provincial and inter-district disparities inside each region.
151. The Portuguese colonial administration left a pattern of regional imbalance that persists to date. The PARPA II takes notes of the regional imbalance in the provision of public services, with the South being more endowed than other regions and hence fostering inequality. This inequality exists in the provision of services in sector of the education, health care services, 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 bank system and ICT registers great asymmetries. It is enough to state that over 50 percent of credit institutions are located in the city of Maputo. Increase of inequalities in the distribution of resources can lead to social conflicts.

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 war lasted, FRELIMO projects itself as, and it was generally perceived by the people of Mozambique as, the party of liberation. It was the party that won independence for Mozambique, the party that paid the price of self-determination – losing two of Mozambique's national heroes, Eduardo Mondlane and Samora Machel in the process, the former by assassination and the latter by sabotage leading to a plane crash. The Government of FRELIMO mobilised support for the civil war by portraying RENAMO as the party of saboteurs, of those collaborating with the enemy, the one responsible for national destabilisation. RENAMO, on the other hand, painted FRELIMO as the party of authoritarian rule, of exclusive appropriation of the fruits of independence and of disregard of traditional rights of constitutive groups of the country. It portrayed itself as fighting to save democracy for Mozambique.

155. These portrayals have spawned enduring stereotypes of FRELIMO as the party of liberation and RENAMO as the party of rebels in the perception of FRELIMO members; on the other hand RENAMO members see their party as the party of democratic choice and pluralism and FRELIMO as the party of authoritarian rule. The stereotyping of each other continue to shape interactions between the two main political parties of Mozambique constraining 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 stakeholder express concern that the ruling FRELIMO party appears to dominate the public sphere, blurring the distinction between state and party and thereby 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 the risk to their hold on power. The 1998 elections saw a RENAMO boycott and widespread abstentions. RENAMO is a significant political force, with strong regional bases, and heads a coalition with a large of seats in parliament. Despite this, the Mozambican state bureaucracy is still deeply entangled the FRELIMO party organisation.
157. There is a strong feeling among many in Mozambique 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 of colonial liberation, made public pronouncements contemptuous of democracy and opposition parties.
158. 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 ruled recently 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 made a devastating review of public accounts, pointing to criminal irregularities. Most importantly, it 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 to be illegal and ruled that they should be reinstated.
159. Given the widespread belief that the country is in the tight grip of FRELIMO this obvious show of resistance from two institutions which 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 good will, but structurally ingrained.

Public Sector Reform

160. There is no doubt that the GoM has made enormous to transform the public sector since 1992. Most of this effort has taken place within the framework of the government's Public Sector Reform Programme (i.e. streamlining the state apparatus, reforming the judiciary, strengthening auditing capacity and fighting corruption) – which go a long way towards meeting some of the most fundamental governance requirements. But 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, the government continues to operate, through mega-projects put together by the top political leadership and respective donors and/or private investors, with very little public consultation or transparency.

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 down further to 1 per cent for tertiary enrolment. For the small minority who attend secondary school, the quality of education that they experience is poor. Specifically, the teaching of the basic sciences needs dramatic improvement. 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 science and technology when they are older. At a tertiary level the proportion of students pursuing science, engineering and technology degrees needs to be increased to provide a sufficient pool of people for Mozambique's nascent innovation system.
162. A particular example of where both short-term and long-term approaches are required is in meeting the challenge of educating the Mozambican population. The majority of Mozambicans do not receive even a secondary school education, let alone have the opportunity for tertiary training. The task is huge, and innovative thinking is essential if significant progress is to be made. Traditional forms of education alone are insufficient. The power and potential of interactive multimedia-based ICTs should be exploited here to the full. The task of education must become a national imperative in which all sectors of society, the public and private sectors, civil society, urban and rural, play both active and supportive roles.

Poor Business Environment

163. Without doubt, Mozambique has made enormous progress in improving the 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. Though it is difficult to make a quantitative estimate of 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 foreign direct investment, as well as the proper channelling and use of external aid.

Rising HIV prevalence

165. Mozambique is the only country with a rising HIV prevalence rate in Southern Africa. Available evidence shows that Mozambique is still among the 10 most affected countries in the world, with an infection rate of 16.3 percent based on the finding of CNCS (2008). Some urban centres and corridors are experiencing higher rates of infection. Referring to the 'report on the revision on HIV epidemiologic vigilance data 2004, 2005' by the MISAU, CSAR points out zonal variations in the infection rates. Sofala province is the most affected with a rate of up to 25 percent, followed by Maputo city at 25 percent and Nampula at 9.8 percent of prevalence.
166. Starting in 1986, the GoM has put in place a number of programmes and strategies to fight against the pandemic. These include, among other things, 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 Council is mandated to coordinate, monitor and evaluate multi sector activities aimed at combating HIV/AIDS pandemic. Under the coordination of CNCS, a National Strategic Plan (PEN) for combating STD/HIV/AIDS was initially launched in 2000 aimed at sensitisation, prevention and treatment. The first phase covered the period 2000-2004 and the second phase 2005-2009. The priority areas covered by 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 the prevalence rates. The report points out that some of the objectives pursued under the national strategic 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. Foreign direct investment appears to be tapering off, or is of poor (i.e. risky) quality. In 1992, the year the GNU came to 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 Enhanced HIPC Initiative in May 2000. Although the country's debt overhang has been drastically reduced under the HIPC initiative, it still remains high and growing.

Disaster and environmental management

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

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 is expected.
172. This is a long-term challenge but it is critical to the development and modernisation of Mozambique. It especially entails drastic changes in 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 (UPE) and Universal Secondary Education, more technical schools and wider university enrolment are introduced and close linkages are created between educational institutions and employment opportunities.
173. The promotion of research and development (R&D), especially in agriculture, is also critical. Most research and development (R & D) in the country are publicly funded, at a level of about 0.2 per cent of GDP. The size of the scientific research community is very small; there are only some 470 researchers in the public R&D institutions, where practically all research in the country is undertaken. Of these, only 30 per cent have postgraduate qualifications, and less than 10 per cent have doctorates.

Landmines

174. Mozambique is affected by landmines and explosive remnants of war (ERW), a legacy of nearly 30 years of conflict that ended in 1992. Since the signing of the peace agreement in October 1992, demining has been under way, but Mozambique has not yet met its targets, partly because of difficult access to mined areas.
175. Clearly, Mozambique has advanced in dealing with its mine and UXO problem. 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 programs for children. In the process, Mozambique is taking bold steps down the road to greater security and prosperity. However, tens of thousands of land mines 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 macro-economic policy, and especially its national MDGs strategy and its new growth and poverty alleviation strategy, in addressing some of the challenges. The challenge now is to consolidate the country's hard-won gains by exploiting available opportunities which include abundant natural resources and the long coastline.

Political Stability

177. Political stability plays an important role in determining the economic stability and progress of a country. A stable political regime with a visionary leadership leads the country to a higher level of growth. In particular, it makes a healthy economic environment to attract foreign investment and attain high levels of growth.
178. In Mozambique, there is a responsible government in place which 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 actors. Consensus building towards the common interest of ensuring the sustainable development of Mozambique will require concerted efforts, effective dialogue mechanism as well as participation by all actors.
179. Increasing exports, foreign transfers, tourist earnings, international aid and foreign direct investment have a close link with the stability of the political regimes. Mobilization of international financial resources can only be undertaken effectively by a stable government. With a stable government, Mozambique is in a position to invest a large amount of capital on human resource development which can be financed by international aid and rising economic growth.
180. Political stability is, therefore, an important asset which Mozambique cannot 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 stable political system to mobilise international financial resources and invest a large amount of capital on human resource development.

Economic Stability

182. Another critical challenge to maintain is economic stability. As previously noted, Mozambique has attained economic stability as evident in a stable macroeconomic environment. Since the mid-1990s, the targets of high growth rates, low inflation and currency stability have all been met, and the government has won praise from its international partners for its tight control over public finance. Mozambique is likely to receive, and should wisely use, increased flows of foreign private capital, especially into the primary commodity sector, as a result of this stability. This is likely to result in increased wealth creation and prosperity in the country.

183. Although the main objective of Mozambique, like 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 will 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 investment that leads to the creation of wealth and to additional economic stability. It should not be forgotten that economic stability also largely depends 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 demonstrates that economic stability is an essential platform for achieving social cohesion.
185. It is often the case that policy-makers and financial institutions lose sight of the horizon and make economic stability and its prerequisites an end in itself and not the means to sustainable and balanced economic and social cohesion. Thus, they often wrongly make aspects such as inflation and public deficit control, avoidance of exchange rates volatility, etc., the central elements of their policies without duly taking into account their collateral impact 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 poverty reduction as the main defining element; nearly half of the country's population lives in poverty.
186. There is no doubt that a dynamic market economy, which Mozambique is presently 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 in social cohesion is critical to the advancement of society as a whole.
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 for the long-term and use it as a lever to eradicate stubbornly high poverty levels. The APR Panel has every reason to believe that Mozambique is firmly pursuing this path.

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. But Mozambique, unlike other African countries, is still predominantly virgin territory, with most of the country's natural resources yet to be explored. The GoM is determined to change this situation through increased exploration and exploitation of the natural resources in order to positively contribute 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. The South African company Sasol is now exporting natural gas from Inhambane Province; Kenmare, the Ireland-based firm and South African company Corridor Sands are mining titanium deposits in Gaza Province, about 200km north of the capital, Maputo, and an array of companies from the United States, Brazil, Canada, Norway, Italy and Malaysia are prospecting for oil reserves.
191. But care should be taken given the consequence of mineral extraction in some developing countries. Australia, Canada, Norway and Botswana 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 like Angola, Nigeria, Equatorial Guinea and Sudan, where vast oil reserves have failed to improve the livelihoods of the majority of the inhabitants.

192. Available evidence shows that, when poorly managed, the relationship between natural resource wealth and GDP growth is negative. In such a case, natural resource wealth has no demonstrable relationship to a population's overall wellbeing as measured by the United Nation's Human Development Index (HDI). This is known as the 'natural resource curse' – the negative effects of mineral wealth on a country's economy and population. The resource curse can inflate the local currency, making other enterprises less competitive in the international market; fluctuations in the price of oil, gas and minerals create a volatile exchange rate that often discourages foreign direct investment; mineral revenue windfalls also have a tendency to encourage poor government policy and increase foreign debt.
193. The CRM cautions that the Government of Mozambique should come up with a carefully prepared plan for controlling spending and borrowing, encouraging economic diversification, and a system of anti-corruption checks and balances as the extractive industry expands. This will help the country escape the natural resource curse.
194. Mozambique is also endowed with vast land resource suitable for agriculture. It is estimated that the country possesses 36 million hectares of arable land of which 20 million hectares are of low climatic risk, 5 million hectares are of medium climatic risk, 3 million hectares are of high climatic risk, and 9 million hectares are not viable for climatic reasons. An estimated three million hectares of land have potential for irrigation, but to date only 83,700 hectares have been developed for irrigation and only 37,500 hectares are actually irrigated (PROAGRI 1997). The potential for agricultural development is huge, but this is not likely to be achieved if agricultural production is not modernised.

Long Coastline

195. With a length of 2,700km, Mozambique has the longest marine coastline on the East African coast and the third in Africa. In addition, a considerable proportion of the land in provinces, such as Sofala and Quelimane, is under 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), Lúrio, Incomati (Komati), Lugela, Zambezi (which is navigable for c.290 mi/465 km within the territory), Revúe, Save (Sabi), and Limpopo, 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 sea ports in Maputo, Beira, Quelimane, Nacala and Pemba. Despite an increase in the volume of goods and passengers handled by the sea ports between 2006 and 2007, the use of sea transport for passengers' movement was the least 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 also has pristine beaches and marine biodiversity. These are primary attractions for tourists. The potential for tourism development is enormous. Although it has been growing fast in recent years, the country's tourism industry still remains underdeveloped. More should, therefore, be done to address the constraints facing the development of tourism, especially poor infrastructure in rural areas.

CHAPTER THREE

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 sixteen years, the country fought a bitter civil war which ended only after a General Peace Agreement (GPA) signed in 1992. Thus, it was not until peace was secured that the leaders could concentrate fully on the socio-economic development of the country and the promotion of the political and civil rights as well as the economic, social and cultural rights of the people. Mozambique's political evolution since independence has, therefore, been shaped by the desire to consolidate peace, rapidly grow the economy and ensure that the basic necessities of the people are met within an expanding framework of rights, duties and responsibilities.
199. The national leadership has performed the balancing act reasonably successfully over the last sixteen years. This has enabled the country transit relatively smoothly from a one-party state of Marxist orientation into a multi-party free market democracy. The Government of Mozambique deserves much praise for the success so far achieved in trying to institutionalise democracy and political good governance, despite the challenges 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 multi-party democracy and the global regime of human rights is the country's record with regard to the signing and ratification of international Instruments reflecting international accepted standards pertaining to democracy, good governance and human rights. Mozambique has signed and ratified many relevant APRM standards and codes, but many more remain to be signed. In addition, many of those ratified are not being fully implemented or observed. Mozambique needs to sign and ratify outstanding International Instruments, and implement them in addition to those already ratified to ensure that citizens enjoy the full benefits deriving for the international legal system.
201. After thirty years of armed conflict, Mozambique found peace through a peace agreement that was facilitated by friendly African countries, the Catholic Church and the Italian Government. The peace agreement not only ended armed conflict, it also resulted in the adoption of a set of values and principles that have since then remained the guidelines for political action and the standard against which public policies are measured. The peace that was attained in 1992 has proved durable even though challenges persist which the Government must resolve to further secure it and achieve genuine political and social reconciliation.
202. Persisting mutual distrust between FRELIMO and RENAMO – the two main former protagonists – remains a challenge, just as rising crime, land disputes, free circulation of small arms, incomplete demobilisation, aggravating economic and social exclusion threaten human security and peace. Nevertheless, social rehabilitation appears to have gone quite well in most of the country.
203. Mozambique's governmental system is a multi-party democracy based upon the supremacy of the Constitution, the rule of law, 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 the more dominant arm of government, which is consistent with Lusophone traditions. There is a Constitutional Council which is empowered to decide on the conformity of government actions with the Constitution and thereby safeguard constitutional democracy against threats of abuse of executive power.
204. The electoral system provides guarantees for periodic, multi-party, competitive elections to elect the Assembly of the Republic members based on *proportional representation*, while the president is elected by a simple majority of votes. Although there are over fifty 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 on it will enhance 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 interest in elections is waning with low voter turnouts 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. Freedom of expression and association are among the most robust of civil rights in Mozambique. However, at almost every stakeholder workshop held during the Mission, there were complaints that the Government was intolerant of criticisms and civil society groups (CSOs) specialised 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 to enhance service delivery.
207. The Government has been trying to actualise the right to health for all Mozambicans, but the national health system is very weak. The public health sector covers only about 50 percent of the population, and the ratio of health workers to the population is the worst in the world at 1 medical doctor to 30,000 inhabitants. Commendably, school fees have been abolished at the primary school level which has led to enrolment more than doubling between 1997 and 2006. Nevertheless, many children are unable to attend school and the dropout rate is quite high. The Government is taking serious efforts to raise standards by addressing problems of overcrowding, poor infrastructure, training of teachers and 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, the enjoyment of those rights is constrained by practical challenges like the low level of literacy, lack of awareness of those rights by a majority of the population and inadequacy of facilities for access. Access to justice, in particular, is undermined by a weak judicial system, poorly resourced police lacking adequate capacity to investigate crimes, corruption and delays in the administration of justice.
209. Mozambique's Constitution stipulates that judges shall be independent, impartial and objective. The appointment of judges is the subject of much contention because it is party-based and the repeated nomination of the current President of the Supreme Court to the office since 1988 evokes strong disapproval from opposition political parties because they 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 jealously guard its independence from executive interference.
210. The Assembly is separate from and formally autonomous of the Executive arm of government. Besides legislation, the Assembly of the Republic 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 President of Supreme Court, the President of the Constitutional Council, the President of the Administrative Court and the Vice-President of the Supreme Court. Its constitutional powers notwithstanding, the Assembly is unable to realise its full potential because of a number of factors. It operates part-time, does not have enough resources to carry out its oversight functions and lacks legislative assistants to assist the members in the performance of their functions.
211. The GoM has been implementing wide-ranging reforms of the public service to improve the efficiency and effectiveness of public officeholders and the civil service. The reforms include efforts to professionalise the public service, upgrading of the infrastructure and decentralisation. A One-Stop-Shop to facilitate registration

of businesses by the private sector has also been established. These efforts have shown positive results in improved efficiency and effectiveness of the public sector. Unfortunately the impact of the reforms is weakened by the low level of educational attainment in the country currently, failure to institute merit-based recruitment in the public sector and poor motivation as result of low wages and salaries.

212. Corruption is another bane of the public service of Mozambique. It occurs in the award of huge construction contracts, in procurements and is generally rife among the civil servants delivering services to the public. There appears to be social tolerance of corruption because it is very pervasive. The interpenetration of government, business and politics make it very difficult to deal with corruption. However, the Government has put strategy in place an anti-corruption which involves rationalisation and simplification of administrative procedures as well as reduction in the discretionary powers of civil servants; strengthening accountability procedures; fostering participation of CSOs and the private sector in government action; and decentralisation of government bringing it closer to the people.
213. Notwithstanding the anti-corruption strategy, there is little evidence of decline in corruption in Mozambique because of the Government's stranglehold on the economic and political spaces, weak legal and institutional framework, and lack of capacity of the Assembly of the Republic to carry out effective oversight of government's activities. To fight corruption more effectively, the anti-corruption strategy will need to be revamped with measures such as vigorous prosecution of cases of grand corruption to signal to Mozambicans that the Government is seriously committed to combating corruption; publishing of the assets declaration of high government officials and the active verification of assets.
214. Mozambique has a good record in promoting gender equality, second only to Rwanda on the continent. The ruling party, FRELIMO, has a gender policy which sets aside a quota 35 percent for women in access to 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. They are still subjected to considerable social discrimination and marginalisation. Gender-based violence is very common and the trafficking of women a significant hazard.
215. The Constitution provides for the rights of children and Mozambique has ratified the Convention on the Rights of the Child (CRC), the International Labour Organisation (ILO)'s Convention Concerning the Prohibition of Child Labour. Nonetheless, children in Mozambique face many challenges growing up. Child labour persists and there is a significant problem of street children because of extreme poverty and social dislocations.
216. Mozambique has a significant number of vulnerable groups which include malnourished children and pregnant women, people living with disabilities, victims of natural disasters, refugees, ex-combatants and children who are family heads. Although there are policies for the protection of vulnerable 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 enhanced budgetary allocations to the relevant agencies and CSOs which have responsibility for their welfare; ratification of the international standards and codes which guarantee their rights, such as the Rights and Dignity of People Living with Disability; and establishment of a National Council for Disability.

3.2 Codes and Standards

I. Summary of the CSAR

218. The CSAR does not provide a separate heading discussing codes and standards.

II. Findings of the CRM

219. In the absence of any data in the CSAR concerning Mozambique's performance with regard to the signing, ratification and observation of standards and codes, the CRM compiled the data in this section independently.
220. Mozambique has made visible efforts to become a party to the main international agreements (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 a 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 instruments are usually adopted by means of a resolution. States can either vote for, against, or abstain from voting for such 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: Mozambique is a party to/signed the following international and regional agreements

Instrument	Party	Signature only	No action
The Charter of the United Nations	✓		
CCPR The International Covenant on Civil and Political Rights	✓		
CESCR The International Covenant on Economic Social and Cultural Rights		✓	
CCPR OP1 The Optional Protocol to the International Covenant on Civil and Political Rights			✓
CCPR OP2 The Second Additional Protocol to the Covenant on Civil and Political Rights for the Abolishment of Death Penalty	✓		
CAT Convention Against Torture and Other Cruel, Inhuman Degrading Treatment or Punishment	✓		
CERD International Convention on the Elimination of All Forms of Racial Discrimination	✓		
Convention on Political Rights of Women			✓
CEDAW Convention on the Elimination of All Forms of Discrimination Against Women	✓		
CED Convention for the Protection of All Persons from Enforced Disappearance			✓
CPD Convention on the Rights of Persons with Disabilities		✓	
CPD OP Optional Protocol to the Convention on the Rights of Persons with Disabilities			
CRC Convention on the Right of Child	✓		
CRC OP AC Optional Protocol to the Convention on the Rights of the Child on the Involvement of Children in Armed Conflict	✓		
CRC OP SC Optional Protocol to the Convention on the Rights of the Child on the Sale of Children, Child Prostitution and Child Pornography	✓		
CAT OP Optional Protocol to the Convention Against Torture and Other Cruel, Inhuman Degrading Treatment or Punishment			✓
Convention for the Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others			✓
UN Convention relating to the Status of Refugees	✓		
UN Additional Covenant to the Geneva Convention on	✓		

Refugees			
Geneva Convention relative to the Protection of Civil Persons in time of War			✓
CMW Convention on protection of Rights of Migrant Workers and Members of their families			✓
The Constitution Act of the African Union	✓		
The African Charter on Human and Peoples Rights	✓		
The AU Convention on Preventing and combating Corruption		✓	
The AU Peace and Security Protocol	✓		
African Charter on the Right and Welfare of the Child	✓		
The OAU Refugee Convention of 1969	✓		
Protocol on the Rights of Women in Africa			
The NEPAD Framework Documents	✓		
SADC Protocol Against Corruption	✓		

Sources: www.un.org
www.african-union.org

221. International agreements which Mozambique is not yet a party to include:
- The International Covenant on Economic, Social and Cultural Rights;
 - The Optional Protocol to the International Covenant on Civil and Political Rights;
 - The Optional Protocol to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment;
 - The Statute of the International Criminal Court (signed);
 - The Geneva Convention Relative to the Protection of Civilian Persons in Time of War;
 - The Optional Protocol to the Convention on the Rights of the Child on the Involvement of Children in Armed Conflict ;
 - The Optional Protocol to the Convention on the Rights of the Child on the Sale of Children, Child Prostitution and Child Pornography;
 - The African Charter on democracy Elections and Governance;
 - The Convention on the Protection of the Rights of Migrant Workers and their Families;
 - The Convention on the Political Rights of Women;
 - The AU Convention on Preventing and Combating Corruption (signed);
 - The AU Peace and Security Protocol; and
 - The 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 ACHPR. As far as UN treaties are concerned Mozambique has submitted five reports (one to CEDAW, two to CERD and the other two to the CRC) and seven reports are overdue.¹³ According to the AfriMAP Report, *Mozambique, Justice Sector and Rule of Law*, this situation may improve with the establishment of an *ad hoc* inter-ministerial committee on human rights, which is responsible for Mozambique's reporting obligations.¹⁴
223. No reference could be located of any international instrument applied by Mozambican courts. But the Mozambican Constitution makes 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 has, however, been indicated that international codes and standards form part of certain courses and are adhered to where possible in university management.

Box 3.1: Good Practice in 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. It states that validly approved and ratified international treaties and agreements shall

¹³ <http://www.unhchr.ch>

¹⁴ p6.

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 the Mozambican law. No additional legislative act of domestication or incorporation is therefore required. Art 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.

224. The following information could not be obtained during the CRM:

- Whether there is a policy framework available for ratification of outstanding agreements and the implementation and reporting of those already ratified;
- Where does reporting stand currently?;
- The procedure adopted and challenges with reporting;
- Reasons why outstanding treaties are not ratified?; and,
- What is done to raise awareness amongst population and courts at all levels?

III. Recommendations

225. The APR Panel recommends that Mozambique:

- Undertake a comprehensive audit of the compatibility of Mozambican legislation and policy with international standards and codes and develop a plan of action to address areas of conflict between Mozambican law and policy and international standards and codes [Ministry of Justice; CSOs];
- Ratify outstanding international standards and codes and implementation of those already ratified by General Assembly;
- Train the judiciary and legal practitioners on the impact of international law on Mozambican law [Ministry of Justice; the Bar]; and,
- Create a depository for all international agreements to which Mozambique is a party [Ministry of Justice].

3.3 Assessment of the Performance of APRM Objectives

Objective One: Reduction and Prevention of Intra- and Inter-state Conflicts

I. Summary of the CSAR

226. The CSAR observes that Mozambique has enjoyed peace and stability since the signing of the General Peace Agreement 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 peaceful conditions necessary for political stability and socio-economic development.
227. The CSAR notes that, following the signing of the GPA seventeen years ago, strenuous efforts have been made to reduce distrust and deepen peace through consultations, dialogue, consensus and inclusive policies to reintegrate formerly warring opponents and inculcate a new patriotism based on mutually defined national objectives and aspirations. The example of former war protagonists in both FRELIMO and RENAMO turning into peace advocates has had a salutary influence on their teeming members leading to the adoption of dialogue and consultation as national ethic for conflict resolution. Thus, the GPA provides a reference and framework for the resolution of intra-state conflicts and indeed the conditions for the establishment and consolidation of multi-party democracy.
228. However, the CSAR also notes that there are challenges to the sustenance of peace. There is evidence of rising violence because of the perceived inequities in the procedures for elections such as 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 that the Police have repressed with maximum force, especially as happened in 2000 in the Montepuez and Mocimboa da Praia districts in the Province of Cabo Delgado where several lives were lost.

229. Poverty, together with economic and social exclusion, is also identified as a major cause of violent conflict in society. With over half of the population living in poverty and an estimated 20 percent of the labour force unemployed and, consequently, feeling socially excluded from participating in exploiting the expanding economic opportunities of the country, the potential of their resorting to violence to seek redress or just to make ends meet is high. Access to water sources and land disputes are also mentioned as causes of violent conflict, especially in the rural areas. In addition, the presence of armed RENAMO ex-combatants who should have been disarmed as part of the post war demobilisation and who now serve as security guards to the RENAMO leader is a threat to peace. Their appearance at polling stations in their locations at Marigue and Chiringoma District during each election is said to pose potential danger to opponents.
230. Furthermore, the CSAR traces some of the violent conflicts in the country to persisting imbalances in regional development in terms of investments, socio-economic infrastructure, service delivery and large scale projects that could alleviate poverty and unemployment, even though the Government has been trying to correct this historical differentiation whose origins can be traced back to the colonial period. Gangs engaged in criminal activities such as trafficking of women and children, drugs and arms are also a source of violent conflict.
231. The CSAR observes that the quantity of hard drugs circulating in the country is substantial 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. Arms are easy to procure locally, while there are regional firearm markets as well, so criminals do not lack ready sources of weapons. It is noted that these criminal gangs use arms to intimidate, maim, and rob citizens and banks particularly in Maputo, and surrounding areas. The success of spectacular criminal operations such as robbing banks prompts people to perceive that the state is losing the battle against the criminals.
232. The last category of causes of violence has an international character. This refers to cross-border crimes which 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 activities of 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 entry into the country illegally with the connivance of corrupt public servants. Uncertainty about the nature and legality of the businesses engaged in by immigrants and their apparent success within relatively short times after their arrival cause suspicion among Mozambicans.
233. The CSAR also shows that in Mozambique there are formal and informal mechanisms for the prevention, management and resolution of intra-state conflicts. The informal mechanism comprises traditional rulers, while the formal is made up of all security agencies and the courts. Inter-state conflicts are prevented or managed by mechanisms established under SADC.

II. Findings of the CRM

234. The Government of Mozambique has recorded tremendous achievements in implementing the GPA and setting the context for peace, constitutional rule and multi-party democracy (Box 3.2). Disarmament, demobilisation and rehabilitation (DDR) of ex-combatants has been formally concluded under the supervision of UNOMOZ. This was a major confidence building-block of the peace process since it symbolically signalled a farewell to arms and the embrace 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 committed themselves in October 1992 to renounce war and to work towards the achievement of peace, democracy and national unity based on national reconciliation. The result of their pledge is the unbroken 16 years of peace and stability which 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 enunciated principles and values that should be the foundation of multi-party democracy going forward which have proved a valuable framework for anchoring political activities to date. Multi-party democracy, the electoral system, guarantee of freedoms and rights, restoration of traditional rulers to the structure of governance are some of the features of Mozambique's Constitutional and political order traceable to the GPA. Peace has held ever since, albeit fragile.

235. The CRM observed that the role of religious leaders in the disarmament, demobilisation and rehabilitation 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 Demobilization, Disarming and Reintegration in Mozambique through Religious Leaders

Cessation of violent conflicts often leaves unsolved the problem of the proliferation of small arms and light weapons in the hands of demobilised and civil populations. Mozambique was no exception to this general phenomenon. Its 16-year civil war made small arms and light weapons freely available over a wide area of its territory. Following the GPA in 1992, UNOMOZ supervised a programme of disarmament, demobilisation and rehabilitation which lasted nearly two years. The programme led to nearly 120, 000 combatants from FRELIMO and RENAMO being demobilised and only about 12, 500 being retained to constitute Mozambique's armed forces (FADM). A programme of rehabilitation was implemented by the UNDP, ILO and donor agencies like GTZ and 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 the efforts to completely disarm and rehabilitate Mozambicans who came to possess arms as result of the civil war. It is estimated that the UNOMOZ operation resulted in the recovery of 150, 000 arms,¹ but as at the time of the Mission, the CCM had recovered over 600, 000 small arms and light weapons. The CCM has received financial support from some countries, but 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. While, those who return arms have been given compensation in cash or kind and been helped to reintegrate into society, recovered arms have been creatively turned into works of art. Two prominent sculptures – **The Throne of weapons** and **The Three of Life** – have been acquired by the British Museum. Made of recovered AK47s, this archetypical 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 Government had retreated from the field. It is also to the credit of CCM that it works with the Government in the handling of recovered weapons while remaining strictly non-partisan. CCM demonstrates the possibilities when civil society creatively engages with filling critical needs in society.

¹ Chris Alden, "Swords into Ploughshares? The United Nations and Demilitarisation in Mozambique" in *International Peacekeeping* (Summer 1995, pp. 175-93).

236. Other key principles of the GPA have been embodied in the Constitution and laws passed since the peace accord. The Constitution guarantees fundamental human rights characteristic of democratic governance such as 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 multi-party competition for political power and provides for an independent electoral management body, the National Electoral Commission, to direct the process.

Challenges to the Consolidation of Peace

237. All Mozambicans across the 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 will never fight another war again. While it will be an exaggeration to say that the peace currently being enjoyed is taken for granted, there are clear indications that complacency has set in, with several participants at the validation workshops pronouncing the prevailing peace irreversible even as at the same time significant numbers also hint darkly that all is not well because of unresolved issues of reconciliation. Thus, the prevailing mood of optimism that a formula had been found to secure an enduring peace in Mozambique is dampened by increasingly clamant voices that the peace accord is unravelling.

238. The CRM notes that the peace that prevails currently is, however, threatened by the following factors: weaknesses in the implementation of confidence-building aspects of the GPA or, in other words, challenges to the consolidation of peace and challenges 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 framework remains in place, having been given expression in the Constitution and state laws, inconclusive implementation of key aspects of the peace agreement 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, the CRM was informed that RENAMO has some unspecified number of ex-combatants still under arms and serving as guards to 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 an admission of the inconclusiveness of the peace and integration process. The existence of men bearing arms outside the official armed forces of the state is an anomaly that violates the full expression of sovereignty by the state. Although the GPA (Protocol V Section III par 8) stated that RENAMO shall be responsible for the immediate personal security of its top leaders and the government shall grant police status to the members of RENAMO assigned such security function, the conversion has not happened. They should have been disarmed and integrated into the police or national defence force a long time ago.
242. On the other hand, RENAMO leaders complain 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 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 the consciousness of the people the dichotomous classification of Mozambican leaders (together with their political parties) into "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 by the leaders of the political parties who 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 was established in 2006 to support local investments that would generate employment and enhance food production and is given to all of the 128 Districts. Originally, only amounting to 7 million meticaís (\$290, 000), it has been increased to 9 million meticaís (\$373,000), of which 2 million meticaís is for the funding of local infrastructure projects, while 7 million meticaís is to be given out as soft loans to local people for their projects. Each district has a Consultative Council that recommends those to be given soft loans. The Consultative Council is dominated by FRELIMO members just as the District Administrator who is the loan administrator is FRELIMO.

246. In interactive sessions with the CRM, many participants from all the provinces complained that the allocation of loans from the Fund was not transparent as there were no clear criteria other than that they 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 the way the Fund is currently administered. They did not deny that they benefited the most, and rationalised non-extension of the loans to RENAMO members due to their alleged lack of capacity to design bankable projects worthy of funding.

Social exclusion

247. The Fund is a major Government intervention to alleviate poverty, hence the concern with 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, the Fund had resulted in the creation of over 7,000 jobs but in all the twelve districts of the province it was very difficult to persuade beneficiaries to repay the soft loans. In 2007, of the 8.6 meticaís loan disbursed in the Bilene-Macia District from the Fund, only 173,000 meticaís had been repaid. Consequently, by the last quarter of 2008 only 3.7 meticaís of the 8.6 million meticaís had been disbursed.

248. In December 2008, the Minister of Planning and Development announced that the Fund 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 percent. The huge impact of the Fund is desirable and commendable but it is, from the evidence available to the CRM from the validation workshops, working only for a limited component of the population and the political considerations qualifying access to it 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 alienates non-members and incites their resentment.

250. The conflation of the ruling party into the state as described in Box 3.4 prejudices citizens' freedom of association and choice of political affiliation which are guaranteed by the Constitution. Systemic lack of distinction between the boundaries of the state, government and party spells grave hazard to the health of multi-party democracy in either of two ways. It may put pressure on all those in opposition to renounce membership of their parties to enjoy equal opportunities in the public service or, rather lead to the surrender of those discriminated against, creating in them resentment and alienation from the state. Neither of these outcomes is conducive to the sustenance of multi-party democracy.

Box 3.4: Conflation of Party into State

At 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 to attend party meetings when scheduled during working hours. They are allowed to wear T-Shirts and other paraphernalia of party identity to their places of work. Compulsory deductions are made from the salaries of workers for the benefit of FRELIMO when authorised by the relevant party organs. Other political parties enjoy no such privileges. We were 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

251. Economic and social discrimination and exclusion combine to create an aggrieved population amongst the non-FRELIMO members. This defies the letter and spirit of the peace agreement. The reality of the exclusion of non-FRELIMO members is that they are marginalised from participating in and taking advantage of the economic and other opportunities ordinarily available to citizens. Taking membership of the FRELIMO party seems to be the only effective remedy in order to enjoy access to the opportunities created by government policies, and the rights guaranteed by the Constitution. In addition, non-FRELIMO members are being subjected to undue and unfair pressure alienating them from the state and undermining a commitment to peace. Reactions during the validation workshops show deep-seated resentment against such discrimination.
252. The ambience of peace is also disturbed by inconclusive demobilisation and rehabilitation programmes. Ex-combatants who face challenges of reintegration, comprise the following categories:
- ex-combatants of the liberation war;
 - ex-combatants of the civil war; and,
 - those from the two-year compulsory military service.
253. The three groups have 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 creates an example how the other categories can be dealt with.
254. The second category comprises those demobilised after the 16-year civil. 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 new Mozambican Armed Forces (FADM). Those eligible among demobilised soldiers (mostly FRELIMO soldiers) were paid stipends over a period of eighteen months during which their reintegration into society was expected to be completed under the Reintegration Support Scheme which was funded from a Trust Fund managed by the UNDP. Most RENAMO soldiers not absorbed into FADM were left out of the payment of the 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 established under the Commission on Reintegration (CORE) but was taken over, when the latter wound up, by the Ministry of Labour and was run in collaboration with UNDP and the ILO.
255. There was also the Provincial Open Reintegration Fund run in the Central Provinces by GTZ and in the Northern Provinces by the International Organization for Migration (IOM) providing funding for self-employment and micro-entrepreneurial projects. This Fund presaged the current Local Initiative Investment Fund in its philosophy except that it targeted ex-combatants. All three programmes terminated in the mid-90s, because there were no funds to continue them after donors withdrew their support. The termination of the programmes has left gaps in the support to ex-combatants and 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 (Zambezia – 15,256; Sofala – 12,808; Nampula -12,021) with 43 percent of the demobilised soldiers is unhealthy due to the fact that these areas are also more economically depressed. As a result, survival or coping opportunities for demobilised combatants are limited.
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 under-aged soldiers. The Government has recently stepped in to try 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 not covered by any safety net.

Many of those declared medically invalid have not received any benefits, and among those eligible there are still waiting to be paid.

257. In the last category of demobilised people with military training are those who are demobilised after serving the compulsory military service for which the age eligibility band is 18 – 35 years. A person is required to register when he reaches the age of 18 years and thereafter may be called up anytime. In exceptional cases, draftees may be granted exemption from enlisting for the military service. In interactive sessions with the CRM, 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 their jobs on receiving their call-up letters lose their jobs permanently and become unemployed after the service.
258. The CRM confirms that the exemptions criteria are not well articulated and advertised, so not many people are able to apply and if exemption is approved, the successful applicant has to pay an annual fee in lieu of the service which most poor draftees cannot afford. Those discharged after the compulsory service have joined the ranks of people with military skills, limited or non-existent opportunities for employment and lack of pension. The CRM was informed that people falling in this category may be involved in the rising crime levels in the country as pointed at the validation workshops.

Challenges to the Protection and Promotion of Human Security

259. The CRM confirms that the crime level in Mozambique is high and rising. A report to the Assembly on 29 April 2007 by the Attorney-General, Augusto Paulino, indicated that crime had risen by 16 percent from 36,257 in 2006 to 41,902 in 2007. Maputo City and Maputo Province had the highest recorded crime of 17,676 representing 42 percent of the total national crime rate in 2007. Although the level of crime was relatively low in Manica, its rise was the highest, rising from 621 to 1,140 between 2006 and 2007, an increase of 84 percent. Robbery was the most common crime, accounting for 63 percent of the total number of crimes against persons at 24 percent and against public order at 13 percent. In reaction to the high and rising levels of crime, the former President and current President have had to dismiss police chiefs in 2001 and 2008 respectively. Stakeholders decried the apparent ineffectiveness of the police in fighting crime.
260. 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 laws into their hands and lynching suspects or people apprehended during the perpetration of crimes. In 2006, 17 people were reported lynched for committing crimes. The number of those lynched increased to 31 in 2007, while by the first quarter of 2008 19 had already been lynched. A number of lynch victims were saved by the police in the period covered by the report.
261. The nature of robberies taking place suggests that sophisticated gangs, often with sub-regional or international links, are at work. 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) were among items reported as stolen. The Mozambican Rail Company (CFM) alone lost materials costing over 82.7 million meticaïs (about \$3.4 million) in 2007.
262. The free circulation of weapons (small arms) in Mozambique aids crime and violent conflicts. The war of independence and the civil war led to free circulation of arms. Liberation wars in neighbouring countries (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 tackle it. In 2006, the UNDP conducted a baseline study to formulate a strategy for control intervention. In 2008, UNDP with the support of the Netherlands Government commenced technical assistance to the Government of Mozambique to control the circulation of free arms with the supply of vehicles, computers and radios.

263. Mozambique, with its porous coastline of about 2470km long is vulnerable to penetration by drug cartels, gun-running gangs and fishing vessels engaged in unauthorized 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 the navy. However, in 2007, Mozambique obtained three patrol boats from the United States of America to enhance naval fleet capability. This is reinforced by the cooperative arrangements between Mozambique and South Africa under the South Africa-Mozambique Joint Permanent Commission on Defence and Security. The renewed security attention to the coastline is important because of the consequences of piracy off the coast of Somalia and the enhanced traffic diverted towards Mozambique's coastline.
264. Although the CSAR had suggested that illegal immigrants were perceived to be involved in criminal activities which had led to violent incidents in Maputo and Nampula, reactions to the presence of immigrants are generally positive. Most Mozambicans that the CRM interacted with welcome the presence of immigrants. But they warned that the police and other security agencies should ensure that legal immigrants are engaged in lawful activities, while illegal immigrants should be quickly repatriated. While no significant xenophobic attitude is perceivable, the presence of a growing number of immigrants, especially those of Asian origin, who are successful entrepreneurs, is likely to provoke envy and suspicion of their means of wealth. However, 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 to 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 percent in 1997 to 54.1 percent in 2003, it has actually increased in Cabo Delgado (the most Northern province), Maputo Province and Maputo City (in the most Southern part of the country), as shown in Chapter Six. Maputo City and Maputo Province, as we have shown above, are areas of the highest concentration of crimes between 2007 and 2008 as reported to Assembly.
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. In interactive sessions with stakeholders, many misgivings were expressed that the process of allocations was not usually transparent and fair. There were also complaints of encroachment on land allocated to individuals by more powerful people. 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 intervened to resolve such conflicts and where they fail recommend cases be submitted to the courts.
267. Elections were also identified as causes of conflict in Mozambique. In the 2004 elections many violent clashes between FRELIMO and RENAMO supporters occurred at Inhaminga where an armed guard of the national leader of RENAMO was shot dead, Mozambique Island, Chimoio, Angoche 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 Tete and Nampula 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:
- Pay outstanding pensions of ex-combatants and assist those still not integrated to reintegrate in a sustainable way, as a matter of urgency. [Office of the Republican President; FRELIMO; RENAMO; Ministry of Finance];
 - Disarm RENAMO guards still keeping arms under mutually agreeable terms [Office of the President; Ministry of Defence; 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 Republican President; FRELIMO; RENAMO; observers]; and,
- Separate party cells from public institutions to make the public service neutral of political influences [Office of the Republican President].

Objective Two: Promoting Constitutional Democracy, including periodic Political Competition and Opportunity for Political Choice, the Rule of Law and Supremacy of the Constitution

I. Summary of CSAR

269. The Mozambican Constitution states in Art. 3 that Mozambique is a state governed by the rule of law based on pluralism of expression, democratic political organisation and on the respect and guarantee of fundamental human rights and freedoms. The Constitution is the supreme law of the land, which shall prevail 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 Petitions Commission, the Administrative Court, the Constitutional Council and the Ombudsman which is not yet fully operational. At grass roots level this is experienced by the general public through a loss of confidence, low capacity in service delivery and corruption amongst others.
270. As far as periodic political competition is concerned, the CSAR states that Mozambique's Constitution guarantees a system of universal adult suffrage through an electoral system which provides for , direct, equal and secret ballot which enables citizens to freely elect their leaders 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 which are incompatible with multi-party democracy. Furthermore, the institutions established to conduct elections, CNE and STAE, are composed in a partisan way which affects the way they conduct elections.

II. Findings of the CRM

Promoting Constitutional Democracy and Supremacy of the Constitution

271. The CRM notes that the Constitution of the Republic of Mozambique is a modern Constitution which provides for a constitutional democracy. As stated in the CSAR, the Constitution is the supreme law of the land. Both the state and the law are subordinate to the Constitution. The Constitution contains detailed provisions on nationality, fundamental rights, duties and freedoms. Equality before the law is guaranteed. Constitutionally protected fundamental rights shall be interpreted in harmony with the Universal Declaration of Human Rights and the African Charter on Human and Peoples Rights. This is in line with Mozambique's adherence to international codes and standards. Chapters I, II, III, IV and V of the Constitution covers the full spectrum of internationally accepted rights namely civil, political, economic, social and cultural.
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 promptly provided and the judicial decision by which imprisonment is ordered shall be promptly communicated, the concept of preventative detention violates internationally accepted human rights. The CRM was informed by a member of the Judiciary that timelines are not adhered to in several cases. A person must be brought before the court within 48 hours. The period is sometimes extended up to 5 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 not aware of the law of Habeas *Corpus* in order to resort to it.

273. Articles 73 and 74 consecrate the principle of universal suffrage and the political party as the way to manifest political pluralism. Linked to these principles, the Constitution recognises a series of rights (e.g. the right for 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 (Duty of respect to the Constitution), provides that “*All citizens shall have the duty to respect the constitutional order*”¹⁵ and that “*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. However, Mozambique’s commitment to these rights is not underscored by being a party to the International Covenant on Economic Social and Cultural Rights (ICESCR). While this Covenant provides for progressive implementation of rights, an inability to provide for immediate and full enforcement should not be regarded as an impediment to ratification/accession. A clause which appears confusing is the right and duty of all citizens to education¹⁶, specifically if viewed against the background that education is not compulsory. Another peculiar feature of the Constitution is the inclusion of clauses which are non-enforceable but appear to be statements instead. For example, in art 123(1) appreciation is expressed for the youth’s role in the national liberation struggle. This particular clause touches on a sensitive issue of children in armed conflict as regulated by the Optional Protocol to the CRC.

The Rule of Law

275. The rule of law is also guaranteed by the Constitution through the consecration of the principle of legality in public administration performance, the citizens’ prerogative to resort to courts in case of violation of their legally protected rights or interests, and a series of institutions to guarantee those rights, i.e. the courts, the Public Prosecution Service, the Ombudsman, the Constitutional Council, and the Petition Commission of 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. The constitutionally protected rights are not enforced and institutions designed to protect the rule of law either do not function or their functions are severely curtailed.
277. This is, amongst others, due to:
- Inadequate functioning of the courts and the justice sector in general, limiting access to justice and the possibility of a fair trial;
 - Ineffective functioning of the Petitions and Inquiry Commissions in General Assembly;
 - Limitations of the Administrative Court both in terms of location and expansion throughout the country, as it is still confined to the capital city and is little used by the citizens, who often do not even know of its existence and role;
 - The Constitutional Council is almost fully unknown and that there is no tradition of constitutional litigation;
 - The fact that the Ombudsman is a recent creation and is not yet operational;
 - Wide spread 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.

¹⁵ Article 38(1).

¹⁶ Art 88 and 113.

278. The Constitutional Council has the potential to play an important role in restoring confidence in both 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 and the Attorney-General. Ordinary citizens only qualify if they manage to join a group of at least two thousand people¹⁷. These may request the Constitutional Council for a declaration of unconstitutionality of laws or the illegality of other normative acts of the state's bodies¹⁸. 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 Constitutional Council, gave its decision on the unconstitutionality of that law. On the basis of the court decision, the President sent the Islamic Holiday Law back to the General Assembly which did not advance the matter again. In a more recent case (December 2004), pertaining to the approval of the Law on the Combat of Corruption (*Lei de Combate à Corrupção*), the President of the Republic 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 unconstitutionality of a particular law or other normative law before that law or act has been approved and became operative. The Law for the Combat Against Corruption was eventually approved by the General Assembly after some changes suggested by the President.
280. Excessive powers of the executive *vis-à-vis* the legislature and judiciary leads to the perception that members of the executive are above the law and violations of the law by the government officials will go unchallenged.

Periodic Political Competition and Opportunity for Political Choice

281. The Constitution of Mozambique and the GPA guarantee multi-party democracy and the electoral system as the basis of 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 that will ensure that they operate freely and pursue patriotic goals. Political parties are to be equal before the law, shall have the right to freely and publicly propound their policies, be given guarantees of access to the mass media and public funding by the Electoral Act, and no citizen shall suffer discrimination by virtue of his membership of a political party. In return, political parties shall avoid the use of acronyms or symbols that can incite violence or have divisive connotations or exploit race, region, tribe, gender or religion, and must practice internal democracy.
282. The Constitution captures the GPA provisions by providing that the leaders shall exercise political power through elections 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. The GPA's Protocol III 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, and freedom of association, expression and political activity to all citizens. It also sets out general principles to ensure a system of democratic, impartial and pluralistic voting. The strong determination to ensure acceptability of electoral outcomes, especially immediately after the civil war, is reflected in the detailed provisions made on

¹⁷ This possibility became only possible with the 2004 Constitution as the 1990 Constitution did not admit common citizens to bring cases of unconstitutionality of laws or other normative acts before the Constitutional Council.

¹⁸ Article 245(2).

the establishment of the National Electoral Commission and its functions, on the Voting Assemblies, and on the conduct of the elections into the Assembly of the Republic 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 conduct of elections in Mozambique. At the head of the election management organisation is the National Electoral Commission (CNE) which is responsible for supervising the compilation of the electoral register and the conduct of elections and referenda. It is assisted by Provincial Electoral Commissions (CPE) (appointed 45 days before commencement of its assignment and leave office after completing it), which supervises the electoral register in the Provinces and the conduct of provincial elections of referenda. Similar roles are performed at the municipal and district levels by the Municipal/District Electoral Commissions, which are established thirty days before the start of compilation of the electoral register for municipal and district elections.
285. The composition of the CNE and the lower electoral commissions are deliberately party-based to enable the 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 eleven 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 civil society organisations. 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.
286. The Constitutional Council has responsibility for reviewing and pronouncing on the legality of actions of the CNE in the conduct 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 the 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 General Assembly. The Assembly of the Republic chooses five judges in proportion to their numbers in the chamber and those so selected five co-opt the seventh member of the Council.
287. The actual conduct of elections is the responsibility of the Technical Secretariat for Election Administration (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:
- Conduct voter registration and its periodic review;
 - Organise and conduct the elections;
 - Plan and operate logistics support for the conduct 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 (PR).¹⁹ As a result, all candidates for Assembly of the Republic elections must belong to a

¹⁹ PR 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. PR systems are now the most frequently used electoral systems in western democracies. Under PR, 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 PR systems rely on multi-member districts. PR systems are of two basic types: party list systems and single transferable vote (STV) systems.

political party. To obtain seats in the Assembly of the Republic, a party must win at least 5 percent of the votes in an election. This threshold was abolished in 2007.

289. There are 54 political parties in Mozambique but the main ones are FRELIMO and RENAMO, which between them have more than 95 percent of Assembly of the Republic members. Thus, for all practical purposes, the system is tending towards a two-party system. The 250 seats of the Assembly of the Republic are distributed to the Provinces according to their voter registration figures, rather than their population figures. Presidential election, on the other hand, is determined by a simple majority with the proviso that the two candidates with the highest votes go for re-run, should none of the candidates secure the required majority on the first ballot. By the special nature of a presidential election, an independent candidate may contest it.
290. The Constitution provides renewable term limits of five years for members of the General Assembly and other elected bodies. General elections (Presidential and Assembly of the Republic) have been conducted in 1994, 1999, and 2004, while another is due this year (2009). Municipal elections have been conducted in 1998, 2003 and 2008. The cycle of elections has been sustained since the start of multi-party elections, except for the municipal/district elections due in 2007 which was postponed until 2009. Significantly, 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 conducted so far under the existing arrangements have laid the foundation for the consolidation of democracy and multi-party elections as the means of choosing political leaders.
291. Although not specifically required by the Constitution, FRELIMO has a gender quota system which has enabled many women to be elected into the Assembly of the Republic. Currently, women constitute 37.2 percent of the membership of the Assembly of the Republic, much higher than in many African countries.
292. Nevertheless, there are challenges to the conduct of periodic elections as a mechanism for choosing political leaders and an opportunity for political choice. A persisting challenge to periodic elections as the means of choosing the political leadership is the rejection of election results by the opposition after each election save the municipal elections of 2003. The CRM heard widespread misgivings about the conduct of elections, starting from the registration of voters, designation of polling stations, balloting, counting of the votes and collation of results during the stakeholder workshops in all the Provinces.
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. EISA's report on the 2004 elections confirms that Tete and Gaza are areas where RENAMO campaigns are often disrupted and the candidates driven away²⁰;
 - The conduct of the police during elections is partisan. The opposition political parties accuse the police of looking the other way when its candidates are being attacked or their campaigns disrupted. They are also alleged to assist the FRELIMO agents to perpetrate electoral malpractices²¹;
 - There were complaints that the registration of voters is 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 are not out-rightly inflated; while in the areas of greater strength of the opposition the approach was lackadaisical, leading to poor registration figures. RENAMO organised protests in Beira and other affected areas in 1997 to protest against poorly conducted elections²². It has been reported that this complaint has been repeatedly made in

²⁰ EISA, Regional Election Observation Mission, Mozambique General Assembly and Presidential Elections 1-2 December 2004 (2005), pp. 28-29

²¹ Ibid.

²² EISA, Regional Election Observation Mission, Mozambique General Assembly and Presidential

Mozambique's newspapers and were in fact raised at a roundtable held in Beira on 9th January 2008.²³

- Spokesmen of the opposition 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 perhaps it was inevitable to site polling station to serve a number of rural communities;
- FRELIMO officials complained that the presence of RENAMO men still under arms 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 intimidate their members during elections and discourage them from coming to vote. RENAMO representatives in Sofala claimed that voters were transported from out of town to vote in the last municipal elections; and,
- Counting and collation of votes is not accurately done because members of STAE connive to inflate results. This allegation has the ring of truth as International Election Observation Missions (The EU and Carter Centre) criticised the lack of transparency in the counting of ballots even though they were satisfied with the general conduct of the elections.²⁴ Indeed, the CNE did not inspire confidence in accuracy of vote counts when within one week it issued three different results of the 2003 local elections.²⁵

294. There are indications that the playing field is not level for all political parties in Mozambique. In interactive sessions with stakeholders, the CRM was inundated with allegations of discriminatory administrative practices which 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 will offend 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. This was until 2007 subject to the political parties having won at least 5 percent of the votes at an election. After the 1994 elections only three political parties (FRELIMO, RENAMO and UD) qualified for public funding. Since 1999, only FRELIMO and RENAMO 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. But evidently, 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: 1994 - 37.78 percent (FRELIMO – 44.33 percent and 129 seats); and 112 seats; 1999 – 38.79 percent and 117 seats (FRELIMO – 48.55 percent and 133 seats); 2004 – 29.735 percent and 90 seats (FRELIMO – 62.03 percent and 160 seats)²⁶.
297. In the presidential elections, the outcomes have been: 1994 – Afonso Dhlakama (RENAMO) 33.7 percent; Joachim Chissano (FRELIMO) 53.3 percent; 1999 - Afonso Dhlakama (RENAMO) – 47.7 percent; Joachim Chissano (FRELIMO) 52.3 percent; 2004 – Afonso Dhlakama (RENAMO) 31.74 percent; Armando Guebuza (FRELIMO) 63.74 percent. Gradual erosion of electoral support for the opposition parties raises questions about their capability to function effectively, in the long term, 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.

Elections 1-2 December 2004 (2005), p. 21

²³ AFRIMAP and OSISA, Mozambique, Democracy and Political Participation, 2009 p.64 (fn. 175)

²⁴ EISA, Multiparty Democracy In Mozambique: Strengths, Weaknesses And Challenges (2005), p. 11

²⁵ Ibid.

²⁶ AFRIMAP and OSISA, Mozambique, Democracy and Political Participation, 2009 Table 6.1; 6.2 and 6.3

298. Besides, voter turnout has been declining, portending even greater hazard to the sustenance of electoral democracy in Mozambique as system of leadership recruitment through competitive elections. Official statistics of voter turnout could not be obtained during the Country Review Mission but the report of EISA's Election Observation Mission to the 2004 general elections has recorded that voter turnouts in the general elections have been: 1994 (88 percent); 1999 (74 percent) and 2004 (43.6 percent). The turnouts at local elections have been similarly low. It was low for the 1998 elections because of the campaign of boycott organised by RENAMO and its allies to protest dissatisfaction with the preparations leading up to the elections. In 2003, the turnout was only 28 percent.²⁷ It is important that Mozambique recapture the vibrancy of political party competition and large voter turnouts that characterised the early years of its multi-party 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:
- Institute a national programme of civic education to promote respect for the rule of law at all levels of government and society [*CNE; CPE; Parliamentarians; CSOs*];
 - Conduct a programme of law review with a view to updating of all outdated laws in order to modernise the legal system [*Ministry of Justice*];
 - Eliminate discriminatory administrative practices to de-link State and party and create a level playing ground for all political parties to operate [*Office of the Republican President; Ministry of Justice; CNE*];
 - Compilation and revision of the register of voters should be more transparently carried out to instil more confidence in the electoral process [*CNE, Election Observatory*]; and,
 - Properly handle the collation of election results to safeguard the integrity of the process. [*CNE, STAE, Election Observatory*].

Objective Three: Ensuring Promotion and Protection of Economic, Social, Cultural and Political Rights

I. Summary of the CSAR

Civil and Political Rights

300. The Constitution of Mozambique sets the rights, duties and fundamental freedoms for Mozambicans, and guarantees important civil, political, economic, social and cultural rights. According to the CSAR, 77.9 percent of the respondents interviewed are unaware of the contents of the Constitution, hence their rights and duties.
301. Access to justice by the citizen remains a problem, although efforts have been made to improve the situation through the recent adoption of the Law on Judicial Organization and the Law of the Prosecutor and of the Magistrates. The delay in criminal proceedings and the lack of means of institutional support for the protection of citizen, throughout the country are factors that impede the access of ordinary people to justice. The access of the population to the services of lawyers is extremely difficult, considering the shortage of lawyers and the cost of their services.
302. Violence perpetrated by state officials, the overcrowding of prisons, bad 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 was also noted in the CSAR. 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 of the Administrative Court in the Provinces. Several legal reforms have been undertaken to improve

²⁷ EISA, Regional Election Observation Mission, Mozambique General Assembly and Presidential Elections 1-2 December 2004 (2005) p. 12.

the justice sector such as the creation of the Human Rights Commission with a view to expanding the protection of human rights.

303. In surveys cited in the CSAR, most respondents felt that the existence of 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 currently 336 media of mass communication exist, including radio, television, newspapers, magazines, newsletters and other publications. Despite this, full national coverage is still a challenge for the government and other sector actors. The CSAR points out that in some districts like Mocuba, the Community Radio station cannot broadcast a visit of a member of the opposition party before consulting the administrator or the secretary of the party in power, otherwise someone will be punished

Socio-economic and Cultural Rights

304. The CSAR asserts that land is owned by the state, while citizens have the right to use and enjoyment of the land by citizens, giving equal rights to women and men. It, however, notes that there is an inconsistency between the law and practice. 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 micro-finance, which limit the population in developing income-generating activities and create self-employment. According to the CSAR, there is a gradual improvement of the welfare of the population. As pointed out above, recent estimates point to a reduction in rates of poverty in the last 6 years, The Mozambique Report on MDGs asserts that the Government has developed measures aimed at improving the conditions of housing, water supply and sanitation.

Education

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

Health

307. According to the CSAR, the Government's programme in the field of health includes six components, namely:
- primary health care;
 - health care in the fight against great epidemics;
 - fight against HIV/AIDS;
 - health network;
 - human resources development; and
 - health sector planning and management.
308. The CSAR indicates an improvement in the quality of basic services rendered to people, due to the increase of health centres. However, there remains a limitation in the training of doctors and public awareness of health issues. Financing by the government in the prevention of transmission of HIV is still low. In Mozambique, the most prevalent diseases include malaria and HIV/AIDS, with malaria accounting for 40 percent of the cases treated as per the Report on the MDGs of 2008. In view of this reality, the government has adopted an integrated strategy for control of this 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 better the provision of health services to population.

II. Findings of the CRM

Civil and Political rights

309. Mozambique is a party to the International Covenant on Civil and Political Rights, but not to the First Optional Protocol to this Covenant, which would give individuals the right to access the complaints mechanisms under the Covenant. The Constitution of Mozambique guarantees important civil and political rights as set out in objective 2.2, and legislation is in place making these rights legally enforceable.

The enjoyment of Rights and Freedoms

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

Freedom of Expression, Association and Information

311. Many stakeholders felt that that freedom of expression is observed, emphasising that there is open governance and the people are given opportunity to freely express themselves (i.e. each Mozambican has a right to have and air his own ideas and opinions). It was asserted that, at all levels of governance and, in all public fora, 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 to form associations. Different religions live harmoniously together. However, some stakeholders disagreed with this view.
312. Those who disagreed argued that 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 informed the CRM that some people are afraid to speak openly; a person who criticises 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 critique the system and that 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.
313. Most stakeholders agreed that the media freely articulates issues in Mozambique. In particular, there is excellent coverage of elections and high profile corruption cases in Maputo. There is provision of state radio and television services, 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 Access to Information Law. The absence of this law hampers sectors of society seeking information for investigative or other purposes, because the Official Secrets Law is cited as a ground of non-release of information. There were reported instances of alleged harassment of individual journalists, and in certain instances the defamation law acts as a gag to repress the media. The accessibility of the written media will, however, remain limited as long as the problem of illiteracy prevails.
314. In the provinces and at district level, community radios are very effective. In Gaza and Inhambane, for example, three community radios, and state radio serve the communities. They use local languages, and focus on issues that are directly relevant to the communities. They help disseminate information from government to communities (e.g. on prevention of diseases, natural disasters and development programmes). These community radios are largely politically neutral, although the CRM concurs with the CSAR's viewpoint that programs sponsored by the opposition may not receive airplay without clearance from the ruling party's representative. Access to and possession of radios unfortunately limits the effect of this form of communication.

315. Dissemination of government policies, processes and programs is fundamental to the development process. At the Province/District level, meetings are held to disseminate government policies, and this information is passed on to the community. The leaders in Quelimane for example are doing a lot of work in disseminating the law on local governments, family law, and policy on fighting poverty. The provincial leaders informed the CRM that communities that receive this information have registered an improvement in accessing community councils and participating in development programmes.

The 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 were jeopardised. The CSAR notes that crime is on the increase in Mozambique, and in all provinces visited, this was confirmed as dealt with extensively under objective 2.1.

Landmines

317. In interactive sessions, the CRM was informed that some active mines remain in several regions of the country. During the independence and civil war struggles, many landmines were planted and not all have been removed, neither are all locations where the 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 land mines in the Bandwa and, Busi districts. Active mines prevent communities from carrying out farming and severely curtail movement in certain areas and affect activities. Several people have been killed or maimed by landmines. The de-mining has been carried out but the communities are not sure whether all mines have been de-activated.

Crime

318. Cross border crime is a source of concern to Mozambique. Prohibited substances coming via the Indian Ocean have been captured through police interventions. Small arms and trafficking in women and children are the common crimes committed on the ocean. For a discussion of trafficking in women and children, see Objective 7 on the Rights of Women. The Human Rights League in February 2009 issued a report on the incidence of trafficking in human organs. 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 human rights of citizens and courts are vanguards of rights. In this regard, it is important for the courts to be objective and efficient arbiters; for citizens to be aware of their rights and have easy resort to them whenever their rights are infringed upon, by state or private actors. In Mozambique, for the majority, access to courts and awareness of rights has posed a challenge.
320. The Constitution recognises legal pluralism, leading to an application of statutory law and customary norms. Community Courts are recognised as helping to preserve law and order in the community, and they often handle domestic disputes where they apply mediation and conflict resolution methods. The bigger and more technical cases are taken to the formal justice system. Those dissatisfied with decisions from the Community Courts can appeal to the Magistrates Courts.
321. In Community Courts, cases are resolved according to community rules or norms or practise which are not written, and, in addition, they tend to also apply patriarchal constructions of customary law, which are often inimical to the rights of women. In some instances, community judges use formal law which they are not very conversant with and this creates a problem on appeal. Community Court 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 Community Courts.

322. Access to justice for the ordinary person is hampered by the technical procedure and other constraints. District Courts are not accessible for the people who live in remote areas due to distance and resources. Courts are not established in all districts and the norms or rules of justice are not known by the people and they are not easy to understand. In many instances, as CSOs reported in the hearings, illiterate citizens are scared of government because they do not know their rights and duties. In courts, sometimes people lose their cases because they are afraid of judges, some do not understand Portuguese and there is often no interpretation in the 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 pointed out in the CSAR, corruption has penetrated the justice system, and many people feel that the rich can buy justice and evade the long arm of the law.

The role of Civil Society in Promoting Human Rights

324. The Civil Society in Mozambique has been very dynamic in engaging several development processes and in shaping government policies. The operation of 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 the mandates in service delivery. The participation of CSOs in monitoring and participating in the 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 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 institution.
325. Most CSOs receive their funding from donors. But they 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 in governance. The reasons assigned for this is that many CSOs fear to be involved in this area as those which do so risks being perceived as members of the opposition. Also, most donors who form a significant source of resources focus more on projects dealing with socio-economic development. CSOs also observed that due to the low level socio-economic development, communities respond more to activities that lead to production of tangible, visible items, such as schools water pumps or health centres than to human rights and political rights issues.
326. CSOs do not only review government policies but are involved in service delivery e.g. health, budget analysis and oversight, and policy analysis. The CSOs efforts are collaborative and complementary to the work of government. Nonetheless, in some areas, CSO-State collaborations are shaky. CSOs informed the CRM that tolerance of their activities is reduced the further they are from Maputo. In some rural areas, the process is not inclusive; if a CSO operative questions plans or programs, he or she is branded as belonging to the opposition which undermines his/her efforts.

Economic, social and cultural rights

Social Rights

327. Mozambique is not a party to the International Covenant on Economic, Social and Cultural Rights (ICESCR). Despite this, the Constitution of Mozambique recognises the right of ownership and inheritance; right to work; right to retribution and to safety at work; freedom of professional associations and unions; right to strike and prohibition of lock outs; right to education and health; 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 of Mozambique 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.

The Right to Education

328. The CRM learnt from the Minister of Education that children's rights to education are being promoted vigorously (see Chapter Six). However, illiteracy levels of women remain high. At the higher levels, the presence of girls is less visible, e.g. the rate of girls enrolling in secondary school has been estimated at nine percent. The Mozambique Report on the MDGs of 2008 notes that adult literacy has grown to 48.1 percent in 2005. Churches are helping with programmes for promoting adult literacy.

The Right to Health

329. The Constitution guarantees the right to medical and health care for citizens. The Government has made progress in providing health services to the population. This is discussed in detail in Chapter Six. The Ministry of Health informed the CRM that in the last 10 years there has been a reduction in infant mortality. Vaccination campaigns carried out in 2005 and 2008 have reduced polio by nine percent, although this speed is not deemed fast enough. Maternal mortality (MMR) is still a major cause of death in women and it is highlighted in the Action Plan for the Reduction of Absolute Poverty 2006-2009 (PARPA II). The Ministry of Health reported a loss of about 11 women a day in the delivery process. Few surveys have been carried out in regard to maternal mortality, the last was conducted in 2003, and the next will be in 2011. The prevalence rate of HIV/AIDS remains high at 16 percent and HIV/AIDS related deaths impact negatively on the productive labour force as the youth infection rate is high.
330. There has been notable success in providing health care for persons living with HIV/AIDS (see Chapter Six). All 128 districts in the country are receiving health care, although the magnitude of the problem is quite high. The key is prevention rather than treatment. Regarding HIV/AIDS, stakeholders opined that testing facilities should be made free, in some health units, money is being charged, which prohibits the population from going for tests and hinders the fight against HIV/AIDS.
331. Malaria and cholera have also posed a public health challenge. As noted in Chapter Six, malaria continues to be a colossal public health challenge. Like in most other African countries, malaria tends to be relegated to the second level priority compared to the HIV/AIDS pandemic or other epidemics like cholera, even though it is the number one killer. On the other hand, the capacity of diagnosis of TB is improving but provision of healthcare services is stretched by the increase of TB due to HIV/AIDS.
332. From the interaction with the Health Minister, the CRM learnt that the national health system is very weak in the public and private sectors. The public health sector covers about 50 percent of the population. Most people have to walk more than 5 kilometres to reach a health unit. Pregnant women have to walk approximately 10-15 kilometres to reach a maternity ward. Although the government is building hospitals, patients only look for hospitals when their condition is critical. The responsibility of provision of health services rests heavily on the Government. Mozambique has the worst ratio of health workers to the population i.e. 1 medical doctor for 30,000 inhabitants. Training health workers in Mozambique is a priority and has been put on the fast track in order to meet the MDGs. Human resources are more disparate in the various provinces e.g. Nampula and Zambezia have fewer resources than others.

Access to credit

333. As discussed in more detail in Chapter Four, 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 under-developed communities. Credit access in private banks is subject many conditions such as guarantees; some institutions require securities such as title deeds.

Sometimes the credit given is low e.g. 5000 or 100000 meticaís which amount cannot finance any but the smallest of enterprises.

III. Recommendations

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

Objective Four: Upholding the Separation of Powers, including the protection of the Independence of the Judiciary and of Effective Parliament

Separation of Powers and Independence of the Judiciary

I. Summary of the CSAR

335. According to the CSAR, Mozambique's Constitution provides for 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** (PR) and the **Council of Ministers** (CM) (or 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 General 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, 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 to 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, international treaties; and endorse the laws approved by the General Assembly.
339. In the CSAR, it is conceded that the principle of the separation of powers has faced challenges in Mozambique. The reason can be found in the provisions of the Constitution as well as constitutional practice. The balance of power tilts towards of the President and the executive at the expense of the legislature and the judiciary.

340. Access to the courts, the right to defence and to legal aid is 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 up by the executive as opposed to an ineffective, weak and under-resourced legislature and judiciary. In line with the 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 effectively challenge.
342. The Constitutional mechanisms to ensure accountability, transparency and horizontal control are limited. The President and government are not politically accountable before the Assembly. Government must, however, discharge its functions in accordance with the decisions of the President and the Assembly.²⁸ The Constitution provides a jurisdictional mechanism for the resolution of conflicts 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. Art 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 Superior Council of the Judiciary. 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 High Council of the Judiciary.
346. The Constitution provides for a High Council of the Judiciary (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;

²⁸ Art 202(1).

- 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 Superior Council of the Judiciary includes the President of the Supreme Court (who presides in 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 High Council of the Judiciary 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. The AfriMAP report, *Mozambique – Justice Sector and Rule of Law*, has been acknowledged as a well integrated and consistent review of the justice administration system (conducted over the past five years in Mozambique).¹ The report refers to the executive's failure to comply with the law ¹ "... in practice there has been tension between, on 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 Investigative Police (*Polícia da Investigação Criminal*, PIC), prosecutors and judges regarding cases they were handling. The report also refer to lawyers interviewed who said that based on personal experience, they had no doubt ministers and other high government officials exert strong pressure on judges and prosecutors. This leads to frequent situations where judges release detainees before a charge can be formed against them, and arbitrary rulings.
350. Reference is also made to the fact that appointment of judges is politically biased and, therefore, compromises their independence. The current President of the Supreme Court, Mario Mangaze, has held Presidency of the Supreme Court since it was first implemented in 1988. In April, 2004, his re-appointment was opposed in the Assembly of the Republic by RENAMO 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 successfully his appointment for the Presidency and Vice Presidency of the Supreme Court in 2004, 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 Higher Council of the Judiciary. The Higher Council of the Judiciary 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. The comfortable majority of FRELIMO 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 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 oversight functions. The CRM was informed by members of the General Assembly that the legislative work of the General Assembly is done within three months (two sessions of maximum of 45 days each), maximum of 35 days for constituency work and 15-25 days for oversight functions during which members are paid. For the rest of the year (seven months), 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 additional income, but not so the opposition members. The 15-25 days in the year to do oversight are grossly inadequate.
355. The excuse for the short period allotted to oversight functions is financial constraint. 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.²⁹ But 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 to 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

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

Source: Field notes, Mozambique, 7 February – 2 March, 2009.

356. Lack of technical capacity further undermines the work of the General Assembly. "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".³⁰
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. Since Mozambique is heavily dependent on donor funding, this serves as a constraint on the ability of the General Assembly to engage the executive on the budget priorities. Donors, on the other hand, would prefer greater accountability and their support should not be the excuse for disabling the General Assembly.
358. The CRM heard wide spread concerns that the wealth and standard of living displayed by members of the Assembly stand 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 as opulent and insensitive to the general suffering of the masses. Constituency clinics are infrequently held by the members, thereby further undermining public confidence. The situation has not been helped by the nature of the PR electoral system. The use of the proportional representation means that members of the General Assembly need not be local citizens as such, alienation of the public from members of the General Assembly occurs easily.

²⁹ See weekly newspaper "O País", dated 29 December, 2006.

³⁰ *Plano Estratégico da Assembleia da República 2004-08*, adopted by Resolution nr.16/2003, dated 31 December 2003, published by BR nr53, I Série, dated 31 December, 2003.

III. Recommendations

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

Objective Five: Ensuring 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 and ineffectiveness, corruption, bureaucratic red-tape, and poor service delivery. The incompetence and ineffectiveness are partly the result of the limited well-trained and 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 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 through political party affiliation and nepotism, thus depriving the 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 negatively impacts on discipline in the service.
361. Inadequate financial and material resources also affect the performance of the public service in Mozambique negatively. Besides offices not being adequately funded to optimally run for the financial year, they also are not adequately equipped, especially with ICT facilities to speed up operations and enhance levels of accuracy in record-keeping 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-orientation focus.
362. The CSAR reports that corruption has been a major issue in Mozambique's system of public administration 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 precarious 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 sector of healthcare and education as well as in security and the justice sectors. Health workers 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 for the examinations. Access to justice is cumbersome and expensive and its processes very slow and complex. The Police are hampered by inadequate numbers and lack of necessary equipment and expertise to handle investigations competently.
363. According to the CSAR, service delivery is affected by diversion of funds by officers, insufficient provisions of drugs in hospitals, inadequate and ill-trained teachers in schools and low morale of the workers generally.

The public service lacks a culture of accountability to horizontal institutions as a result of its evolution from a centralised state system with a hierarchical organisational structure and vertical accountability to the highest level of party/state organisation. Ministers do not feel a strong sense of accountability to the General Assembly nor do public servants think that they are accountable to the public for the quality of service delivered. Public servants' attitude towards the public is disdainful because most of the population is illiterate and easily manipulated, while poor communication of rules and regulations and generally low citizens' 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 upon numerous efforts to revamp the public service of Mozambique since the cessation of the civil war in 1992. With the adoption of multi-party democracy, economic liberalization and accession to the MDGs, Government realised the necessity of an efficient and effective public service as the instrument for achieving the Government's ambitious transformation goals³¹. A two-phased programme of public sector reform (PSRP) was adopted (Phase I, 2001-2005; Phase II, 2006-2011) to make the public service more effective in promoting the Government's development initiatives and poverty reduction efforts.
365. Under Phase I of the programme which ran from 2001-2005, the focus was on five reform components to improve public sector management and service delivery. These were: (i) decentralisation of structures; (ii) improvement of policy formulation and monitoring; (iii) enhancing professionalism in the public sector; (iv) improvement of financial management and accounting; and good governance and fighting corruption.
366. In Phase II, the programme seeks to (i) improve service delivery to citizens and the private sector; (ii) strengthen local government; (iii) professionalise the public administration; and (iv) enhance good governance and fighting corruption. Phase I of the reform was essentially to carry out analysis, conceptualise and design what needed to be done, while Phase II seeks to deepen and consolidate the gains of Phase I of the PSRP.
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 of the "Norms of the Functioning of Public Services" (*Normas de Funcionamento dos Serviços do Estado*), through Decree no. 30/2001, dated 15 August 2001;
 - Updating of the "General Statute of Public Servants" (*Estatuto Geral dos Funcionários de Estado-EGFE*);
 - The implementation of the High authority on Public Service, since July 2006, by Presidential Decree nr. 2/2006, dated 7.July.2006³²;
 - The implementation during 2002 to 2004 of "Ministries Functional Analysis" to prepare the ground for the restructuring of the ministries;
 - Adoption by each Ministry and other agencies of "quick win" programmes to win public confidence behind the global reform agenda.
368. To drive the reforms, the Government in 2000 established an Inter-Ministerial Commission on Public Sector Reform (CIRESP) chaired by the Prime Minister, reflecting Government's appreciation of the importance of high level political support to the success of the PSRP and the Public Sector Reform Unit (UTRESP) to serve as the administrative secretariat of the reform.
369. The CRM confirmed that a lot of positive changes have been brought about in the structuring and functioning of the public service under the PSRP Phase II which was in its third year of implementation at the time of the Mission. The report of performance of the reforms according to each component are as follows³³:

³¹ PARPA.

³² Published by BR. Nr.27, I Série, dated 7.July.2006.

Improvement of the provision of services to the citizens and to 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. Towards this end functional analysis and plans for restructuring were finalised for MDN, MTC, MP, MAAC, MIREM, and MMAS. Various training programmes have been conducted for staff of central and local governments such as for technicians from Quissanga, Ibo, Mecufi and Montepuez Districts in Cabo Delgado Province; Manica and Gondola Districts in Manica Province; and Marracuene in Maputo Province. To serve the private sector much better, a decree (no. 14/2007) establishing and regulating the operation of **Customer One Stop Shops** (BAU) was published on May 30th 2007. At the Ministry of Finance, budget implementation for 28 ministries and eight other public agencies at the central and provincial levels have been computerised (e-SISTAFE). More than 1700 officials have been trained on the implementation of SISTAFE and another 1884 trained through academic institutions. The Ministry has also established a web portal for public bidding: 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 and efficient and effective service delivery. As defined by the Constitution, the purpose of local administration, (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: to ensure effective government presence in the localities while, at the same time, enabling autonomous local self-determination in a defined sphere.
372. Deconcentration (transfer of authority to field offices of Ministries, Departments and Agencies) was effected through Law no. 8/2003 of 19th May 2003. This saw the establishment of Provincial and District Governments charged with the implementation of Government policies in the Provinces and supervision of 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 supported by provincial directors in charge of directorates (sector services) who are appointed by their sector Ministers. The main functions of the Provincial Government are:
- Approval and monitoring of the implementation of Provincial development plan and budget;
 - Supervision and support of district and local governments in accordance with Government policies;
 - Natural disaster/emergency management.
373. Provincial revenues are derived from three main sources – State budget allocation; provincial taxes and fees and charges. The Provincial Government is accountable to the Government through visits by various Ministers to monitor sector programmes and mandatory periodic reports. Although the Constitution provides for democratically elected Provincial Assemblies to supervise and monitor the Provincial Government to ensure that its activities conform to Government policies, and to approve and monitor implementation of the provincial budget, no election has been conducted to compose Provincial Assemblies by the time of the Mission.
374. The District Administration is headed by a District Administrator who is complemented by a district secretary and directors of services at the district. Their main duties of the District Government are to (i) formulate district development plans and implement them; (ii) identify district reserve land; (iii) environmental protection; (iv) promotion of alternative energy use; (v) promote local development initiatives; and (vi) fix the

³³ See, Ministry of Public Service, Technical Unit for Public Sector Reform, ***Balance of Report on the 2007 Public Sector Reform Implementation*** (March 2008).

rate of local taxes other fiscal resources assigned to districts under the law; and (vii) human and food security of the district.³⁴

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 through revolving loans to deserving applicants for food production and income generating activities. The fund's administration has been fraught with some challenges. In interactive sessions with stakeholders, the CRM heard repeated complaints at all the validation workshops, that it is mainly the supporters of the ruling party that receive the loans. The officials, on the other hand, revealed that the loans are difficult to recover as beneficiaries decline to make refund. Consequently, rather than being a revolving loan, it is unavailable to go round other potential beneficiaries. There is also an infrastructure grant (2, 352,000 meticaïs in 2007) distributed to all the districts.
376. District administrators supervise administrative posts and localities below them. They are appointed by the Minister of Public Administration, in consultation with the Provincial Governor, while the Governor appoints the Secretary. Accountability is by means of bi-annual reports and general financial inspections by Government auditors and the Administrative Court.
377. The scheme of deconcentration is complemented by devolution of powers to local authorities. For this purpose, the Constitution empowers Government to designate municipalities (for towns) and administrative posts (for settlements) as local authorities which 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), own staff³⁵ and 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 administration structures of deconcentration. The new law gave Government control over when, which type and where local authorities were established. Eventually, 33 local authorities were established in 23 cities and only 10 towns out of 60. In 2008 the number of local authorities rose to 43 with the establishment of another ten.
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 infrastructure also plays a part in weakening local administration. Only 48 districts out 128 have a commercial bank while the absence of electricity has delayed linkage of many of them to Provincial headquarters and the 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 which must 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.”³⁶ But it was not until the 2004 that traditional authority received constitutional recognition with the provision that the “State shall

³⁴ Ibid.

³⁵ Art. 279.

³⁶ Protocol V, III (e).

recognise and esteem traditional authority that is legitimate according to the people and to customary law” and that the State shall also define its role in the economic, social and cultural affairs of Mozambique.³⁷

381. The definition of the roles of traditional leaders is contained in decrees no. 15/2000 and 11/2005 which gave recognition to pre-existing traditional rulers, but also enabled most other communities to elect their own chiefs/secretaries who are on the same level with those who inherited their positions. The traditional rulers play a significant role in land administration by vetting and recommending the application of those who apply for the grant of right of use to the appropriate authorities. They also play important roles in the maintenance of law and order, conflict resolution and social mobilisation for national programmes, such as inoculations, elections, and environmental protection.
382. The traditional rulers informed the CRM that their role is important to government penetration of rural areas through facilitation of two-way communication between the Government and the grassroots. The main constraint to their more effective participation in governance is the fact that they have no formal enforcement capability and as society rapidly modernises they are tending to find difficulty dealing with problems of security, social indiscipline and the fact that their recommendations on land use rights may be ignored or reversed in favour of privileged people.

Professionalising the Public Service

383. Among the recent achievements under the Phase II of the PSRP are updating of the staff information system and verification of the nominal roll of all civil servants (e-CAF), exposing 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 several capacity building workshops, seminars and in-service training for various cadres of public servants at central, provincial and district levels.³⁸
384. Also, the Government has established two institutions to train the public sector work force – the Higher Institute of Public Administration (ISAP) and the System of Training in Public Administration (SIFAP). ISAP and SIFAP are playing major roles in filling capacity gaps in Mozambique’s 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 to perform optimally.

Strengthening of the Systems of Good Governance and fight against Corruption

385. The performance of the reform programme insofar as good governance and fighting corruption are concerned is appraised severally under Objective 2.6 in this Chapter and Objective 3.4 of the Economic Governance and Management Thematic Chapter.
386. Although wide-ranging, the nature of many of the reforms reflects how degraded the system of public administration had become. The massive destruction of infrastructure is without doubt the result of the several years of war that Mozambique had experienced. Consequently, the Government has had to begin rebuilding the administrative institutions from scratch, block upon mortar, one at a time literally from the ground up. The Government’s commitment together with the sympathy and assistance of donors are making an impact already reflected in signs of improvements in service delivery and enhanced capacity of public servants.
387. However, challenges persist. The first is the generally low level of educational attainment as a result of which there is shortage of highly skilled manpower. It has been reported that the total enrolment in institutions of

³⁷ Art. 118.

³⁸ Ministry of Public Service, (Technical Unit for the Public Sector Reform), *Balance Report on the Public Sector Reform Implementation* March 2008.

higher education in Mozambique in 1999 was 11, 600 while only 483 graduated in 1998³⁹. With this level of output from the higher education system it is clear that it will be difficult to find Mozambicans to fill many vital vacancies in the public service in the near future.

388. Recruitment into the public service, despite the need for quality and for all available local expertise to be harnessed to the task of nation building, is not merit-based. Party affiliation, nepotism and cronyism predominate as the criteria for 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 percent.⁴⁰
389. Public sector motivation is adversely affected by poor remuneration of civil servants, not just in comparison with remuneration paid by international agencies, but also in relation to the cost of living. Transportation, housing, electricity and water rates take high proportion of the incomes of low income earners. The public sector in Mozambique is still characterised by weak planning processes, poor management of human resources and weak financial management system which permit laxity and diversion of the budget for other purposes.

III. Recommendations

390. The APR Panel recommends that Mozambique:
- Establish merit-based recruitment into the public sector [*Ministry of Public Administration*];
 - *Improve the capacity of ISAP, SIFAP and IFAPAs to train more public servants [Ministry of Public Administration; ASP; IFAPA];*
 - Increase significantly the Local Investment Fund and review aimed at 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 Six: Fighting Corruption in the Political Sphere

I. Summary of the CSAR

391. The CSAR affirms that corruption is endemic and widely acknowledged as a national vice in Mozambique. It quotes studies on the subject as describing it as a “social cancer” which is capable of destroying the very fabric of society. Corruption occurs at all levels of the structure of governance – national government, provincial government, district administration and municipalities and communities. The CSAR makes a distinction between “small” corruption which occurs at the point of contact between public service providers and citizens and “grand” corruption which involves higher government officials. Petty corruption is most prevalent in the social (education and health,) security (traffic police) and justice sectors, while grand corruption is perpetrated at higher levels of government where policies are made and approvals and licenses granted. At this level, corruption manifests most in the award of contracts/procurements and conversion of project funds for personal enrichment.
392. While corrupt junior public servants can be punished for their offences, corruption involving top government officials is hardly ever effectively investigated, let alone prosecuted, with the result that the public has become sceptical about 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 to fight corruption.

³⁹ United Nations, Division for Public Administration and Development Management (DPADM), Department of Social and Economic Affairs (DESA) **Republic of Mozambique, Public Administration Country Profile** January 2004, p. 11.

⁴⁰ Ibid. p. 10

393. Petty corruption is rife because of the low wages of public servants. The fight against corruption is undermined by the fact that citizens are usually afraid to stick their necks out to accuse perpetrators and to serve as witnesses because of lack of confidence in the judicial process, especially as there is no system of protecting whistle blowers or witnesses. In addition, the institutions established to combat corruption 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 a major issue of concern in Mozambique. It is endemic throughout the economic and political spheres and, worse still, there is a sense of resignation and tolerance in society generally because of the several reported high profile cases of corruption that have not been satisfactorily resolved. Participants in the validation workshops reported that, in the political sphere, corruption occurs in the award of huge government contracts, among vendors that supply goods and services to government, among public servants who collect bribes as a mechanism 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, as a result of the absence of sufficient legal framework to check abuses by private sector operators.
395. Traffic police are notorious for requesting for “soft drinks” at check points and the rest of the police are accused of extortion of accused persons irrespective of the merits of their cases. The public complained that police corruption weakens 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 accused persons 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 just as they enjoy preferential treatment in promotions. In a period 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 top 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 government officials are alleged to be heavily involved in businesses, some of which they are officially required to regulate or which obtains contracts from government. Businessmen see partnership with government officials as an advantage because it opens doors that will otherwise be shut, confers competitive advantage and safeguards against prying eyes of government regulators and tax authorities. The Chamber of Commerce members were both appreciative of the economic liberalisation policy which has opened up the economic space for them to thrive and apprehensive that they could not do much business autonomously of high government and party officials.
398. Although the highest judicial authorities deny that this is the case, public presentations at the validation workshops suggested that the judicial process is steeped in corruption and favouritism and that this was partly because the President nominates all heads of the bench and, thus, have influence over them. But the President of the Supreme Court, 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 only five times since independence and all those during the period of one-party rule. Nevertheless, besides the Constitutional Court which enjoys quite high reputation for integrity presumably because of the nature of the cases handled, CSOs contended seriously that judicial processes are susceptible to corrupt inducements.

399. The public is cynical about Government's seriousness in combating corruption in the country. They point to the high profile corruption cases that have not only been swept under the carpet, but the high price that could result from being a whistle-blower or a crusader against corruption (Box 3.6).
400. On the positive side, however, the Government has put in place a comprehensive anti-corruption strategy and instruments which, if applied vigorously, can drastically reduce the levels of corruption. Under the *Anti-Corruption Strategy (2006-2010)* Government policies to combat corruption will focus on:
- 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 concrete results;
 - strengthening of the 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;
 - greater number of prosecution of cases of corruption as a way of discouraging the development of the culture of impunity and
 - decentralisation of government action so as to bring government decisions closer to citizens.

Box 3.6: High Profile Cases of Corruption in Mozambique

The case of Carlos Cardoso is a reference point in this regard. The privatisation of public enterprises in the 1980s was a bonanza to Government and party officials who bought privatized companies cheaply and either kept them as investments or stripped their assets. Carlo Cardoso, publisher of *Metical*, investigated an apparent case of fraud in the Commercial Bank of Mozambique, the largest in the country, which was privatized in 1996. He uncovered alleged fraud of 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 Carlos Cardoso was murdered in November 2000. Subsequently, following much public disquiet, the trial of those associated with the murder commenced in 2002. Anibal dos Santos, the main actor in the crime, escaped from prison during the trial to South Africa but was re-arrested and returned to prison just before judgement in January 2003. All six accused persons were convicted of Cardoso's murder and given jail sentences but Anibal dos Santos was able to escape again in May 2004. Arrested again in Canada, Anibal dos Santos was returned to Mozambique in 2005. The Supreme Court then ordered his re-trial. Again he was convicted and sentenced to a 30-year jail term. Powerful people named during the trial as having been behind the fraud in Bank of Mozambique and complicit in his various attempts to escape justice have not been tried. The Carlos Cardoso 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 also assassinated while investigating fraud in Austral Bank, a privatized institution, in August 2001 is no less a of signal importance that the authorities lack commitment to fight corruption.

Source: Field notes, Mozambique, 7 February – 2 March, 2009.

401. The Inter-Ministerial Public Sector Reform Commission (CIRESP) with the Prime Minister as its chair drives the anti-corruption strategy assisted by a Technical Committee (CT) composed of representatives from the public sector, the private sector, media, NGO, professional associations, and trade unions. In 2007, a National Anti-Corruption Forum was instituted to broaden participation in the anti-corruption campaign.
402. Among the legal instruments available to fight corrupt are: the Anti-Corruption Law (no. 6/2004) of June 2004 together with Decree no. 22/2005 provides sufficient legal teeth to fight 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 not later than thirty days after assumption of office; Law no 9/98 defining 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 in July 2004 ratified the SADC Protocol against Corruption. Government also ratified the AU Convention on the Prevention and Combating of Corruption in August 2006, followed by the ratification of the UN Convention against Corruption in December 2006.
403. An anti-corruption unit (UAC) was established within the Public Prosecution Service Office in 2002 but it was replaced by a Central Office to Fight Corruption (GCCC) when Cabinet adopted the Anti-Corruption Strategy.

The problem with the UAC was that it 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 operatives subject to harassment by those being investigated. It is poorly resourced as it does not have an independent budget and lacks personnel in adequate numbers and quality.

404. There is no doubt that the battle against corruption in Mozambique faces formidable obstacles. As a result of the one party dominance of the political space, the weakness of the political opposition, blanket association of civil society organisations (CSOs) working towards anti-corruption 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, fighting corruption is a formidable task in Mozambique. The battle against corruption in Mozambique is against the established order and the road to success lies in complete overhaul of attitudes at the highest levels of government and at the institutional machinery for confronting it.

III. Recommendations

405. The APR Panel Recommend that Mozambique:
- Vigorously prosecute cases of grand corruption to serve as deterrent to offenders [*Minister of Justice/Public Prosecutor*];
 - Publish assets declaration by high government officials to discourage corruption and restore public confidence in the political leadership [*Administrative Court*];
 - Enhance the capacity of the Administrative Court to verify assets declaration by public officers. [*Administrative Court*];
 - Adopt ethical guidelines to clarify role of officials in business and strengthen accountability of government officials to the people [*Ministry of Public Administration; Ministry of Justice*]; 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 be adhered to as a matter of legal principle [*Ministry of Justice*].

Objective Seven: Promoting and Protecting the Rights of Women

I. Summary of the CSAR

406. The CSAR notes that there has been a great evolution in recent years, in terms of improving the situation of women in the country. Women in Mozambique have heavy family responsibilities but are, nevertheless, 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 in a disadvantageous position in the development process. In most communities women do not benefit from training courses for the development of small businesses enterprises and no specific programmes have been developed by the Government to support women in activities of income generation; 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 that of women.
407. The Constitution recognises the equality of women and men, and guarantees them full participation in all of the spheres of Mozambican society. A Gender Policy and Implementation Strategy are in place. The Ministry for Women Affairs and Social Action has activities geared toward 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 The Women's Forum.

408. With regard to levels of decision-making, women's positions are becoming prominent. The current Government which emerged from the 2004 elections, there are 7 woman ministers and 5 vice-ministers. Of a total of 250 Deputies in the Assembly of the Republic after the elections of 1999, 80 were women. In relation to the previous legislature (1994-1999), this number represented an increase of 6 percent. Currently of the 250 Deputies, 31.2 percent are women, a further growth in their number and proportion of the total. Their presence in other decision-making bodies is as follows: National Electoral Commission - 2; Provincial governors - 2; Presidents of Municipal Council - 3, apart from 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 vigorously campaign 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. 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 in Mozambique constitute approximately 52 percent of the Mozambican population. According to PARPA II, 72.2 percent of Mozambican women live in rural areas, and 23.2 percent are heads of homes. It also states that the female population is concentrated more in rural areas, forming 55 percent of the labour force and engaged in subsistence farming.
411. Despite being a numerical majority and having major responsibilities as mothers, wives and daughters, the status of this majority is that of subordinates. As a result, women are worse off than men, being poorer, illiterate and more affected by HIV AIDS. This has influenced the policies of government and guided it to develop multifaceted strategies to uplift the status of women in Mozambique. While a lot 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 suffered setbacks.

The Policy and Institutional framework

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

Box 3.7: Good Practice in Gender Representation in Parliament

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

415. The Ministry of Women and Social Action accounts to the Council of Ministers on the performance of its set goals. There is a Cabinet of General Assembly Women and in addition, there is a General Assembly Women's Caucus. The Ministry of Women and Social Action is working to increase the number of women in decision making as well as programmes to economically empower women. 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 programs in conjunction with the Ministry of Education.
416. A National Council for women's advancement has been set up to guarantee that the National Gender Policy is fully implemented, and this is replicated at the provincial level. The Council for the Advancement of Women promotes gender equality. It comprises women from diverse backgrounds in the private sector, government and NGOs. It undertakes situational analyses in women's welfare in order to give help. The Council in Beira has undertaken several activities such as support to women in jail, support to the plight of orphans and vulnerable children and raising awareness on women's right.
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 Women and Social Action which brings together a pressure group of women in academia, civil society and the private sector that works with government to advance gender equity.

Challenges to the realisation of Women's Rights

418. Despite the progress made in the promotion of women's rights and welfare, women remain highly discriminated against and marginalised, especially at the community and family level. The further away from the urban centres, the fewer women participate in effective governance mechanisms. This is aggravated by the poor development of communication and dissemination of information. Discrimination has been manifested in several forms of violence, as discussed below.
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 with women on these issues in an attempt to break the silence.
420. Stakeholders also informed the CRM that in instances of divorce, especially in the rural areas where customary norms are more enforced, many women are left indigent; property is not divided equitably and the woman is sent away empty handed. A 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 to be trafficked for work purposes and only mistreated on arrival at their destination. Hence as victims, they are hard to detect at border check points, and where corrupt customs agents are found, the 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 a law on Trafficking of Persons, particularly women and girls, in order to combat this specific crime. 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 not adequate to address the social-cultural 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 sanctions mechanisms. There is no compensation given to victims of sexual violence.

423. The government's response to domestic violence has included setting up special units to focus on violence against women. At police level, there are units that focus on women's issues, including domestic violence. The CRM was informed that there is a proposal to make 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 the units are under-resourced in terms of human and financial capacities. One female police officer reported to the CRM that their role is unappreciated by fellow officers, and she is not getting promotions as a result of the low importance given to this unit.
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 e.g. 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 must cover all manifestations of domestic violence other than those solely against women e.g. against the elderly, the disabled, against children, against pregnant women, hence the delay. The Bill is being redrafted to cover all social groups.

Economic Rights

425. The lack of micro credit schemes and the stringent conditions attached to credit facilities being granted by banks limits women's economic activities. Commercial banks rarely grant credit for agriculture and small enterprises that women engage in. In many cases women are not aware of the rights and benefits they qualify for. The CRM learnt that though some banks prioritise women for access to loans, most women are unaware of it. At the District level, the determining committees for the allocation of the 7 million meticaïs comprises mostly men and the interests of women are overlooked. The Provincial Council for the Advancement of Women, in Beira, in an effort to build capacity of women to engage in income generating activities, is lobbying for women organisations to benefit from the fund of 7 million meticaïs and raising awareness amongst women's groups.
426. The CRM learnt that the level of commitment in paying back loans is higher amongst women and the results are encouraging. Among the problems experienced by women seeking to access loans include banks setting challenging conditions for women, given their high illiteracy levels e.g. registration documents for associations. Microfinance is difficult to access especially because of the unusual collateral requirements. They are asked for securities such as house appliances e.g. a fridge, and in some instances are also asked to get permission from their husbands as guarantors. This violates the principle of equality. Some women's associations have organised themselves to raise credit amongst themselves.
427. Women's wellbeing and economic rights in Mozambique bears 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 practise however, many women are omitted from land titles in the titling process by their spouses. In the rural communities, most women are not aware of their user rights on communal land, and are usually relegated to merely using the land as an extension of a male relation by blood or marriage, which rights may be lost upon divorce or death.

Health Rights

428. An area that the government has invested in most is health, especially maternal health. As stated in the Mozambique Report on the MDGs of 2008, 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 to go

to hospital rather than give birth through traditional modes; the rate of women going to hospital has gone up five times. There are several policies and programmes around maternal and child healthcare. The General Assembly is monitoring child mortality. The policies are being implemented but more work is needed in the area. Access to reproductive health services e.g. female contraceptives is problematic, especially for women who lack the means to purchase these items. Stakeholders in the formal sector also reported that maternity rights of women are not given much consideration i.e. breastfeeding employees for example in the police force have to work equal hours as their male counterparts.

429. Country wide efforts are being made to combat HIV/AIDS but the challenge is big, and the rates of infection are continuously increasing. Women are more infected and affected by HIV/AIDS., Women are often illiterate, targets of violence and unemployed, which makes them especially vulnerable to HIV/AIDS and gives the pandemic a female face. HIV/AIDS is on the increase in pregnant women between 15-24 years old, increasing from 12.9 percent in 2003 to 16 percent in 2007, as reported in the Mozambique Report of 2008 on the MDGs. The high incidence of HIV/AIDS in women means that their families suffer, as women are the caretakers in the homes.

III. Recommendations

430. The APR Panel recommends that Mozambique:
- Expeditiously pass the Law on Domestic Violence 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, causes, negative harmful and preventative mechanisms be vigorously undertaken [*Ministry of Women and Social Action; CSOs*];
 - Equip Police Units dealing with violence against women with capacity to handle the victims who access their services [*Ministry of Home Affairs; Police*];
 - Incorporate gender issues into police training should also encompass gender issues to ensure a gender responsive police force [*Ministry of Home Affairs; Police*]; and,
 - Strengthen surveillance mechanisms to combat trafficking in women, children and organs, including stronger customs patrol and heightened vigilance in high risk areas [*Ministry of Home Affairs; Police; Customs; Immigration*].

Objective Eight: Promotion and Protection of the Rights of Children

I. Summary of CSAR

431. Mozambique has ratified the CRC, its Optional Protocol, the African Charter on the Welfare of Children and adopted the Declaration of Rights of the Mozambican Child. Children's rights are enshrined in the Constitution. A National Plan for Children (PNAC) as well as the Action Plan for Orphan and Vulnerable Children was instituted for the implementation of children rights.
432. In spite of the abundance of good intentions, children and youth face severe problems in the economic and social sphere. Problems such as sexual abuse, low level of education, child prostitution, child labour, early orphanage, lack of employment (see Chapter Six), and lack of housing, are faced by the children of Mozambique. Particularly vulnerable children like children in the workforce, the girl child, stateless children and children with disabilities are facing multiple forms of marginalization and abuse.

II. Findings of the CRM

433. The Government of Mozambique ratified the Convention on the Rights of the Child (CRC) with no reservations in 1994 and the country's initial report was considered at the Committee on the Rights of the Child in January 2002. The ratification of the UN CRC, demonstrated the commitment of the Mozambican government to put in place institutional and social transformations to meet the challenges of child survival,

development, protection and participation. The Government also acceded to the two Optional Protocols to the CRC on the sale of children, child prostitution and child pornography and on the involvement of children in armed conflict, in 2003 and 2004 respectively.

434. In addition, Mozambique is a party to the following conventions relating specifically to the rights of children:
- The African Charter on the Rights and Welfare of the Child, Organisation of African Unity, entered into force on 29 November 1999 and ratified by Mozambique on 15 July 1998; and,
 - The Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, International Labour Organisation (ILO), ratified by Mozambique on 16 June 2003.
435. The Mozambican Constitution provides for the rights of the children. These rights are specifically enshrined in Article 47 of the Constitution. Mozambique also enacted a new Family Law (2004) which contributed in improving the legal and institutional framework for child protection. For example, the Law defines the parents' duty of child custody, including the duty to protect, assist, educate and follow up their physical and emotional development⁴¹, with special emphasis to children with physical or mental disability⁴². To protect orphans or unprotected children, the law acknowledges adoption as a way of providing parents to those children that need this protection.
436. The CRM held interactive sessions with the Ministry of Youth and Sports, which oversees youth affairs and representatives of the National Youth Council which defends the rights of the youth, initiates development projects and organises the youth to participate in the country's development programmes. The National Youth Council administrative structures and duties permeate through the provinces and the district levels to the grassroots levels. These vertical structures enable the top leadership reach the rural youth with ease. The youth have organised a Children General Assembly to air their views to the Assembly of the Republic. Though under-funded by government, the objectives and aims of the National Youth Council are geared towards protecting and developing the children and the youth in general.
437. In spite of ratifying international conventions and enacting various national laws and policies together with the establishment of the Youth Ministry and the National Youth Council, the Republic of Mozambique still faces the following challenges:

Child Labour

438. The CRM was told that young children from 7 years were engaged in some form of work especially in household chores, agriculture and cattle grazing. A distinction should be made between child work (including household chores not detrimental to their well being and education) and child labour for commercial purposes. The latter category is considered as detrimental to children. CRM heard that there were two categories of children engaged in labour; those children given labour by their parents and those children who are forced into labour by the prevailing situations such as loss of parent to the HIV/AIDS scourge in the country. For the former category of children, work assigned by parents is part of home training and contribution to the family's livelihood. The latter 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 – 4,500.⁴³ The phenomenon of child streetism is mainly a result of the civil war that ended in 1992, which displaced

⁴¹ Article 282, no. 1 of Law no. 10/2004, of August 25.

⁴²Article 291.

⁴³ Consortium for Street Children, Civil Society Forum report, Nairobi, 2002

people into cities, without tangible work. The displaced people produce children, whom they cannot afford to cater for. Such children find their way into the streets. Some of the street children have been orphaned by HIV/AIDS. The CRM heard that there are two categories of street children: (i) orphaned children and displaced children including those who have run away from their homes and chosen to stay and sleep on the street. Their survival is entirely on the streets and (ii) those who go to the street to work and later go home. They carry out illicit and petty businesses for survival.

440. The government is responding to this challenge by taking street kids to social institutes, orphanages and schools for education. Complimented by some CSOs such as Centre of Shelters, the government is indeed working hard for the protection and sheltering of these street children.

Unregistered Children

441. A UN Children's Education Fund (UNICEF 2008) report estimated that the level of birth registration is less than 40 percent in Mozambique, and that 94 percent of children under age four are not registered. In some cases, particularly in rural areas, lack of birth certificates prevented citizens from registering for school, access to health care, immunisation and the right to obtain public documents, such as identity cards or passports. With assistance of UNICEF, the government is doubling its efforts to register the unregistered children.

Human trafficking

442. The CRM heard that there was trafficking of children from the Northern Provinces of Mozambique such as Nampula, Niassa, Zambesia and Cape Delgado, transited through Sofala province to Maputo. It is carried out by wealthy business men, who even give some money to unsuspecting parents to entice them to release their children. The CRM was informed that at the consent of their poor parents, the children are promised a better education and work in Maputo and South Africa. Though the CRM was not able to locate the final destinations of these children, the CRM learnt that these children ended up in prostitution and servitude in Maputo (capital of Mozambique), South Africa and other countries. As a 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 resource allocation to poor children by the central government. Studies by UNICEF in Mozambique show that northern provinces of Nampula and Zambesia hosting about 40 per cent of the Mozambican children, have the highest levels of child poverty, and yet receive lower allocations for sectors that are key to child well-being, such as health and education, than provinces with lower levels of childhood poverty, such as Maputo City and Maputo Province⁴⁴.

Access to Education

444. The CRM heard that there are increased numbers of children attending primary schools due to abolition of school fees for that level. According to UNICEF (2006), the number of children in primary schools 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. It is currently estimated that more than 650,000 children remain out of school and two-thirds of primary school age children leave school before completing grade five. About 70 per cent of the schools do not have adequate sanitation and the majority of schools do not teach

⁴⁴ Leila, Pakkala, "The role of elected representatives in ensuring adequate and equitable resource allocation and expenditure for children", Maputo, 2007.

comprehensive life skills-based education that promotes healthy behaviours. The government, with assistance of UNICEF, has introduced child-friendly schools programmes to address the challenge of inadequate sanitation and low skilled teachers by providing a minimum quality package such as training teachers, providing good health package, water and sanitation, child protection and social mobilisation in Mozambique.

445. The government has also established Night Schools to meet the demand of increasing number of children who yearn to attend school. This system enables children who cannot attend school during the day to do so at night. Though it is a good initiative to eradicate illiteracy, it faces several challenges of insecurity at night. Long walking distances on unlit roads with little or no police patrol also deter children from attending these night schools.
446. Despite government's efforts to overcome illiteracy, an estimated one million children still do not go to school, most of them from poor rural families. This is attributed to number of factors ranging from the cultural practices to parent's inability to meet some school requirements such as uniform 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 heard that there is child sexual abuse in schools and villages. Young girls are raped, and when such cases are reported to the authorities, the accused are often asked little money in form of *lobolo* or "bride wealth" paid to the parents of the raped child. The accused often gets off the hook after payment of the "*lobolo*". The male school teachers also rape girl children promising them promotion to the next level of education in exchange for sex. Some of the raped girls oftentimes either contracted HIV/Aids or got pregnant.
448. Credit goes to the Civil Society organisations, which have responded by forming associations such as Girls' Clubs for fighting rape as well as sensitising the girl child about their rights, in addition to assisting the victims of rape to access justice. Redoubled effort by both government and civil society is 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 of Mozambique. Besides religions and traditions which permit early child marriage, absolute poverty among parents is forcing young daughters into early marriages. The parents even encourage their daughters to drop out of schools and get married at a tender age because they cannot afford school fees to enable them to continue in schools.
450. The CRM was also informed that due to polygamous marriages families are not coherent, which encourages a lot of divorces whereby men abandon their families for new wives. This situation has left women stranded with children with no fatherly care. Coupled with poverty, the women encourage girl children to get married to reduce on the burden of childcare. These young girls are often married off to old men, who sometimes mistreat them too.
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 for newer wives. Men are being arrested and forced to pay maintenance funds for their families.

III. Recommendations

452. The APR Panel recommends that Mozambique:
- Devise ways and means of more effectively rehabilitating street children [*Ministry of Women and Social Action*];

- Strengthen government capacity at the regional, national and sub-national levels to fight child trafficking [*Ministry of Home Affairs; Police; CSOs*]; and,
- Devise means of providing adequate education to children, including those living in IDP camps [*Ministry of Education; CSOs*].

Objective Nine: Promotion and Protection of the Rights of Vulnerable groups, including the Disabled and the Poor, internally displaced Persons and Refugees

I. Summary of CSAR

453. The CSAR states that in Mozambique vulnerable groups comprise a sizeable proportion of the population. Vulnerable groups identified in the CSAR include malnourished children (including those in difficult situation); malnourished pregnant women; old people; disabled people (including war disabled people); women head of families with many dependants; victims of natural disasters; former exiles; refugees/displaced people; unemployed people; people with chronic diseases, disabled to work; demobilised ex-combatants; and children heading families due to various causes such as those orphaned by HIV/AIDS. Vulnerability has contributed to the high number of beggar children in cities, marginalised and delinquent children, and female prostitutes.
454. The Vulnerable People Support Office (GAPVU) provides food subsidies. From 1990 to 1994, it included in its programme about 70,000 families from urban areas. For those affected by war and victims of natural disasters, there is an emergency programme in rural areas which distributes free food under INGC (National Institute of Disasters Management). NGOs also aid in the distribution of food and clothes. The National Institute of Social Security (INSS), which assists workers in cases of disease, maternity, disabled or elderly was established in 1988.
455. Although policies exist for the protection of vulnerable people, implementation is constrained by financial limitations of the state and civil society organisations to respond to needs. The INSS, for example, provides pensions for the invalid, old people, and survival pension but it still does not cover the majority in this situation. There is a Strategic Old Age Policy, as well as the recently approved Old Age National Plan (third age). 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 comprised of representatives of different institutions: National Emigration Services; Ministry of Home Affairs; and Ministry of Foreign Affairs and Cooperation; with permanent participation of UNHCR (United Nations High Commission for Refugees) which is responsible for monitoring the rights of refugees. The Government gives refugees a monthly support grant. Unfortunately, not all the provinces have representation on the National Institute for Refugee Support. Refugees are now concentrated at Maratane Centre in Nampula, all previous centres having closed down. Refugees face problems such as sexual abuse, lack of education, prostitution, premature orphanage, child labour, lack of employment and lack of housing.

II. Findings of the CRM

The 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 people of old age. The Constitution provides that disabled citizens shall enjoy the same rights that all other citizens have. 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 UN Convention on the Rights of Persons with Disabilities, although not the Optional Protocol. There is also a National Policy and Plan of Action for the elderly. An inter-sectoral group comprising the Ministry of Women Affairs and Social Action, Health, Education and

Culture, and Labour has been established to monitor the implementation of the disability plan of action. 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 to those who were disabled during the armed conflict that ended with the signing of the General Peace Agreement in 1992, as well as the orphans and other direct dependants. This 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. Government has put measures in place to meet their basic needs e.g. access to housing, health, school for their children, and other means of compensation e.g. wheelchairs and access to pension.
460. The Ministry of Women and Social Action is mandated to handle the concerns and welfare of elderly people and PWDs, as well as oversee the implementation of the Disability Policy of 1990 and the National Action Plan. In addition, the National Institute for Employment and Professional Training within the Ministry of Labour has put in place programmes for vocational training for the PWDs.
461. PWDs face systemic discrimination at all levels of society - public, community and family. The enjoyment of their human rights is severely curtailed by structural barriers, including the physical environment that they live in. This happens despite the Constitutional provisions to the effect that the disabled shall have a right to special protection by the family, the society and the state, the latter which is 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 level. They lack basic facilitating devices to compensate for their disability and to limit their disadvantage and make 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 to other citizens, because they lack access to good educational institutions to cater for their learning needs. Even though primary education has been availed to all children, the reality for children with disabilities is that conventional education does not meet their special learning needs, and there are few schools catering for their special 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 leading to poor social welfare of PWDs. Most disabled employees occupy lowly positions and receive the minimum wage.
464. Those disabled by the war, previously making a living from agriculture are now unable to do so. Training centres for PWDs to engage in alternative gainful forms of economic employment are few. PWDs reported to the CRM that they lack a structural space to engage in dialogue over their problems, and that the Ministry of Women and Social Action does not consult on the priorities of PWDs to include them in their budgets or strategic plans.

Accessibility

465. There are several limitations in mobility and communication for PWDs. The physical infrastructure is not appropriate to enable PWDs access public institutions. Structures such as elevators and washrooms in most buildings are not disability friendly. Freedom of movement for PWDs is severely limited for those with mobility disabilities. Sign language development according to the Constitution is to be spearheaded by the

state, but has not been well developed neither has awareness of its value been raised in the media, limiting the ability of PWD 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 PWD friendly. The public road system in most areas does not have even basic markers for PWDs using wheel chairs to cross roads safely e.g. zebra crossing. Even the placement of ATM machines limit access to money for PWDs.
467. The vibrant discourse on inclusiveness is unfortunately not translated into practise. Wheelchairs are not manufactured locally and are imported at a great cost. Government and the Red Cross Society has set up orthopaedic and prosthetics centres, but they are not enough to meet the needs of PWDs in the whole country. Often, the distance from orthopaedic centres in Maputo mean that few PWDs can get their prosthetic devices repaired.
468. Women with disabilities have formed an association to fight for their rights. While the formal laws prohibit discrimination against women, in reality discrimination against women and PWD is widespread. Women with multiple disabilities are worse off in terms of the discrimination they face, which includes sexual exploitation and abandonment of their children. They are rarely educated and have limited access to information that can help them with their reproductive needs. There is stigma attached to children with disabilities, who are usually hidden away from the public.
469. The involvement of PWDs in governance and decision making is very minimal. PWD do not have General Assembly representation as an interest group. The few PWDs in the Assembly are there as party representatives and not as representatives for PWDs. The PWDs informed the CRM that the Policy on Disability and most government programs on disability are not being implemented. A Disability Plan adopted by Cabinet in 2006 remains relatively unknown and largely unimplemented
470. The Ministry of Women and Social Action is perceived by PWD to focus more on women and children while the problems of PWDs are not given due weight. This Ministry has a very wide mandate and is not specifically geared towards PWDs and has not performed well in promoting the rights of PWDs. The CRM was informed that the Ministry location itself poses a problem; it is on the 2nd floor and physically inaccessible.
471. CSOs are contributing in terms of advocacy and would like to participate in planning, monitoring and evaluation but most of the times are not invited to such processes, despite the fact that an inter-sectoral committee including civil society has been established to oversee implementation of the National Action Plan. However, the *Forum dos associacao Mocambicanas dos deficientes* (FAMOD), the umbrella organisation covering a number of NGO for PWD, informed the CRM that there is goodwill from government to work with CSOs e.g. the Ministry of Women and Social Action has developed a plan to guide joint action with CSOs stakeholders. FAMOD links up with government as a lobby for PWDs advocating improvement in their welfare.
472. The Government is working to address the plight of vulnerable groups but several infrastructures were destroyed in the war and the family undermined as a social unit. Consequently the magnitude of the problem is daunting and the rebuilding process is challenging. The Ministry of Women Affairs and Social Action is seen as having too wide a mandate, and yet it is underfunded; it has one of the lowest budgets namely 0.9 percent. The role of social action is taken by some sectors like health when it comes to issues like landmine victims. The Ministry of Women Affairs and Social Action supplied 23, 455 people with food in 2008. There are also disabled people who get food, equipment, aids like crutches. Support is also extended to those receiving ART through which 758 physically disabled are catered for. However, it is a challenge to extend these programmes to those who are far from the centre of the provincial capital.

Refugees

473. The only functioning Refugee Centre in Nampula has over 4000 refugees who hail from DRC, Rwanda and Burundi. In Nampula, the CRM learnt that these refugees move freely from their camp to the town. They have their own farms and have been able to build permanent houses. The refugees in Nampula have access to the social services like schools and hospitals within the camp. The learners in the refugee camps have access to institutions for higher learning such as universities. They also have a government representative who links them to UNHCR.
474. Immigrants entering the country illegally through certain entry points, who have found their way to Nampula, pose a problem. Some Illegal immigrants take advantage of the liberties granted to refugees to claim that status. Some of these immigrants commit crimes and are sometimes mistaken for refugees by the communities, which causes resentment against the refugees generally.

Internally Displaced Persons

475. As discussed in more detail in Chapter Seven, Mozambique is vulnerable to cyclones, drought, floods, earthquakes, wildfires and tsunamis, and recently, landslides. Cyclones and tsunamis occur mostly in the north; floods occur frequently in the centre while drought is more prevalent in the south. In 2008, a new source of internally displaced people surfaced when over 40,000 Mozambicans fled back to the country after suffering from the highly publicised incident of xenophobic attacks in South Africa.
476. The Institute of Disaster Management (INGC) is a mechanism to deal with the high incidence of victims of natural disasters. In the past, the institute mostly provided emergency relief, but currently its mandate extends to prevention and mitigation of disasters, as well as coordination of the 30 districts located in arid and semi arid regions. Its interventions include populations at risk, emergency responses and relocation and rebuilding.
477. There is a plan for the next 10 years to prevent and reduce vulnerabilities due to natural disasters (Box 3.8). A Contingency Plan is made annually since 2000 for the rainy and cyclone season, in which scenarios for dealing with the effects of rainy seasons are enacted with a view to assessing risks and identifying appropriate responses. The INGC has a crosscutting Plan for Prevention and Mitigation of Natural Calamities for all areas and contains some important collaborations with civil society.

Box 3.8: Natural Disaster Management Strategy

The INGC has developed a highly effective multifaceted and inter-sectoral 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 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 Ministry of Women and Social Action has put in place programmes to ensure that people in situations of absolute poverty are catered for through transfers of incomes. They are coordinated by the Institute of Social Action. The INGC implements the following specific programmes:

Food subsidies and work social benefits

479. This is a program which identifies people in extreme poverty situations in coordination with other agencies e.g. schools or hospitals. These people are employed by the Institute for about 12 months and the institute pays them. A portion of their salary is discounted and saved for them, to enable them start some business.

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 book-keeping and other business skills. Lastly, direct social emergency support is given to those who lose a house due to fire, deaths, or homeless people living in extreme situations of poverty or those affected by HIV AID.

III. Recommendations

481. The APR Panel recommends that Mozambique:
- Ratify the Convention on the Rights and Dignity of PWDs and pass a law on the Rights of PWDs expeditiously [Government, Assembly, CSOs];
 - Establish a National Council for Disability to coordinate disability issues [*Ministry of Tourism; Assembly; CSOs*]
 - Pass a law regulating the design of public buildings or infrastructures to make them more accessible to PWDs [*Ministry of Local Government; Municipalities*]; and,
 - Establish an early warning system for early detection of natural disasters to mitigate the harmful effects of natural disaster [*Ministry of Environment*].

CHAPTER FOUR

4. ECONOMIC GOVERNANCE AND MANAGEMENT

4.1 Overview

482. African Heads of State and Government have recognised that good economic governance, including transparency in financial management, is an essential pre-requisite for promoting sustainable socio-economic 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 eradication 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 (particularly from South Africa) and a stable polity since the multi-party elections in 1994, have led to significant improvements in the country's economic performance.
484. The reforms introduced under the ESRP included the liberalization of the economy, removal of controls, a significant reduction of the direct role of the state in the economy, restructuring and privatisation of public enterprises and 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 provide stability and an enabling environment for private sector-led development, while simultaneously re-defining the role of government in the economy.
486. The economic policies of the government have largely succeeded in reversing the macroeconomic disequilibria which the economy suffered during the 16-year civil war between 1997 and 1992. Sustained sound macro-economic policies have ensured remarkable economic growth rates averaging 8.1 percent per annum during the period 1998 to 2006.
487. Data from the Ministry of Finance Planning and Economic Development (MFPED) indicate that inflation has fallen sharply, having declined from 60 percent in 1989 to an average of 8-10 percent in recent years. Inflation is projected to decline to 5 percent by the end of 2010.
488. Fiscal deficits have been kept within the SADC threshold of 5 percent of GDP, averaging around 2 – 4 percent of GDP. On the back of strong economic growth and a significant reduction in inflation, the sectoral composition of Mozambique's economy started to show discernible positive changes.
489. In the financial sector, Mozambique made substantial progress in promoting financial liberalization and restructuring of its banking sector over the past 10 years. Mozambique is now deepening these reforms by strengthening the institutional regulatory architecture for financial sector development within the framework of the financial sector development strategy developed after the 2003 financial sector assessment. Specifically, measures have been taken to strengthen monetary and public finance management.

490. The implementation of broad macro-economic reforms, increased investment and capital formation, improved trade flows, privatisation, and enhanced global competitiveness have contributed to improved economic performance. However, it should be noted that, despite a high growth rate in the last 10 years, Mozambique remains one of the poorest countries in the region, with a per capita GDP well below the African average, due in part to the devastation of the economy by decades of conflict. Thus, the high growth rate over the last 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 on growth rate and the level of poverty demonstrate that the growth strategy and process in Mozambique continue to face significant challenges. Addressing these challenges will require a strategy of broad-based development, increased investments 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 high donor dependency. The expansion of government public expenditure, which has not been matched by a corresponding increase in domestic revenues, has resulted in high dependency on donors. 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 cut-back in donor aid. Hence, the need to step up domestic revenue mobilization is compelling.
492. The private sector-led economic growth strategy is being constrained by limited and un-affordable credit and other factors. Studies reported in the World Economic Forum Global Competitiveness Report, 2004/05 and 2005/06 indicate that the most problematic negative factors to doing business in Mozambique are access to finance, corruption, under developed infrastructure, high tax rates and poor work ethics in that order. Also, the World Bank 2006 Diagnostic Trade Integrity study and Country Economic Memorandum identified electricity to be the most severe impediment to industrial development followed by infrastructure and finance. Other challenges faced by the Mozambican economy are corruption, insecurity in some parts of the country, and exogenous shocks, both internal and external.
493. In the last 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 enhanced the transparency of the process. But the challenge of improving the predictability of the budget through regular flow of funds, including donor grants, remains. Significant progress has been made in strengthening and updating the legal framework and regulatory environment for Public Finance Management. 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 Inter-Ministerial Commission for Public Sector Reform and the Technical Unit for Public Sector Reform. These two institutions have taken a number of steps to make the public sector more efficient and effective.
495. With respect to public finance management, the establishment of the e-SISTAFE and the National Tax Authority represent significant steps in accelerating and making the process of expenditures 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 emphasis 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 Programme for the reduction of Absolute Poverty (PARPA); the Five-Year Government Programme (PQG); the Mid-Term Fiscal Scenario (CFMP); and the Social and Economic Plans (PES). In this regard, the shift from incremental budget to 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; 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. In this regard, increasing the capacity of the private sector and CSOs, and ensuring that relevant information is more widely disseminated, especially in rural areas, is urgently required.
498. The Government of Mozambique is on record as being committed to decentralising authority and responsibility for economic development to local authorities and communities. Progress towards this goal has however been slow. The major obstacle seems to be the lack of capabilities of local authorities and communities to own their economic development process, and the failure of the Central Government to vigorously implement a policy of fiscal decentralisation. This remains one of the challenges facing the country.
499. A number of institutions exist to exercise oversight and hold the Government accountable in public finance management. The most important of these are the General Financial Inspection Authority responsible for internal audit, and the Administrative Court, Parliament and the Cooperating Partners constituted by nineteen donor countries that largely undertake external audit. The most effective of these bodies is the Cooperating Partners, which is a reflection of the dependence of Government on external financing. Parliamentary oversight seems to be the weakest, due to the dominance of the executive over Parliament and the weak capabilities of Parliament. Strengthening oversight and accountability is thus another area that requires greater attention in Mozambique.
500. Corruption remains a major problem in Mozambique, despite a number of measures taken by the Government to tackle the problem. These measures include the Public Sector Reform Programme Phase II, 2006-2010; the Anti-Corruption Strategy 2006-2010; and the establishment of the Central Office to Combat Corruption. The problem, however, is not the absence of legislation and institutions to fight corruption, but the lack of enforcement of relevant legislation and the limited capacities of these institutions. This is compounded by the cynicism of the population with respect to how strongly the Government is committed to the fight against corruption. This cynicism receives some credence from the apparent impunity of high level officials from prosecution for corruption, and the lack of effective protection for whistle-blowers.
501. Another area of concern to many in the public is the actual or perceived conflict of interest inherent in senior government officials and/or their colleagues, relatives and friends engaging in business activities. It was often asserted that this was the case in several instances, and that it may result in abuse of office and unfair advantage for these officials. This concern was expressed not only by individuals, but also by donors. Allegations of this type are notoriously difficult to document, and the CRM was not presented with any tangible evidence to confirm them. Still, the perception of wrong-doing is often just as bad as the reality, and Government should take these concerns seriously. This is especially true in light of the fact that it is widely perceived that the rules and regulations regarding the declaration of assets by public officials have been largely ineffective as a barrier to corruption.
502. It is essential for the Government to demonstrate in a very tangible way its political commitment to address the problem of corruption. The media and CSOs also have an important role to play in this area.
503. Mozambique is committed to regional integration, especially within the framework of the Southern Africa Development Community (SADC) that 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, Mozambique does not seem to have been gaining much from its membership of SADC, largely because its entrepreneurs are neither strong enough to face the competition from other SADC members, especially South Africa, and because its entrepreneurs and public are not sufficiently well informed about the activities of SADC and how they could benefit from it. 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 provides a good opportunity to address these shortcomings.

504. In sum, while Mozambique has made impressive progress in economic governance and management during the last decade, a significant number of challenges still remain. Mozambique must continue with its sound macro-economic 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 vigorously implemented. 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, and must be placed within the framework of accelerated regional and continental economic cooperation and integration. These issues are elaborated upon in the rest of the Chapter.

4.2 Standards and Codes

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. Below we ascertain 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 whole international community. They are also a powerful indicator of the resources which developing countries such as Mozambique can mobilise to master the development challenge.

I. Summary of the CSAR

506. In the APRM questionnaire on Economic Governance and Management, there are at least 15 standards and codes on the basis of which a country is assessed. The CSAR notes that, on the whole, Mozambique has complied with international standards and codes on economic governance and management.
507. The following are the standards/codes which Mozambique subscribes to, which are in some cases domesticated or streamlined into national legislation:
- Norms of Good Practices and Fiscal Transparency;
 - Policies for Public Debt Management;
 - International Auditing Standards;
 - International Accounting Standards;
 - Norms of Good Practices on Transparency of Financial and Monetary Issues;
 - Guidelines on Payment Systems;
 - Key Guidelines on Supervision, Insurance and Security Plans;
 - Key Guidelines on Efficient Banking Supervision;
 - Africa Union Agreement on Preventing and Fighting Corruption;
 - Abuja Treaty establishing the African Economic Community;
 - Best Practices on 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 on Regional Economic Communities that apply to economic governance, notably:
- Protocol of Southern Africa Development Community on Preventing and Fighting Corruption;
 - Protocol of Southern Africa Development Community on Education and Training;
 - Protocol on Trade Exchange in the Southern Africa Development Community Region; and,
 - Protocol on Facilitating Circulation of People in the SADC Region.

509. Other measures taken to enhance economic governance and soundness in the financial sector include: the drafting of the Anti-Corruption and Money Laundering Bill which proposes the establishment of a financial intelligence authority to coordinate policies and efforts to fight against money laundering.
510. In the area of money laundering and corruption, Mozambique has ratified the following agreements and instruments:
- Palermo Convention;
 - Merida Convention;
 - International Convention on the Elimination of Terrorism Funding; and,
 - Africa Union Convention on Preventing and Fighting Corruption.
511. Significantly, the CSAR notes that Mozambique has ratified and domesticated all the major international and regional standards and codes on 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, national legislation in Mozambique has incorporated provisions in the international standards and codes in the following:
- 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 which created the Financial Information Cabinet of Mozambique (GIFIM), ruled by Decree no. 62/2007, of 4 December.
513. Mozambique has also made major efforts to implement international standards and codes on fiscal transparency, especially in line with the Code of Good Practices of Fiscal Transparency of the IMF. Specifically, Mozambique has come up with the following policies and programs to operationalise the provisions in the standards and codes on economic governance:
- Simplification of bureaucratic procedures;
 - Introduction of electronic State Financial Management System (e-SISTAFE);
 - Introduction of Treasury Single Account;
 - Creation of a government website;
 - Creation of the Ministry of Public Services;
 - Institutionalisation of Poverty Observatory; and,
 - Creation of the Tax Revenue Authority.
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 standards and codes.
515. The CSAR also discusses some notable reforms that have been put in place in order to promote a sound public finance management in Mozambique. These reforms have brought about significant advances in terms of increasing the level of credibility in public finance management; especially in 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 State Local Bodies. Other reforms include the introduction of the Medium Term Fiscal Framework (MTFF) which allows for a budgeting process which is strongly based on policies and projects aligned with the Government's Five-Year Programme (PQG) or the PARPA II, as currently the case.
516. Additionally, the law in Mozambique requires that the national budget should be tabled in Parliament, deliberated upon and approved thereby increasing transparency and accountability. To further increase accountability and oversight, the government is also required to publish quarterly, half yearly and annual

reports on the execution of the State Plan and Budget. The government also provides accounts on an annual basis to Parliament, through the General Financial Inspection (IGF). The Government of Mozambique has also developed an effective system of fiscal decentralization and administration through SISTAFE and e-SISTAFE (Integrated State Financial Management Systems).

517. The CSAR also noted some of the important institutional arrangements that are in place to ensure sound public finance management such as the General Financial Inspection Authority (GFIA) and the Administrative Court, as Internal and external control bodies, respectively.

II. Findings of the CRM

518. The CRM strongly commends Mozambique for taking serious efforts to domesticate the ratified international standards and codes. In particular, Mozambique appears to have made significant progress in implementing standards and codes aimed at strengthening the country's financial sector as most of the practices specified thereof have been mainstreamed through various pieces of legislation, policies and programmes.
519. Particularly noteworthy are the standards and codes in Mozambique's fiscal and financial sector. According to the CSAR, the country has performed well in the implementation of the following: Good Practices on Fiscal Transparency, the Payment Systems Guidelines, and the Key Guidelines on an Efficient Banking Supervision, the National and International Corporate Governance Guidelines, Policies on Debt Management and the International Accounting and Auditing Standards.
520. Additionally, institutions such as the Ministry of Finance and the Central Bank, which implement most of the agreements in the fiscal and financial sectors, are making significant efforts in increasing the necessary capacity for full implementation of the same.
521. However, the CRM is concerned that no detailed or further information was availed to the team on the following:
- Dates of ratification and domestication of the treaties to validate the current status of implementation or performance of the ratified standards and codes as stated in the CSAR;
 - Mechanisms for monitoring the implementation of the ratified standards and codes; and,
 - The central depository of ratified and domesticated standards and codes.
522. In particular, the CRM is concerned that, apart from the implementation of financial standards and codes, there has been little to show in terms of implementing other standards on economic management and governance. At the time of the CRM visit, there seemed to be little that the Government was doing to close this gap apart from enrolling the international financial institutions for technical assistance.
523. The CSAR acknowledges the weaknesses in the implementation of many standards and codes 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:
- Direct each Ministry and Agency to keep proper records of the standards and codes and practices that have been adopted and have been or are being implemented as a basis for adequate, monitoring of their status [*Ministry of Foreign Affairs; Parliament*]; and,
 - Establish a depository centre at the Ministry of Foreign Affairs for centralised documentation of the standards and codes and practices that have been adopted and have been or are being implemented as a basis for adequate, monitoring of their status [*Ministry of Foreign Affairs*].

4.3 Assessment of the Performance of APRM Objectives

Objective 1: Promote Macroeconomic Policies that support Sustainable Development

I. Summary of the CSAR

525. Against the background of serious macro-economic disequilibria during the civil war era, Mozambique began to implement a comprehensive programme of macroeconomic stabilization and structural adjustment following the end of cessation of hostilities in 1994. 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 over 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 others.
528. The focus of 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, 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 implementation.
530. The CSAR report acknowledges the substantial role of donor support in the Government's effort to achieve its ambitious poverty reduction targets under PARPA. But the government appears determined to develop internal capacity for resource mobilization. Key reforms have been undertaken in tax policy and administration, two of which are the formation of the Mozambique Revenue Authority (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 mobilization remain. These are: the large size of the informal sector, lack of reliable data, uneven distribution of income, and formation of the SADC Free Trade Area, narrow tax base, corruption, and limited human capacity for supervision, among others.
531. The CSAR concludes that considerable achievements have been made by the government on the objective of pursuing macroeconomic policies that are supportive of sustainable economic development. However, the report acknowledges that despite the positive trends, macroeconomic management and poverty reduction still face significant challenges, among which are the high cost of borrowing (reflected in high interest rates) and poor infrastructure.
532. Other challenges are related to high 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, and 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, Stabilization and Growth

533. As noted in the CSAR and Chapter Two of this report, the Government of Mozambique 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. In a similar vein, GDP per capita has been increasing consistently. This is indicated in Table 4.1.

Table 4.1: Trends in Real GDP and GNP Per Capita Growth (in percentages)

Annual Average Growth	1987-1997	1997-2007	2006	2007	2007-2011*
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

Source: World Bank, 2008.

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), and the government has won praise from its international partners for its tight control over public finance.

Box 4.1: Best Practice in Macroeconomic Performance

Mozambique is a successful example of post-conflict transition, with impressive economic growth averaging 8 per cent from 2000 to 2006 and sustained macroeconomic stability. Economic growth has been running at over 10 percent per year up to 2001 (except for the flood year of 2000). Growth peaked at 11.3 percent in 1997, and since then has been at around 8 percent. In 2007, the economy grew by 7.3 percent. 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 percent between 1986 and 1996. It more than quadrupled to 5.9 percent between 1996 and 2006. Strong economic growth continues to be driven primarily by foreign-financed "mega-projects" and large aid inflows. Inflation was also reduced to single digits during the late 1990s, and although it returned to double digits in 2000-04, between 2005 and 2007 inflation averaged about 7 percent. The inflation rate currently stands at 8.16 percent, lower than the 13 percent for 2006.

Source: APRM Country Review Mission, February to March 2009

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 carefully implemented in a manner intended to address the consequences of civil war and its internal causes as well as address the problems of promoting development and re-legitimation of the Mozambican state, reconcile and accommodate FRELIMO's and RENAMO's interests within the Mozambican political system, democratise the country, and consolidate and sustain socio-political and economic development.

Box 4.2: Best Practice in the 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 from those perceived to be relatively easy to implement 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. 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, generate revenue to feed internally displaced people due to violence, attracting foreign direct investments, 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 that enshrined liberal and multiparty democracy, then by peace negotiations that led to the

1992 Rome peace agreement, the demobilisation of FRELIMO and RENAMO soldiers, the repatriation of millions of refugees who were living in neighbouring countries, and the democratization of Mozambican society through multiparty elections and public sector reforms. Therefore, decentralization and other public sector reforms have been implemented to fulfil democratic principles, widen broad-based political networks, and respond to the inability of the over-centralised and top-down system of governance 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 and technical advice from donors.

Sources: PARPA II, PES.

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

Table 4.2: Structure of GDP in Mozambique (1996-2007)

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

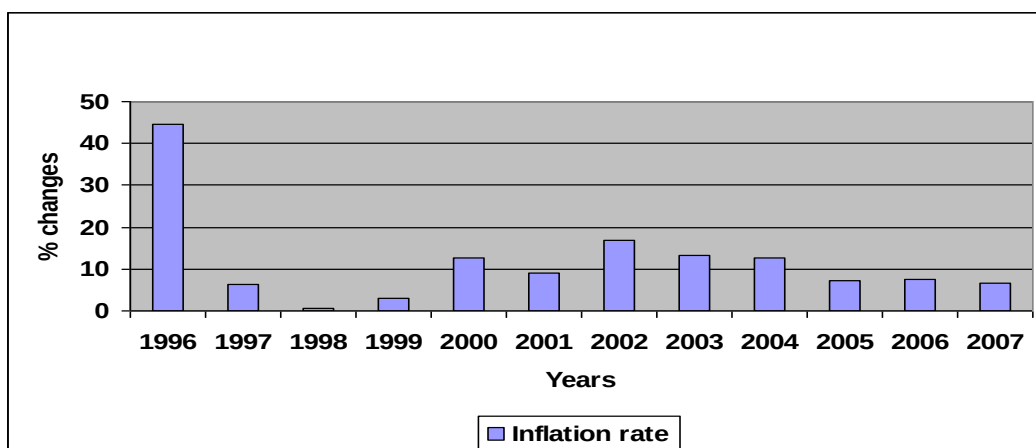
Sources: Southern African Marketing Association and SADC, (2006) 2006 SADC Trade, Industry and Investment Review, AfDB, (2007), African Economic Outlook.

538. More importantly, Table 4.2 seems to suggest a change in the structural composition of the Mozambican economy, especially indicating a decline in agriculture's contribution to GDP. As at 2005/06, the structural shift away from agriculture to services, which slowly began to manifest from the early 1990s had become very prominent. The services sector remained the dominant sector in the 2000s, culminating in a share of 45.4 percent of GDP in 2005/6. Partly as a result of the prolonged drought, the share of agriculture in GDP declined to 33.8 percent in 2005/6 from 51.1 percent in 1990/91.
539. The declining trend in the share of agriculture in GDP suggests two things. First, innovations are basically taking place primarily in the industrial sector which is capable of guaranteeing sustainable development. Second, the decline also signifies a fall in crop production and this is a source of concern.
540. The GoM is presently implementing a financial and economic programme consistent with its medium-term PARPA II, with support from the IMF through the 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 inflation. Using monetary targeting, the *Banco de Mozambique* (BM) has successfully 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 digits during the late 1990s, and although it returned to double digits in 2000-04, between 2005 and 2007 inflation averaged about 7 percent (Figure 4.1). The inflation rate currently stands at 8.16 percent, lower than the 13 percent for 2006.

Figure 4.3: Inflation rate in Mozambique



Source: Bank of Mozambique, 2007.

Exchange rate

542. The CRM noted that Mozambique's currency- the *metical* – is relatively stable. 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 this has posed difficulties for Mozambican businesses. The Committee for the Coordination of Money 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 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 fall-out from the crisis. The effective utilisation of Mozambique's relatively health reserve, enough to cover five month's imports, can help 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 the fiscal deficit which is a central objective of the government's macroeconomic strategy. The aim of the government is to reduce the fiscal deficit to below 5 percent of GDP by 2010 by restraining the growth of expenditures to less than the growth of domestic revenues.

Poverty

545. The *Instituto Nacional de Estatística* (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 has increased since then. But the experience of Mozambique indicates 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 to, for example, increase agricultural productivity, promote labour intensive industry, and facilitate new and innovative small and medium enterprises.
546. As discussed in detail in Chapter Six, another source of concern is 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 budget dependency on donors is of serious concern. The most recent estimate of the IMF is that the level of dependency was as high as 54.3 percent 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 the fiscal challenges, including reducing donor dependency, entails more efforts on domestic resource mobilization through *expanding the tax base rather than deepening it* in order to raise an additional 0.5 percent of total budget a year. This means that donor dependency must decline by the 0.5 percent each year. It is commendable that, as a percent of GDP, total revenues have gone up from 11 percent to the current 17 percent.

Recommendations

549. The APR Panel recommends that Mozambique:
- Step up efforts aimed at targeting 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 possession of skills and productive assets [*Ministry of National Planning and Development; Ministry of Finance; other sectoral ministries*]; and,
 - Explore means to reduce aid dependence by stepping up domestic revenue mobilization and rationalizing non-priority expenditures [*Ministry of National Planning and Development; Ministry of Finance*].

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) in order 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 *Banco de Mocambique* assumed the central bank role of coordinating monetary management and serving as banker to the government of Mozambique. The BM has in this regard striven to maintain a judicious monetary policy stance supported by close coordination with the fiscal authorities as well as a comprehensive liquidity management framework which helps to maintain stability in the financial markets. The CRM was informed by officials of the BM that there has been strong political commitment to macroeconomic stability and this has aided prudent monetary policy implementation significantly. To strengthen policy formulation, the BM has intensified its monitoring, analysing and forecasting of macro-economic and monetary indicators, thanks in part to the introduction of quarterly reports on GDP by the National Institute of Statistics. 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, arguing that current conditions in Mozambique do not justify the use of this approach.

551. The CRM learnt that, in 1997, the BM introduced the Monetary Inter-bank Market operations based on two instruments: (i) treasury bills (TBs) and (ii) monetary authority securities (*títulos da autoridade Monetária*). 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 at the same time. 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, TBs are being used for two purposes: monetary policy and fiscal policy.
552. In operational terms, the BM decides the amount of TBs to be issued in order to mop up excess liquidity and credit the collected amount into a government special deposit account. In the case of treasury needs, the BM transfers to the government an appropriate amount, and the government has to pay the same interest rate the BM is paying the commercial banks. Evaluations made so far indicate that the system has worked well.
553. The CRM is also satisfied with the measures the BM has taken to strengthen operations on the financial market. 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 (structural benchmark for June 2008).

554. To strengthen liquidity management, the Ministry of Finance 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.⁴⁵ According to the BM, short-term liquidity forecasting is based on a number of stages.⁴⁶
555. The CRM observed that the main limitation of using this approach is the difficulty associated with predicting the amount to be transferred by e-SISTAFE. In response to this concern, the BM officials stated that, in order to minimise this gap, the central bank uses information of the main events to forecast and also historical values with seasonal adjustment. This approach has proved adequate, taking into account, in general, the reserve money target is under control. There is obvious need for the BM to strengthen the forecasting models, and work is in progress. The BM Governor called for increased coordination between the monetary authorities and the fiscal authorities.
556. In order to be in line with good international practices, and to strengthen information dissemination on monetary policy decisions, the MPC was restructured in June 2007. This restructuring included selection of participants and adjusting the committee's format and content to international standards and best practices, which include, among others, the publication of its decisions through a press release just immediately after each meeting. Others ways that the central bank uses to disseminate information is through a press conference which the Bank Governor or the Central Bank spokesperson gives, thus, ensuring greater transparency of monetary policy.
557. The Bank 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*; the *Annual Report*; and 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 bank'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 BM operations has benefited from the bank's 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 CBM governor informed the CRM team that the BM is more autonomous than what is contained in the current legislation, which requires the CBM to monetarize fiscal deficits up to 10.0 percent of total government 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.⁴⁷ But in implementing monetary policy, the BM will also continue to rely more heavily on sales of foreign exchange

⁴⁵ The auction is used to deal with liquidity problems or to smoothen the price discovering process, 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 8:30 to 15:30 hour, by using an electronic process (screen). The BM's dealers supervise the quotation during the day and, in case of high volatility, they intervene more or less to prevent volatility.

⁴⁶ The first stage consists of identifying all factors that can increase reserve money, such as reimbursement of TBs and Bonds bills, repos, payment made by E-SISTAFE, commercial banks operations, among the others (Government operations, BM operations). 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 of two amounts is the value that has to be sterilized, using both inter-bank foreign and money market instruments.

⁴⁷ With uniformity of SADC central bank laws in the pipeline, the new CBM law will *de jure* strengthen BM's autonomy further.

reserves rather than government securities to sterilise liquidity to make room for credit to the private sector to rise by about 28 percent. 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 last 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 recapitalization programme for the BM. Nonetheless, an arrangement still needs to be established to deal with the remuneration and operating costs of the Treasury Single Account (*Conta Única do Tesouro*, CUT), interest on its daily positive balances, and inclusion of the costs of monetary policy in the OE. 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.
562. To enhance internal financial controls, the BM has implemented measures to strengthen its internal audit. The central bank has in this regard 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 the BM's Executive Board on the implementation of audit recommendations (end-July structural benchmark).
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 within the context of a flexible exchange rate regime.⁴⁸ 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 result of the increase of volume and frequency of transactions.
564. 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 financial sector policy out-turns, particularly relating to high interest rates and the challenge of financial sector deepening.
565. Notwithstanding some challenges, the liberalisation programme in Mozambique has opened the doors of opportunities for foreign banks. Before 1992, there was only one private bank operating in the country, but ever since additional private banks have now entered the market. The BM Governor informed the CRM that there were now a total of 14 banks, including five major foreign-owned banks, operating in Mozambique. Notably, there is presently no publicly-owned bank or financial institution in Mozambique.
566. Nonetheless, the CRM observed that the banking system is still highly concentrated and the geographical spread of bank branches grossly limited. Evidence availed to the CRM from the BM shows that out of 207 bank branches in Mozambique, there were only 95 bank offices outside of Maputo province (Table 4.3). 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.

Table 4.3: The Distribution of Financial Institutions and Network of Bank Branches

Provinces	Branches		Credit Unions		Micro-credit inst.		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 Province	18	26	3	3	10	10		

⁴⁸ According to the 29 October 2008 Letter of Intent between the Mozambique and the IMF, the BM with technical assistance support of the Fund will design a plan to strengthen the monetary policy framework comprising all intermediate steps, including agreement on a core inflation indicator by end-December 2009 (structural benchmark). The BM will also follow up on plans to strengthen policy implementation.

Gaza	14	15	1	1	1	1		
Inhambane	13	16	0	0	1	1		
Sofala	22	26	0	0	0	1		
Manica	12	14	0	0	1	1		
Tete	8	11	1	1	0	1		
Zambezia	10	10	0	0	0	1		
Nampula	17	22	0	0	0	2		
Cabo Delgado	7	8	0	0	10	10		
Niassa	4	4	0	0	0	0		
Total	228	275	11	11	57	71	1	1

Source: *Banco de Mozambique Annual Report (2007)*, p.63.

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 depended 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. Lack of access to credit was confirmed as a major problem in all the provinces that the CRM visited outside Maputo City. In interactions with stakeholders, the CRM was informed that commercial banks by their nature in Mozambique 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 micro-lenders who charge high interest loans. According to the BM, the number of micro-credit institutions increased by 14, to 71 by the end of 2007, as new institutions were authorised to operate in Maputo city and Province (9), Sofala (1), Tete (1), Zambezia (1) and Nampula (2) provinces.
570. The BM Governor informed the CRM that another category of micro-finance institutions – micro-banks which were licensed and supervised by the central bank – were allowed to accept deposits and finance SMEs. But these are not adequate and there are increasing calls for the government to initiate the establishment of a Development Bank that will cater to the needs of (domestic) private sector as the existing commercial banks do not do so.
571. In CRM interactions with stakeholders, it was widely acknowledged that micro-finance loans are very costly because of their high operational costs and high risk factors which make their cost/income ratios to be very high. Although there is a Law which regulates the operations of micro-finance institutions, this law is subsumed under the general banking law. The CRM takes the view that Mozambique should come up with new laws and regulations that specifically addresses the needs of micro-finance institutions.
572. Another area of concern is the issue of high interest rates. Despite an inflation rate that currently stands at about 7.0 percent, the interest rates charged by commercial banks 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 the commercial banks to reduce their interest rates. In the main, the high interest rates could be attributed to the absence of competition and alleged collusion by banks.⁴⁹
573. The Government is aware of the difficulties facing Mozambicans in accessing capital and the high cost of borrowing. In interactions, government officials informed the CRM 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 intended to encourage banks to open branches in rural areas.

⁴⁹ Other factors include the rather small size of the financial sector against the ever increasing demands for credit in the economy, high operating costs of banks, and high fiscal deficits which through the cost of sterilization pushes up interest rates.

574. Given the above situation, a key area of challenge in the banking sector in Mozambique is financial deepening. The CSAR document acknowledges that Mozambique's financial markets are both shallow and poorly developed, being dominated by commercial banks. The non-bank financial institutions which are alternatives to commercial banks are also small relative to the latter. Even then, 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 GDP, have not shown steady growth since the 1990s. According to the BM Annual Report, 2005/06, all measures of financial depth suggested slow financial deepening of the economy in 2005/06 relative to 2004/05. The BM Governor informed the CRM that, among measures taken to deepen financial deepening in Mozambique, are incentives offered to banks which allow 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. This was confirmed in the interactive sessions that the CRM held with stakeholders, especially the private sector and non-state actors. The challenge, therefore, is how to bring the interest rates down to the levels that will not be a deterrent to productive private investment. Credit should not only be available but it should also be affordable.

Impact of the global financial crisis

577. Mozambique's outlook for 2009 and the medium term remain positive. However, there are considerable risks arising from the volatility and 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 Governor allayed fears that this would significantly affect Mozambique negatively. He informed the CRM that the banks in Mozambique were well capitalised at 14 percent of core assets and NPL was low at 2.0 percent of outstanding credit.
579. Despite this assurance, the CRM takes the view that the measures taken to insulate Mozambique seem inadequate to deal with the full impact of the fall-out from the current global financial crisis which has now 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 sharply fallen in recent months.
580. Significantly, there is currently little clarity on how deep and how long the current global crisis will last. For this reason, it is difficult to say exactly what the adequate policy responses required to deal with the crisis should be. But there are a number of policy considerations that the Government and the BM may want to begin exploring.
581. Large variations in international prices and the recent substantial price declines for commodities, including oil, gas and aluminium, are likely to have a substantial impact on Mozambique's external trade balance, and a deeper slowdown in global demand would also affect export volumes. Moreover, the global financial crisis may adversely affect private capital inflows and the turbulence could spread 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. But with the expected reduction in external sources of finance to the economy due to the current global economic crisis in 2009, the CRM further cautions that more effort should be directed to harnessing domestic drivers of growth. Promoting domestic resource mobilization through encouraging enhanced domestic savings is one way in which financial resources to support growth and investment can be raised.
583. On the basis of the current global outlook and notwithstanding the above risks, an IMF (2009) projection indicates that economic prospects for 2009 remain strong. However, the outlook for real GDP growth has been reduced from 7.0 to 6.7 percent to accommodate the impact of the exogenous shocks (increases in oil

and food prices). The analysis made on the impact of the international financial crisis points to a growth of 6.2 percent of GDP. Lower commodity prices will help headline inflation decline to around 7 percent by the end of 2009. Lower import prices will also help 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.

Recommendations

584. The APR Panel recommends that Mozambique:

- Strengthen the capacity for analytical work that underlies monetary policy decisions and management [*Ministry of Finance; Ministry of National Planning and Development; Bank of Mozambique*];
- Introduce further measures to broaden and deepen the financial markets and reduce interest rates [*Bank of Mozambique*];
- Initiate the process of establishing a Development Bank to ensure access to credit for local entrepreneurs [*Ministry of National Planning and Development; Ministry of Finance*]; and,
- Introduce further measures to cushion the economy from the adverse impact of the current global economic crisis [*Ministry of National Planning and Development; Ministry of Finance; Bank of Mozambique*].

Fiscal Policy

585. Resource mobilization is one area of macroeconomic management where the government has faced significant challenges in Mozambique. With donors funding over 50 percent of the national budget, there is a pressing need to enhance the country's capacity to mobilise domestic resources 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 the tax collection.

586. The CRM noted that the country has a relatively narrow tax base which poses a challenge in the government's efforts to meet its objectives in domestic resource mobilisation. Although changes are currently underway, the strategy has been to *deepen 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 to encourage compliance through a review of the tax structure and its rates in order to increase domestic revenues and reduce dependency of the national budget on donor aid.

587. But there was a perceived lack of a level playing field whereby some individuals/companies, specifically mega projects, are exempt from some taxes or get their taxes reduced, while others, especially local businesses, do not enjoy such privileges. `Significantly, the fiscal authorities need to confront the challenge of how to balance the need to raise revenue through higher tax rates and the needs of the private sector for low tax rates to improve competitiveness and exports.

588. There is also the challenge that has emanated from the structure of the Mozambican economy in which about 80 percent of the population operates in the informal sector. With this structure, it is difficult to obtain a good tax policy outturn. These features of the economy reduce the possibility of efficiency gains from such taxes as personal income tax and value added tax, and undermine the possibility of achieving high growth of domestic revenues. The other constraints to tax revenue generation include lack of reliable data and information, uneven distribution of income, limited latitude in tax handles, and corruption.

589. Some of the above constraining features of the economy make the case for rapid industrialisation of the country very compelling. They also suggest active promotional measures to absorb many 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 generated and the tax base broadened.

Private Sector-led Growth Strategy

590. Mozambique has identified the private sector as the 'engine of growth' in the country. In this respect, the Government has taken two basic approaches to the promotion of the private sector: 1) privatisation of state-owned enterprises (SOEs); and, 2) creation of an enabling environment for private sector development.

Privatisation

591. Mozambique has drawn ample praise in the way 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 state-owned enterprises. From the mid-1980s to the 1990s, more than 1400 privatisation transactions have taken place.
592. The fairly rapidly carried out programme 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 last few years especially in the natural resource sector.
593. Mozambique's privatisation process has, however, not been flawless. The performance of a number of privatised enterprises has not been encouraging. There are cases of 'privatisation disasters' as more than 250 companies were, by as early as mid-1998, sold in critical condition, paralysed by debts, and owing back-payments of wages. Reforms in the financial sector, for instance, were not as extensive. Due to the lack of sufficient financial depth (M2/GDP-ratio remaining below 25 percent), the banking system is incapable of extending adequate credit to the private sector. Consequently, business transactions are mostly cash-based, thus increasing the cost to local firms and decreasing the overall efficiency of the payments system (World Bank, 2003:12).
594. There are also serious concerns about labour market policies that impinge on the competitiveness in the country through unreasonable labour liabilities. Inhibiting their ingenuity, Mozambican entrepreneurs also face poor infrastructure, emaciated capital markets, high borrowing costs, and an inadequate supply of skills that retard their ability to compete with international competitors entering the country's new, liberal economy.
595. Competition usually leads to productive and allocative efficiency gains and to 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, since the country was given an overall ranking of fifth lowest out of 125 countries in the World Economic Forum's (2007:17) Global Competitiveness Report for 2006.

Enabling environment

596. The private sector in Mozambique is still small. It covers a broad range of areas with the operators being predominantly micro, small and medium enterprises (MSMEs). Most of what can be described as large enterprises is either multinational or subsidiaries of multinationals with a few indigenously-owned companies. The Government has in this regard come up with incentives intended to encourage the development of the private sector.
597. But, 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 the moment. The 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 licenses for economic activities, and in custom inspections process, etc.). Recent progress, 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 not binding on the government and are not 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 in interactions with government officials, the CRM was informed 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. First, the state holds a stake in a large group of private enterprises (many of which are not currently operating), which 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 Cabora-Bassa in the electricity sector)

Mega projects

601. As noted in the CSAR, the sectoral composition of the GDP shows that the contribution of the manufacturing sector to 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 GDP shows that it mostly comes from what is referred to as 'mega projects'. Mega projects are a small number of projects which dominate what some stakeholders see as an otherwise small and slow moving economy. Two very large projects especially dominate the economic data from the 1990s through to the early 2000s: the Mozal aluminium smelter and the Sasol gas pipeline.
603. There are also big project investments in agriculture (60 percent of land under sugar is in large-scale farms), which makes up around 20 percent of GDP. While some sectors, such as cotton and sugar, are expanding, others, notably, cashews, are not, as prices collapsed in 2000.
604. It is quite difficult to obtain statistics on Mozambique's mega projects but there is no doubt that Mega-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 Mozambique authorities argue that this is because the mega projects operate in special economic zones that enjoy certain tax incentives.

Box 4.4: Mozal Aluminium Smelter

The Mozal aluminium plant 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 \$2.4 billion. Its production capacity is 512,000 tons of aluminium per year. It is owned by BHB-Billiton (66 per cent), the South African Industrial Development Corporation (20 per cent), Mitsubishi (12 per cent) and the government of Mozambique (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 (Mozal's exports have increased Mozambique's GDP by between 3.2

and 5 percent), and 42 per cent of the total export revenue of Mozambique. Contributing to Mozal's financial success is the Free Industrial Zone (FIZ) status granted to it by the government. The status grants Mozal exemption from paying duties on all imports for the company, including materials, equipment and parts. It also does not pay VAT, and corporate taxes are limited to 1 percent of sales. Its output represents almost half the country's growth in manufacturing. Despite its impressive performance, and the substantial incentives provided to it, the impact on the development of Mozambique's economy has not met expectations. Initial investment in the project amounted to approximately 40 percent of GDP, but only created around 1,500 jobs, of which nearly a third is held by foreigners. It is 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 Mozambique'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.

Sources: Castel-Branco, C.N. and Goldin, N. (2003), *Impacts of the Mozal Aluminium Smelter on the Mozambican Economy*.
 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*.
 Lockwood, M. (2006), *The State they are In: An Agenda for International Action on Poverty in Africa*.
 Bucuane, A. and Mulder, P. (2007), *Exploiting Natural Resources in Mozambique, Will it be a Blessing or a Curse?* Conference Paper No. 4.

605. In interactive discussions with government officials, the CRM was informed 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. The CRM confirmed this with the appropriate government departments.
606. The dominance of the capital-intensive mega-projects within Mozambique's 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 the World Bank. While the mega projects seem impressive, their net benefits to the rest of the economy have been questioned.
607. As Box 4.4 indicates, the linkage of mega projects to the rest of the economy is minimal, and there is almost no spill-over effect that would be evidenced, for example, by significant job creation in related industries or by the blossoming of a range of associated SMEs. Even tax revenues have not increased because the mega-projects, as noted above, are the beneficiaries of generous tax holidays. Their contribution to employment creation is minimal. As the World Bank (2003) itself notes, projects such as Mozal will not produce the 3.7 million jobs needed to lift 20 percent of the Mozambican population out of poverty. On present trends, US\$10billion of such investment would only create 20,000 jobs.
608. The issue of transparency is also paramount in the case of mega projects. To strengthen the management and transparency of mineral resources, in June 2007 the laws no. 11/2007 and no. 12/2007 for specific taxation in the mining and petroleum sectors were approved, respectively. Also in June 2007, the law no. 13/2007, which defines the incentives and benefits applicable on the mining and petroleum sector, was approved. The complementary regulations for both laws (11/2007 and 12/2007) were approved by decrees n°4 and 5/2008. In addition, the government has expressed its intention to accede to the Extractive Industries Transparency International Initiative (EITI).⁵⁰
609. These measures only apply to new investments. The authorities appear fearful of the existing mega projects and, as a result, have bent over backwards not 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 these

⁵⁰ According to the Letter of Intent between the GoM and the IMF (29 October, 2008), the Government will formally submit a request to start the process to become a member of EITI end-June, 2009. In order to sign onto the EITI, several processes need to be followed, i.e., (i) Head of State must announce interest, which he has done; (ii) The Government then must formally announce its intention; and (iii) for a two-year period there should be a Committee of Tripartite consultation (government, private sector and CSOs) in which disclosure is done. Currently, non-state actors are calling for the expansion of disclosure requirement to include forestry and fisheries industries.

projects. It only has a tiny fraction of the share ownership in the current schemes, and has taken on considerable debt to fund them.

610. The counter-argument to this, especially from government officials, is that, without the tax concessions, Mozal would not have been built, and Mozal was needed as a beacon to attract other investors. This view was strongly expressed by Ministry of Finance officials in meetings with the CRM.
611. But the CRM maintains that some mega-projects in Mozambique were 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 Mozambique's 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 can, collect more taxes from the mega projects. More should, therefore, be done to mobilise tax revenues from mega-projects in order to reduce dependence on foreign aid, which currently finances more than 50 per cent of the budget. The CRM was informed that, if Mozambique were to tax mega-projects at discounted rates instead of offering tax holidays, the government could reduce budget dependency on foreign aid to almost zero. Alternatively, it could continue the flow of aid but expand expenditure on social or industrial development.
613. Commendably, the Government has, as previously noted, taken criticisms of the mega-project strategy seriously and now seems to be setting tougher conditions for new foreign investment projects. This is particularly important to do in 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 both as a consequence of the failure of the Government to meet their conditionalities and the global financial crisis. Additional tax revenue is, thus, crucial to compensate for the forecast decline in aid.
615. Another source of concern is the apparent failure by Mozambique to come up with a strategic approach to the role of mega projects in the economy. While the Government has developed an Industrial and Policy Strategy, the document is silent on how the mega projects 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 are increasingly narrower. Outside the dynamics of mega 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 the levels of 1971 (Castel-Blanco, 2004).⁵¹
616. Outside the mega projects, manufacturing growth more generally is somewhat lower, at around 5 percent per year in the early 2000s. These trends have led to what some analysts call 'two economies in Mozambique' (Box 4.5). This 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 manufacturing.

Box 4.5: Emerging Curse of 'Two Economies' in Mozambique

The dominance of the mega projects has led to the view that there are two 'economies' in Mozambique. First is a formal modern economy that is based on mega projects, controlled by South African capital, and based mainly in the minerals and energy complex (MEC). Almost 75 percent of Investment is in the form of FDI and is heavily concentrated in large MEC projects. Nearly half of all FDI is from South Africa. Between 1990 and 2003, South African corporations were the driving force in 18 percent of investment projects, which absorbed 85 percent of FDI, 75 percent of private investment, and around 45 percent 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 know-how, training in financial

⁵¹ Castel-Branco, C.N. (2004), Business and Productive Capacity Development in Economic Growth and Industrialisation.

management, marketing, business organization, cost assessment, etc. Further, most small firms do not have access to formal financial institutions.

Sources: Lockwood, M. (2006), *The State they are In: An Agenda for International Action on Poverty in Africa*.

617. A final impact of the 'two economies path' is regional inequality. With the exception of tourism, all the large-scale industrial projects in Mozambique are concentrated in or near Maputo. The capital city and its region are the major contributors to 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 developmental states, especially in Asia, where there has been great focus on technology transfers from FDI, domestic linkages, and joint ventures. Above all, many developmental 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 the benefits from mega project 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 growth. While stakeholders acknowledged that the Government has designed strategies, policies, measures and incentives to nurture the private sector, there does not appear to be strong political will to develop the SMEs as the core sector in Mozambique's industrialization 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 in 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 and 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 percent of the Mozambican GNP. In the second largest city in Mozambique, Beira, at least 60 percent 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 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 that SMEs faced in Mozambique: high production costs attributable to high transport and power costs and interest rates; land constraints to industrialists due to its politicization; constrained access to credit; infrastructural deficiencies; liberalisation of foreign trade; and, endemic corruption.

Sources: Kaufmann, F. (2000), *The Dilemma of Small Business in Mozambique: The Reason to be is the Reason to Prosper*.
Field notes, Mozambique, 7 February – 2 March, 2009.

620. The CRM noted the 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 government and ministries in Mozambique. This incoherence is further reflected in the disarticulation of industrialisation in Mozambique's national development plan.
621. Note was, however, taken by the CRM of the steps being 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 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:

- Accelerate the process of adhering to the Extractive Industries Transparency Initiative, which is aimed at ensuring that cost and revenue information provided by the mega projects is open to public scrutiny and verification [*Ministry of National Planning and Development; Ministry of Finance; Ministry of Mines; Centre for Investment Promotion; National Revenue Authority*];
- Review the regulatory and fiscal regime for the mega projects to encourage and facilitate investment, promote exploration activities, and remove unnecessary impediments and undue excessive regulatory burden [*Ministry of National Planning and Development; Ministry of Finance; Centre for Investment Promotion*]; and,
- Consolidate and streamline the existing economic and industrial strategies in order to sharpen their focus [*Ministry of Commerce and Industry*].

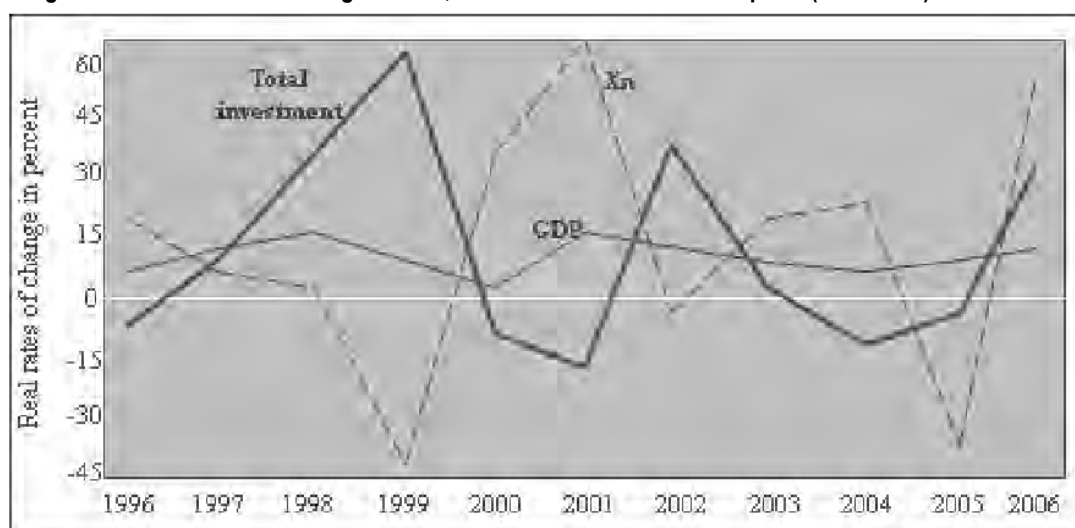
Investment Promotion

623. Investment, especially FDI, is perceived to generate development. The GoM has in this regard pursued the 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 to encourage private investment. Part of the institutional framework includes the establishment of the CPI whose mandate is to promote and attract investment (domestic and foreign), engage in policy advocacy and facilitate investment.

625. Given these incentives and promotional measures, Mozambique has managed to attract reasonable private investment. According to Niekerk (2008), over the period of 1996 to 2006, total investment in Mozambique grew at an average rate of 11.6 percent (Figure 4.2). This is 3.1 percent higher than the country's average real GDP growth rate⁵² for this period and 1 percent 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 percent of GDP), while gross capital formation experienced intense volatile phases.

Figure 4.4: Real Rates of Change in GDP, Total Investment and Net Exports (1996-2006)



⁵² Between 1989 and 2006, real GDP growth averaged 7.5 percent, almost twice the comparable figure in SSA.

626. The sharp increases in 2006 were mainly due to strong growth in public investment (51 percent) which over the years has been the hallmark of Government in its efforts at investing in programmes and projects with potentials to contribute to poverty reduction (World Bank, 2007:242).
627. Some stakeholders have expressed concern about the application of the 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'.
628. The foregoing suggests that it is important for Mozambique to ensure that there is a level playing field between local and foreign investors.

Recommendations

629. The APR Panel recommends that Mozambique:
- Formulate explicit and comprehensive strategies for strengthening SMEs, especially by facilitating access to credit and providing infrastructure and training for these enterprises [*Ministry of Commerce and Industry; Centre for Investment Promotion*];
 - Increase the effectiveness and efficiency of the state in providing services to the private sector rather than mere fiscal incentives [*Ministry of Finance; Ministry of National Economy and Planning*]; and,
 - Improve and strengthen the One-Stop Shops by reducing requirements and bureaucratic delays [*Ministry of Finance; Ministry of Economy and Planning*].

External position

630. One of the government's overall macroeconomic targets in Mozambique is the accumulation of gross international reserves – 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 – for the purpose of guaranteeing stable import levels or better still, smoothen consumption of goods and services in the short to medium terms.
631. In meetings with government and BM officials, the CRM was informed that Mozambique's total exports, given a boost by enhanced export 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 percent between 1996 -2004. The country achieved a record growth rate of 53.67 percent in exports in 2003—but fluctuated widely between 2004 and 2007. The growth rate in 2006 was 36.43 percent. Since 2001, Mozal aluminium products have been driving export behaviour in Mozambique, accounting for more than 55 percent in 2001, 44 percent in 2002 and 54.1 percent in 2003 and a similar trend has been sustained in 2006 and 2007 (Table 4.4).
632. However, significant growth in import levels that were not matched by proportional expansion of exports meant that deficits in merchandise trade balance were recorded for most of the period between 1996 and 2007.

Table 4.4: Exports, Imports and Trade Balance in Mozambique

	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	1043.9	1503.9	1745.3	2381.1	1843.6
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	1090	1046.1	957.1	1215.7	1648.1	1849.7	2242.3	2648.8	2040.5
Growth rate of ..	..	-2.88	7.53	48.20	-4.03	-8.51	27.02	35.57	12.23	21.23	18.13	-22.97

Imports (%)												
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\$ Mill.	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 % of GDP	2.28	1.71	5.01	8.58	3.27	6.27	8.27	7.22	4.29	1.64	2.50	..

Sources: Bank of Mozambique, 2008; World Bank, WDI 2008 online, accessed in 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, evaluating 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 5 months of imports, the CRM expressed concern about the vulnerability of Mozambique in international markets in meetings with government and BM officials. The officials generally acknowledged the dangers of this vulnerability. Some of them informed the Review Mission that the country was embarking on economic diversification so as to lessen the country's vulnerability in international markets.

Economic Diversification

635. There is 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 GDP (27.6 per cent in 2007), and it continues to improve its performance, due largely to foreign investment in sugar and tobacco. Output in the sector grew by 2.6 per cent between 1987 and 1997 and 5.3 percent between 1997 and 2007. The agricultural sector recorded a growth rate of 10.9 percent in 2006 and 6.6 percent in 2007. However, 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 (230 per cent in 2004, 40 per cent in 2005). Highlights in this sector include the Sasol gas pipeline that runs from Inhambane province to South Africa, and investments in titanium mining, including a \$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 infrastructure, and the country's mineral wealth was all but ignored. But the potential for growth in mining is huge. Since the end of the war, numerous foreign companies have expressed interest in prospecting for minerals in Mozambique. However, the CRM cautions that Mozambique should take great care to avoid the 'natural resource curse' – the negative effects of mineral wealth on a country's economy. As previously noted, it has been observed that the resource curse can inflate the local currency, making other enterprises less competitive in the international market; fluctuations in the price of oil, gas and minerals create a volatile exchange rate that often discourages foreign direct investment; mineral revenue windfalls also have a tendency to encourage poor government policy and increase foreign debt.

Tourism

638. The CRM observes that there is currently no comprehensive strategy to develop the tourism sector. While there are strategies for related sectors though, the Mission was informed that legislation is in progress that focuses explicitly on the tourist industry. The industry has a 'matrix' with the Government that touches on issues of transport, energy, communications and others. The ministry of tourism is the focal point for the sector, although there are other ministries involved. In the 5-year Government plan, there is a chapter on the promotion of the tourism industry. On an annual basis a report is compiled on compliance issues regarding implementation issues outlined in the plan and the 'matrix'.
639. However, this form of diversification is 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, in effect, could cause the country's export growth to become precariously volatile. To guard against such potentially catastrophic volatility, greater attention should be paid to industrialization than has been the case in the past.

The Need for Industrialisation

640. The role of industrialization in enhancing the capacities of countries to participate meaningfully and profitably in modern globalisation is generally acknowledged (Box 4.6). Industrial development enables countries to raise growth rates and 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

Scarcely any country has grown without industrialising. 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 manufactures. Manufacturing exports are likely to offer more scope for long-term productivity growth than either agriculture or natural resources.

Source: UNIDO, Industrial Development Report 2009: Breaking In and Moving Up: New Industrial Challenges for the Bottom Billion and the Middle-Income Countries.

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 Mozambique, there are a number of challenges that have tended to bother 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 ground for all investors. Herein lies the problem.
642. The 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. At 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 of markets, small scale industrialists and producers/farmers have been subjected to unfair competition and therefore, they urged the government to revise the policy. Full trade liberalisation will be more beneficial if the enabling environment is more conducive.
643. A fundamental question is whether Mozambique has, by embracing the mega projects, closed off opportunities for sustainable, broad-based growth, SME development, and job creation. The long tax holidays extended to mega projects pose a serious danger that Mozambique could miss the growth boat.
644. The CRM takes the view that Mozambique needs a new growth and development model that (1) links macro-economic and productive capacity development; (ii) fosters resource mobilisation and investment for

productive capacity development and trade; (it) is consistent with sustainable poverty eradication, not only by reducing the number of people with income below the poverty line, but that eliminate the structural causes of poverty; and (iii) 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 industrialization. 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 needs, but it cannot supply the equipment and other inputs that Mozambique needs in order to be more productive; that can only be supplied by the private sector.

Recommendations

646. The APR Panel recommends that Mozambique:
- Create an incentive structure directed at linking the industrialisation process with the country's resource base in order to create strong forward and backward linkages [*Ministry of Commerce and Industry*]; and,
 - Implement the recommendations of the African Union Heads of State Summit of February 2007 for governments to make a budgetary allocation of at least 1.0 percent of total GDP to the industrial sector [*Ministry of Commerce and Industry; Ministry of finance*].

Objective 2: 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 Inter-Ministerial Commission for Public Sector Reform established by Presidential Decree on March 20 2000, supported by the Technical Unit for Public Sector Reform created by the Council of Ministers on April 4, 2000. The efforts of these two organs are guided by the Global Strategy for Public Reform 2001-2011, whose objective is to create a public sector that is transparent, efficient, effective and decentralised; democratic; staffed with qualified and professional staff; and free from corruption. Accordingly, the reform process is intended to rationalise and decentralise the institutions and process of providing services; manage public policies more effectively and efficiently through greater use of information technology; professionalise the public service; improve financial management and accountability; and promote good governance and fight against corruption.
648. With a view to rationalising and decentralising service delivery, One-Stop Shops have been created for citizens and a business people, resulting in a sharp reduction in the time it takes to establish a business and obtain a business licensing. The rules on border trade have also been simplified and made less cumbersome.
649. The CSAR notes that planning is currently underway to improve the process of formulating and monitoring public policies by mapping the public sector through functional analysis, identifying areas of overlap, and identification of 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 data base on 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 the Financial State Reform (UTRAFE) has been created, together with the State Financial Administration System (SISTAFE) to promote coordination and monitoring of financial management. Additional measures taken include the launching of the Treasury Single Account Unit (CUT) backed-up by the (e-CUT).
652. Finally, in the area of good governance and anti-corruption, the CSAR lists a number of initiatives that have been taken, such as the 2004 national survey on good governance and corruption; approval of the anti-corruption act by Parliament in 2004; approval by the government of the anti-corruption strategy in April 2006; formulation of the draft on norms and ethics for civil servants in leadership positions; and various measures to strengthen 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 strengthening the Public Reform Programme by making it an integral part of the government's five-year plan; identifying four priorities for public sector reform in phase 11; focusing on results and impact; inclusion of issues of gender and HIV/AIDS in the reform process; improving coordination of the reform process; and decentralising implementation of the reform process.

Public Finance Management

654. A number of laws and decrees that have been adopted to improve public finance management are listed in the CSAR. These include establishment of a modern and all-inclusive public finance management system, new procedures on procurement, and a simplification of bureaucratic procedures. Significant measures introduced are new tools such as the Electronic System for State Financial Administration (e-SISTAFE) and the Electronic Treasury Single Account (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 internal audit to supervise the use of public resources and the accuracy of accounting date; guarantee standardization in the application of rules and accounting methods, and verify respect for legal norms and procedures. This task is undertaken by the Internal Monitoring Office.
656. The CSAR states that steps have also been taken to ensure transparency and accountability of public resource management by undertaking external audits. Thus, in March 2006 and August 2007, the Overseas Development Institute from the U.K. 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 Evaluation of Observance of Norms and Codes (ROSC) based on the IMF norms and codes on tax transparency, the Performance Assessment Framework (QAD) based on the agreement between the Government of Mozambique 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 Public Finance Management (PFM) that examines transparency in tax payments and effectiveness in tax collection. According to the CSAR, the assessment for 2006/2007 is expected to show improvements in all measures as compared with the findings of the 2004/2005 assessment. A major aspect of public finance reform has been 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 the tax system bases act; the establishment of individual and companies income taxes; regulation of the tax on vehicles; rationalisation of tax benefits; introduction of a single tax

identification number; and, adoption of the Tax General Act. These reforms in turn led to a number of new laws designed to ensure conformity of legislation on taxes with the reforms in these areas. The goal of these reforms and legislation have been to adjust the tax system to a competitive market economy; encourage domestic and foreign investments; replace the many indirect taxes by the Value Added Tax; and harmonize the tax system with the provisions of SADC and bring them into conformity with international best practices.

658. A very important initiative in the area of tax reform was the establishment of the National Tax Authority 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; adoption of more adequate tax regimes; rationalization of tax benefits; a progressive increase in revenue collection; control of invoicing; combat tax evasion and fraud; improvement in the quality of services rendered to the public; and reduction of the time required to pay taxes and collect merchandise.
659. In addition, a Public Finance and Tax Training Institute has been established to professionalise the service and the scope of training expanded to cover specific areas that will enhance capacity building in the Ministry of Finance. With a view to separating the administration of the tax system from the adjudication of tax issues, the 2004 Constitution of Mozambique provided for the establishment of a Tax Court of first instance. Fourteen magistrates have already been recruited to serve on these courts, some of which will start functioning in Maputo Province, Maputo City; Beira, Nampula and Tete. Still 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 Tax Authority and other state agencies. Finally, reception branches of the Tax Authority have been created and mobile tax collection embarked upon to facilitate the payment of taxes by people in remote areas.
660. Another very important initiative is the creation of an office tasked with diffusing information on the tax system and its administration, and educating the public in this area. In this regard, the office releases an information bulletin; publishes a magazine and a tax education handbook; organizes chats to publicize tax and customs legislation; and conducts tax education. However, according to the CSAR, challenges in the form of 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 government economic policies. A lot of effort has been expended in reforming the public sector and strengthening public finance management; ensuring predictability in government policies by improving policy planning and budget process, disseminating information on economic issues and 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 among donors and private investors. The challenge facing Mozambique is not only to continue with these reforms, but also to ensure that these reforms are deepened, legislation and decrees fully and energetically enforced, and institutions 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, the key measures taken under this heading are measures to improve the training of public officials through the establishment of the Institute of Public Administration, greater use of information technology, the reduction of bureaucratic procedures especially by creating One-Stop Shops for granting approvals for the start of new businesses and simplifying procedures for cross border trade.

663. The work of the Inter-Ministerial Commission for Public Sector Reform and the Technical Unit for Public Sector Reform has been quite impressive. The activities of these two institutions must be reinforced, especially with respect to linking public sector reform with the assessment of the capacity needs of the medium and long-term plans of the country. 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 is being phased in throughout 2009. A draft report has been prepared by the National Social Security Institute that 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 public sector reform process is how to plan for the training needs of the country at the national, provincial and district levels. This should also be 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 in the country. There is no evidence that such an effort has been embarked upon. Moreover, even with respect to training of public officials, the CRM was informed in several provinces that the activities of the Institute of Public Administration, even when local offices exist, are not well known and do not cater to the training needs of the province or district. More effort is, therefore, required to make the work of the Institute of Public Administration more well-known and relevant to the training needs of local areas.
666. By all accounts, the creation of One-Stop Shops and the simplification of the formalities for border trade have been successful. But, as previously noted, there are reports of some delays in starting new businesses, due mainly to the documentation required. The CRM was informed that because of these remaining problems, some entrepreneurs preferred to remain in the informal sector rather than move into the formal sector. Similarly, it was reported that some traders avoided 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 in the introduction of the second phase of e-SISTAFE that 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 planned in this area are extending the system to all decentralised units in the districts and provinces and including all externally financed expenditures in e-SISTAFE. Steps are being taken to encourage all donors to transfer project aid through the multi-currency single treasury account (CUT) established by decree in April 2008. In addition, the list of e-SISTAFE operators is being updated.
668. The CRM notes that a central challenge facing Mozambique in the area of public finance management 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 in this regard are the institution of the e-SISTAFE and the e-Cut, and arrangements for internal audit by the Internal Monitoring Office and the Administrative Tribunal, and the conduct of external audit 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 audit 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 salaries of officials 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 telecommunications facilities. However, there are 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, retaining their portion, and transferring the rest to the central government. This 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 audit is somewhat unclear. The effectiveness of this process has not been clearly established, and there is also uncertainty with respect to how well the Administrative Tribunal does its work of controlling and auditing public expenditures and 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 the lack of capacity, the domination of Parliament by one party, and the emphasis on party discipline. 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 notes that tax reform is another area in which progress has been made, thanks to the numerous measures taken to reform the tax system and the establishment of the National Tax Authority, the Public Finance and Tax Training Institute, and the Tax Court. 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 GDP has been increasing, amounting to 12.9 percent in 2006; 14 percent in 2007; and 14.4 percent in 2008. However, the increase in 2008 was below the target of 0.5 percent increase in domestic revenue to GDP. This was due to various tax exemptions granted to mitigate the impact of the rise in food and oil prices that had triggered social unrest. These increases in tax revenue have resulted in a drop in the budget deficit from 9-10 percent of GDP to the present 5-7 percent of GDP. Revenue as a percentage of GDP is projected to increase to 15 percent in 2009 and 15.7 percent in 2010. Revenue collection is projected to increase to 18.6 percent of GDP in 2011, due to the planned phasing out of some tax exemptions and improvements in tax policy and administration.
672. One major challenge is how to simplify the number of taxes that are reported to number about 36 at present. In this regard, the Government has submitted to Parliament a bill that will simplify taxes for small tax payers by replacing several existing taxes with a direct tax on petty traders and small-scale agricultural and industrial activities. Some areas that require improvement in the tax system 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 for the payment of taxes.
673. Despite the efforts to professionalise the tax administration through training and 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 area may help, and the efforts to train more staff and magistrates for the Tax Court should be accelerated and expanded.
674. Despite the progress in tax reform, a number of challenges still remain. The tax base needs to be considerably expanded so as to increase the efficiency of revenue collection and reduce the dependence on external aid which still hovers around 52 percent. As noted in Chapter Six, this can only be accomplished by pursuing an economic strategy based on broad-based development. In this regard, rather than relying on a few mega projects as seems to be the case at present, more effort needs to be expended on the development of medium, small and micro enterprises. The government may wish to formulate explicit and comprehensive strategies for strengthening these types of enterprises, especially by facilitating access to credit and providing infrastructure and training for these enterprises.
675. A related initiative that may be considered is the tax incentive granted to mega enterprises. As previously noted, the Country Review Mission was informed that tax holidays granted to the mega enterprises ranged 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 foreign direct investments 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 the 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. All these measures will facilitate resource mobilisation. These should increase revenue from mining, petroleum, and gas.
677. In contrast to the tax incentives granted to mega-projects, SMEs are taxed at 5 percent of their gross sales, equivalent to 20 percent of their profits. This is considered too high by many 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, making compliance with the tax legislation 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 and timing for the payment of taxes.
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 NRA is also taking steps to enhance its efficiency and effectiveness. With assistance from donors, it formulated a strategy for 2009-2010 that was approved in October 2008. Key elements of this strategy are 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. Additional steps being taken by the NRA are the elaboration of a strategy for managing and controlling revenues from mega-projects; introduction of an IT Master Plan; integrating revenue collection into e-SISTAFE; strengthening the audit of mega-projects; and enabling revenue payments to be made through banks. There have also been efforts to professionalise the tax administration through training and making it more transparent.
680. Despite all 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 percent of public finances in 2008 coming from donors. The Government also needs to do more to tackle the public perception that the tax system is not fully transparent and equitable.

III. Recommendations

681. The APR Panel recommends that Mozambique:
- Reinforce the capacities of the Inter-Ministerial 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 [Council of Ministers; *Ministry of National Planning and Economic Development*];
 - Decentralise more authority for resource mobilization to the provincial and district levels as part of the process of decentralization and giving local communities ownership of their economic development [*Ministry of Local Government; Ministry of Finance*];
 - Broaden the tax base, increase efficiency in tax collection, and introduce greater transparency and equity in the tax system [*Ministry of Finance; ATM*]; and,
 - In conducting internal audits, examine not only financial issues but questions of delays in implementation, cost over-runs, and the impact of projects [*Ministry of Finance; Ministry of National Planning and Economic Development; 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 Programme for the reduction of Absolute Poverty (PARPA) and the Five-Year Government Programme (PQG). These plans are complemented by the Mid-Term Fiscal Scenario (CFMP) that establishes budget limits for the elaboration of sectoral plans. Strategic direction is provided at the provincial and local levels by the Social and Economic Plans (PES). The next step in the planning and budget process is the preparation of annual sectoral plans and the allocation of resources among 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, CFMP, and the sectoral strategic plans. These in turn serve as guides in the elaboration of the PES, the State Budget (OE), and the annual sectoral plans.
684. As previously noted, the Bank of Mozambique plays a central role in the supervision of monetary policies through the Committee on Monetary Policy (CPMO) and the Committee for the Coordination of Money Markets (CCMI) that is responsible for coordinating the interventions of the Bank in money markets.

Participation and Consultations in Economic Decision Making

685. According to the CSAR, in formulating economic policies, the government engages in broad consultation with stakeholders and the public at large. One such mechanism for consultation and participation is the regular meetings between representatives of the private sector, through the Confederation of Economic Associations of Mozambique (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 the same occurs during visits by Provincial Governors and District Administrators. Other arrangements for consultations with Civil Society Organizations and the public are the Joint Assessment Programme, the Poverty Observatory, Parliamentary consultations, and the Participating Institutions and Community Consultations (IPCC).
686. For its part, the Bank of Mozambique organises periodic meetings with financial institutions. At these meetings, 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 exchanged on changes in norms in the financial market.
687. Despite these efforts to promote broad participation in and influence government economic decision making, the CSAR notes that 87 percent 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 are not influencing government policies and programmes in a direct manner. Unfortunately, information is not available on the participation of community Consultative Councils in decision making on local development programmes. Other interesting findings are that with respect to the most frequent mode of participation in debates on government programmes, 79 percent identified public debate, 29 percent specialised forum, and 25 percent other avenues.

Dissemination of Information and Awareness of National Economic Policies

688. In addition to the institutions and processes to facilitate consultations with and participation of stakeholders and the public in economic policy making, the Government of Mozambique has undertaken a number of measures to disseminate information and enhance public awareness of economic policies. These include the development and maintenance of government and sectoral websites to disseminate information on government activities and the publication of legislation and other legal measures by the National Press and the Office of Public Information.

689. The Bank of Mozambique 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 Bank also publishes a number of documents, such as the Fortnightly Release; the Monthly Committee Release; the Monthly Economic Bulletin; the quarterly Prices and Financial Economics; the Statistics Bulletin; the Balance of Payments; the Annual Report; and staff papers and working documents.
690. The CSAR, however, notes several remaining challenges in the area of the dissemination of information and the strengthening of public awareness. These include the following:
- Inadequate dissemination of information on licensing rules, regulations and procedures;
 - Failure of information on 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, Budget and the Formulation and Supervision of Economic Policies

691. The CRM notes that the Government is making serious effort to integrate long-term plans (PARPA and PQS) with medium-term (CFMP) and annual sectoral plans, and between 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 are being addressed by measures to strengthen the statistical office and the efforts over the last five years to expand higher education and improve the quality of training. These must be continued and accelerated.
693. A key challenge is to enhance the impact 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 was on an incremental basis. Staff salaries are still 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 facilitates the prioritization of goals and outcomes, 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 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 between the President and Government Ministers and the private sector represented by the CTA, and between officials and 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 in place function effectively and in keeping with the spirit behind their establishment. The CRM was informed on several occasions that these consultations are more *pro forma*, 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 to the effect that 87 percent 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 how to ensure that CSOs, private sector organisations, community organizations, 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 the leaders of these organisations end up speaking for and representing themselves rather than their constituency.
697. The solution to these deficiencies is to strengthen democracy and broad participation and accountability within these organizations and promote attitudinal changes among the leaders. The leaders of these organizations 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, 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 publicize relevant economic information in its website and publications, and through the media, official meetings and gatherings.
699. It was, however, evident to the CRM that information on economic policies is not 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, low level of literacy, and the fact that the media, even radio, is not readily accessible to many people in the villages. Nonetheless, these challenges should be addressed as a matter of urgency. The measure to ensure that students are competent in at least two languages is an important step in addressing the challenge of channels of communication with the public, especially the rural population. The recommendations made above to strengthen CSOs and private sector and community organisations so that that will become effective instruments of communication between the public and the government will also help in this regard.
700. Meanwhile, the government should reinforce its efforts in this area. Effective communication with the public holds enormous gains for the government, such as providing the government with the information it must have to be responsive to public needs and demands and gain the legitimacy of the public.

III. Recommendations

701. The APR Panel recommends that Mozambique:
- Continue to reinforce the system for popular consultation and participation in economic decision making [*Ministry of National Economy and Planning; Ministry of Finance; sectoral ministries*];
 - Strengthen the capacity for analytical work that underlies economic planning and decisions [*Ministry of Finance; Ministry of National Economy and Planning; Central Bank of Mozambique*]; and,
 -
 - Ensure that Members of Parliament and constituency representatives are able to liaise with their constituencies and are informed of government policies and activities [*Office of the Republican 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 mechanism for this coordination are the Ministry of Finance and the Ministry of Planning, the committee of ministers that review all plans to be submitted to the Council of Ministers, and the Council of Ministers that gives final approval. Policy coordination and harmonisation also exists within the framework of the regular meetings between the Government and the Group of 19 donors. The CSAR refers to a number of remaining challenges in this area but these are not addressed with any degree of clarity or detail.

Punctuality in Resource Transfers

703. The introduction in 2002 of the State Financial Management System (SISTAFE) 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 for districts that lack access to communication systems.
704. Improvements have also been made in the distribution of the 7+ million Meticaïs 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, this distribution was based on the number of inhabitants in the district. Still, questions remain as to the ability of the local Consultative Councils 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 budget and public finance management arrangements have minimised the abandonment of government projects, presumably because of lack of resources or delays in resource transfers. A survey conducted for the review exercise indicated that 91 percent of the respondents knew of no case in which government projects had been abandoned. An important question that is, however, not addressed, is delays in project completion and cost over-runs.

Absorptive Capacity

706. The absorptive capacity of the various levels of government is measured by the level of execution of the current and investment budget for 2007. These show that for the current expenditures, the percentages of utilisation of allocations was as follows: central government=67.3 percent; provincial governments=78.6 percent; and district authorities=63.2 percent. For the capital budget, the comparative figures were 31.9 percent; 24.1 percent; and 63.6 percent respectively. The low level of budget execution, especially for the investment budget, is striking. It is especially noteworthy that the utilisation of the external component of the investment budget was 23.8 percent for the central government; 16.7 percent for the provincial governments; and 2.6 percent for the district authorities, for a grand total of 22.25 percent.

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 budget 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. Resource transfers 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 has to do with the 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 to allocating these 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 increase the transparency and equity with which these funds are distributed to individuals. In this regard, energetic measures are required to increase the level of repayment of these funds, which stands at 1.8 percent because many recipients are not aware that repayment is required and due to the impact of political considerations in the distribution of these funds. In addition, the amount made available should be increased. And very importantly, 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 conclusion of the CSAR that the cancellation of projects and programmes is exceedingly rare and does not constitute a problem in Mozambique. However, there is no data to show delays in project implementation and the resulting 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, the implementation of the Integrated Resource Based Management System is one way of doing so.

Absorptive Capacity

711. Progress in enhancing capacity at the national level for planning and project implementation has been enormous. The CRM, however, is of the view that capacity in this area at the provincial and district levels needs to be considerably reinforced. 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 Institute of Public Administration in all provinces.

III. Recommendations

712. The APR Panel recommends that Mozambique:
- 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 [*Ministry of Finance; Ministry of Local Government*]; and,
 - Build the capacity of consultative Councils in project planning, especially in the identification and preparation of projects [*Ministry of National Economy and Planning; Ministry of Local Government; Ministry of Education; district and provincial authorities*].

Objective Three: 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 public finance management. Among these are the Budget Execution Report (BER) and the General State Account (GSA). These measures have enabled politicians analyse how the Government generates public finances, 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 Programme Support Partners (PSP). On accountability issues, the Government has clear lines of reporting to Parliament, including through quarterly and annual reports on the execution of budgets.

Elimination of Extra-budgetary (off-budgets) Resources

714. The GoM has attempted, through its reforms to get rid of expenditures that fall outside the national budget, to help the government better plan and account for all the available resources available. This includes the supply side of the budget (i.e. external aid funds that are now included in the state budget). The CSAR gives an 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 are strongly aligned with the Government's Five-Year Programme. This measure, together with the resort 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 percent to 102.9 percent of the forecast. On the other hand, expenditures increased from 86.21 percent to 92.35 percent of the allocations. However, the CSAR notes 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, public finance management is going in the right direction in Mozambique. In an interactive session, officials from the Ministry of Finance revealed that the aim of domestic revenue collection is to reach 24-25 percent of GDP as is the norm in other countries. As noted elsewhere, the total revenue from external sources is 52 percent which is contributed by the 19 development partners (the G-19) that the country has signed a joint cooperation agreement with.
717. In trying to increase the level of revenues, the CRM was informed that Government would review the tax exemptions currently enjoyed by the mega-projects (such as the Mozal project) once the period of exemption expires. A meeting with NGOs revealed that of the 100 top companies in the country, the top 6 are mega-projects, and the top 10 companies in the list are exempt from taxation. The Ministry of Finance representatives explained that at the time, the Government did not have much choice in granting these generous incentives, since the country was still engaged on 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. To enhance its domestic resource mobilisation efforts, the Government stated its intentions to promote private sector development, especially Small and Medium Enterprises (SMEs). The strategy of SME development seeks to ensure broad-based economic development by empowering local people. The CRM was told that mega-projects have limited reach to local populace, hence more Government effort to encourage SMEs. In this strategy, the industrialisation process entailing activities of SMEs will be tax except.

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 lack of finance. Moreover, women entrepreneurs' access to loans is further frustrated by the fact that there is no private ownership of land, which could be used as collateral. Since normal commercial banks are reluctant to extend loans to small enterprises, this credit gap is largely filled by micro-lenders who charge high and often usurious interest rates. There are increasing calls for Government to initiate the establishment of Development Bank that will cater to the needs of (domestic) private sector.
720. The CRM observed a glut of policy intentions and little indications of actually implementing measures to promote the private sector in Mozambique. Indeed, at several meetings, participants expressed the view that the Government's focus is to attract foreign direct investment, particularly the mega-projects, rather than encouraging domestic investments.
721. Moreover, on the issue of the Constitutional provision on the ownership of land, the legal fraternity that the CRM met with noted that changing the Constitution is a political decision, which can take a long time to implement even after receiving parliamentary approval. At present, only the improvements on the land can be used as a loan guarantee, not the land itself.
722. On the positive side, there is now a Commercial Code which is being debated by Parliament presently. The code seeks to improve the business environment by, for example, reducing to 6 months rather than a year, the lead time before starting a business. Another positive development that the CRM team was informed about was that the commercial justice system is being reformed. The number of courts and prosecutors has increased. There is now a commercial justice section that deal with commercial contracts. The length of time required to hear a case has declined from one year to 6 months, although the appeal process can be very lengthy due to the shortage of judges.
723. Other policies and strategies to promote private sector include discussions by stakeholders with the Central Bank to ensure that it creates a conducive environment for private sector growth. This interaction has led to the lowering of interest rates from 24 percent to the current level of 13 percent.
724. With respect to the integration of extra budgetary into the regular State Budget, the CRM noticed that huge sums of funds continue to fall outside the budget despite the efforts of the Government. There is a vast improvement on *multi-year budgeting processes*. The adoption of the Medium Term Fiscal Framework has seen changes in budgetary allocation. Up to three years ago, funds allocation was done on an incremental basis, but such allocations are now based on project performance required. Starting in 2008, the process is now largely programme budget.

III. Recommendations

725. The APR Panel recommends that Mozambique:
- Guide the process of elaborating investment and SME plans and programmes in order to guarantee their consistence with the country's industrialisation objectives [*Ministry of Finance; Ministry of Planning and Development; Ministry of Commerce and Industry*];
 - Continue to strengthen and consolidate the expansion of the implementation of the State's Financial Administration System (SISTAFE) [ATM];
 - Harmonise and implement rules and proceedings of programming, execution and evaluation of public resources [*Ministry of Finance*];
 - 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 inform the public of the fiscal management of the Government are quarterly, semi-annually and the annual reports on the execution of the SB; the semi-annual and annual reports on the Balance of Economic and Social Plan (ESP); and the annual General State Account.
727. Individual ministries also report to the Council of Ministers and the Government submits an annual report on the General State Account to Parliament at the end of each economic exercise. Other reports include quarterly reports on the execution of the budget that are submitted to Parliament and Cooperating Partners. The Government also submits the General State Account (GSA) 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 Government revenues and expenditures to the statutory bodies. These reports do not however permeate to the rest of the society, especially to provincial and district authorities and to the public at large. This is part and parcel of the larger problem of informing the public about government policies, an issue that was addressed previously.

III. Recommendation:

729. The APR Panel recommends that Mozambique:
- Develop and implement sub-systems that provide timely and credible information on budgets and assets of the state bodies and institutions [*Ministry of Planning and Development; Ministry of Finance*]; and,
 - Take more effort to ensure that government financial reports are accessible to the general public, especially those in rural areas [*Ministry of Finance; Ministry of Local Government*].

Oversight over 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 within that institution. At the level of the Government as a whole, the General Financial Inspection Authority (GFIA) is responsible for oversight over the execution of the State Budget and audits the accounts of all State institutions. External oversight is the responsibility of the Administrative Court. It does this by either refusing or giving a "green light" to planned expenditures, verifying the legality and conformity to procedure of 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 September 30, which has to deliberate and approve on these plans by December 31. The CSAR notes that "Overall, Parliament does not usually make corrections or amendments to the proposal of the State Budget." The reason given for this is that about 60 percent of the State Budget comes from external sources, and this leaves only a small margin for Parliament to make alterations to the budget. The CSAR 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 Economic and Social Plan, 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 been done so far. In practice, the Government interacts extensively with the Parliament Committee on Finance, thus ensuring a meeting of the minds throughout the process. The Administrative Court is first to study budget proposals. It then submits its recommendations to Parliament, which can also make recommendations to the Executive. In this regard, Parliament has requested the Executive to further furnish it with the balance sheets of State-owned Enterprises 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 of budget is poor in practice. The 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 heavy aid dependency of the country.
734. As far as the administrative capacity of Parliament is concerned, the CRM noted that Parliament is poorly resourced, lacks working spaces, and there is a dearth of skilled human personnel to assist in research work. The 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 due to lack of resources. Some expressed concern that government does not respond to requests for information, leaving them uninformed.
735. The CRM was also told that MPs actually have little say in budget preparations. With over 50 percent of the total budget depended on external donors, they have no input in the budget formulation. Parliament has also little to do with formulation of the PRSPs (PARPA), which the MPs said is 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 the donors than to citizens and that the role of the international donor community in the planning and budgeting processes remain large in the country, notwithstanding international undertaking 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 percent of the country's budget, the Government is constrained in what it can put as its own priority projects.
737. However, once the donors have accepted government policy and associated budget, they undertake to guarantee the funds flows to ensure predictability. To this extent, the Government and the 19 development partners have signed a pact on accountability to each other on the use of resources and the implementation of the funded programmes. The CRM team was told that the Parliament is now involved in the negotiation of new debt, and it has to approve it.

III. Recommendations

738. The APR Panel recommends that Mozambique:
- Strengthen the capacity of Parliament to exercise oversight over public finance [*Ministry of Finance; Parliament*];
 - Ensure vigorous follow-up action on the reports of internal and external audit units and on the reports of the Administrative Court and Parliament on public finance management [*Office of the Republican President; Ministry of Finance; Ministry of Justice*].

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, 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 at the early stages, especially with respect to the authority and ability of local authorities to mobilise resources. More progress is required so as to wean the dependence of local authorities on the Central Government for resources to finance their development. The CRM noted that the Government is working on a decentralisation strategy that will propose a clear legal, regulatory and institutional framework for revenue mobilisation, assigning spending responsibilities, and delineating the functions of sub-national administrative units.

III. Recommendation

742. The APR Panel recommends that Mozambique accelerates the process of fiscal decentralisation so as to give local communities ownership of their economic development [*Ministry of Finance; Ministry of National Economic Planning; Ministry of Local Government; provincial and district authorities*].

Objective Three: Fighting Corruption and Money Laundering

I. Summary of the CSAR

743. The CSAR acknowledges that corruption is a cause for concern in Mozambique, which it considers as a 'social cancer'. Public opinion surveys as contained 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 anti-corruption conventions, such as the United Nations Convention against Corruption, the African Union Convention on Preventing and Combating Corruption and the SADC Protocol against Corruption.

746. The government has also adopted new anti-corruption measures such as the Anti-corruption Strategy 2006-2010; Law no. 6/2004 to combat crimes of corruption and illicit economic activities; Law no. 14/2007 creating the Office of Financial Information of Mozambique (GIFIM); and establishing national anti-corruption agency or strengthening previously existing bodies such as the Central Office to Fight against Corruption (GCCC) and the National Anti-Corruption Forum (FNAC). The government has also adopted some 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 the Decree no. 37/2004 of September 8 on the cleansing of capital.
747. The CSAR underscores the view that approaches adopted so far to fight against corruption have not been enough to mobilise all segments of society. As a consequence, 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 prosecutions of corruption cases) are the major challenges facing the country in this respect. Other challenges underlined by the CSAR are luke-warm attitudes towards corruption by the general public due to the persistence of the culture of impunity in corruption cases and 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 of corruption.

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. The Mission noted some success stories recorded recently on government efforts in the fight against corruption. These include the Public Sector Reform Programme Phase II (2006-2011) and the Anti-corruption Strategy 2006-2010. The creation of a 'one-stop-shop' for the issuing of licenses and other business-related documents, the current prosecution of one of the so called 'big fish' and the provision of scholarships to civil servants for training through the High Institute for Public Administration (ISAP) are encouraging signs towards reducing corruption in Mozambique. The training of civil servants throughout the country, for example, is believed to contribute to a change in the mindset of civil servants in their discharge of duties.
749. Despite this progress, the overwhelming sentiment continues to be that the government's anti-corruption 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 slow or not vigorously pursued.

Box 4.8: Challenges in the Fight against Corruption in Mozambique

Despite commendable efforts by the GoM to fight corruption, there are some critical ingredients for any anti-corruption strategy to be effective, most of which are not yet forthcoming. First, there must be an honest, committed and incorruptible political leadership at all levels of society. Secondly, there should be a 'zero tolerance to corruption' policy in the civil service and the public at large, 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 political will to effectively implement in an impartial manner the anti-corruption measures. Political will is absent when the public believes and there is evidence that the so called 'big fish' or the 'untouchables' continue to be protected from prosecution for corruption and only 'small fish' and the 'weak' are caught and prosecuted. Under these circumstances, any anti-corruption strategy or institution lacks credibility and is doomed to fail.

750. The mission did not obtain statistics on the number of cases on corruption received or prosecuted, and their distribution by social sectors and time frame. This was due in part to the fact that the criminal justice system of Mozambique has no central database to allow for immediate and reliable statistics on the crime situation, including crimes of corruption. However, it was alleged that the prosecution of corruption cases are only target the "small and middle fish" and do not investigate cases involving the "big fish." One problem seems to be the difficulty in obtaining evidence to prosecute the public official suspected of corruption offences even though the public perception is that they are corrupt.

751. The CRM observed that there are legitimate and widespread concerns among the Mozambican society that corruption is not being reduced, let alone reversed in the country during the last five years. These concerns are even more based on an examination of the findings of recent surveys and studies carried out on the state of corruption in Mozambique. During the period 2004-2007, for example, the Transparency International (TI) corruption perception index (CPI) for Mozambique was 2.8, deteriorating to 2.6 in 2008.⁵³ In addition, a survey conducted in 2006 by the World Bank on good governance practices reveals that since 2002, government's efforts to control corruption are 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 2005.⁵⁴ The same survey also shows that in Mozambique, public officials are more corrupt than employees in the private sector.
752. Discussions with private sector operatives, civil society and the media confirm that a mentality of corruption runs deep in Mozambique's national ethos. In all the regions visited by the CRM, there was general discontent with the persistence of corruption in the country as well as the inefficiency of government's efforts to effectively combat the scourge. Critics expressed doubt about government's ability or willingness to take on powerful forces within the government or within FRELIMO.
753. Another reason advanced for the poor performance of anti-corruption institutions is the lack of independence for the Central Office to Combat Corruption (GCCC) from the executive arm of government with respect to appointment and removal procedures, tenure, and mode 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 of the Republic appoints the PG and the latter appoints the Director of 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 dependant 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 in the country. During the discussions with different stakeholders, a continuing concern regarding corruption in Mozambique were 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, respectively) are not respected when it comes to crimes of corruption, because there are the so called "untouchables" who are regarded to be above the law, and only the poor and the weak are caught and prosecuted for corruption.
755. Corruption is a clear manifestation and one of the most damaging consequences of poor governance. In Mozambique, while some laws and regulations exist on paper that 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 mission was that there is a big gap between legislation and political will. Thus, while legislation exists and is useful, it is not strongly respected to guarantee efficiency, effectiveness, impartiality and independence in prosecuting corruption cases. Political will, everyone agreed, is therefore paramount, especially in relation to grand corruption involving senior public officials. The problem is therefore not the lack of laws, regulations or institutions, but failure to enforce them.
756. The CRM noted that measures adopted so far by the government to prevent and fight corruption are placed in socio-economic and culturally neutral terms. The battle against corruption cannot be won by punishing the corrupt only. It must also involve tools to enhance public intolerance towards corruption and raising

⁵³ Transparency International, Corruption Perception Index, 2004, 2005, 2006, 2007, and 2008. The index is from 1 = high corruption to 10 = zero corruption.

⁵⁴ World Bank, Governance Indicators, 2006.

expectation for good governance. Fundamental changes in the mind-set and values of individuals, including the civil servants, so as to adopt “zero tolerance” policy towards corruption are needed.

757. In Mozambique, as in many other African countries, there are significant economic and social imbalances related to income and subsistence that should be taken into account in any comprehensive attempt to fight corruption in the society. In particular, low salaries are frequently cited as one of the most important causes of petty corruption in the public service. Thus, poor salaries in the public service predispose civil servants to corruption. When a government pays low salaries, no package of corruption prevention measures will prove effective, and no moral lectures or programs would be able to change attitudes. In addition clear evidence of illegal origins of the wealth of some members of the ruling elite provide excuse for others to engage in corruption.
758. The CRM further observed that while the international instruments to fight corruption to which Mozambique is a party emphasise punishment for political and private sector corruption (SADC Protocol against Corruption, Art. 3; AU Convention on Preventing and Combating Corruption, Art. 4; and the UN Convention against Corruption, Art. 12 and 21), the instruments adopted so far domestically by the government to fight corruption do not address political and private sector corruption sufficiently. In discussions during the mission, for example, influence trafficking (favouritism and nepotism in public appointments and promotions) was often mentioned as a major aspects of corruption in the political area, including abuse of power to benefit friends, relatives and political allies.
759. In the area of private sector corruption, which notably includes white collar crimes such as tax evasion and money laundering, the CRM was informed that some companies deduct taxes from their employees that are not deposited to government coffers. In Nampula alone, it is estimated that the amount involved was MT11 million for the year 2008. Moreover, some companies that have been awarded bids to execute public works (schools, roads, health centres) 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. 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 priorities of the Government, perhaps because the incidence of these abuses are still comparatively low, However, it is one that should not be neglected as the magnitude of this problem is likely to grow.
761. The high incidence of corruption in Mozambique is widely attributed to the fact that government is not sufficiently accountable to its citizens or to the law. The discretion of government officials is 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. Thus, 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 provides an enabling environment within which anticorruption agencies and institutions, private sector, and civil society organisations, including the media and community-based organisations, can effectively and efficiently play their respective roles. Such an environment can be created through an elaborated anti-corruption policy, which includes the private sector, appropriate legal and institutional frameworks, a responsible media, citizen, coalitions and interest groups engagement, international assistance, and above all, strong political will.
763. Passing new laws and establishing new institutions, by themselves, will not be sufficient. Sincere commitment and effective implementation of laws, coupled with institutions that can enhance transparency, increase accountability, and combat corruption at high and low levels are required.

III. Recommendations

764. The APR Panel recommends that Mozambique:
- Provide the institutions that have been established to fight corruption, including strengthening the GCCC, with sufficient human and financial resources [Ministry of Finance];
 - Institute an open process in appointing and the appointment mechanisms of the Director of GCCC so as to ensure consensus for an appointee [Office of the President; Parliament; Ministry of Finance; Ministry of Justice];
 - Complete and publicise the verdict for all pending prominent court cases of corruption or those that have been poorly or inadequately prosecuted [Procurator-General];
 - Put in place and apply adequate efficient witness protection mechanisms [Ministry of Justice, Procurator-General; Parliament];
 - Establish an accountability mechanism outside the government, such as a parliamentary selection committee on which all major political parties are represented, to appoint and ensure that the PGR is an independent person with a certain degree of integrity, who will be adequately protected while in office [Office of the Republican President; Parliament]; and,
 - Undertake a detailed study of money laundering in the country, with a view towards elaborating a policy and establishing a mechanism to address the problem [*Ministry of Finance; Ministry of Justice*].

Objective Four: Accelerating Regional Integration by Participating in the Harmonisation of Monetary, Trade and Investment Policies Promote

I. Summary of the CSAR

765. Mozambique is doing relatively well in terms of reaffirming herself into the international, regional and sub-regional integration schemes. In addition to the Southern African Development Community (SADC), the country is also a member of other groupings such as the African Union, the NEPAD initiative, the APRM and the Growth Triangle initiative involving Malawi and Zambia. Additionally, Mozambique has signed several bilateral trade agreements with Malawi and Zimbabwe; a Trade and Investment Framework Agreement with the United State of America; and is a member of the preliminary EU-SADC Regional Economic Partnership Arrangement (EPA). However only Mozambique's membership in SADCC is discussed in the CSAR even though the other arrangements have important implications for Mozambique within the broad regional integration framework.
766. Despite these developments, the general population knows very little about Mozambique's commitments to integration efforts. Only very few organisations, such as the 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 for the country.
767. Although there is some awareness of SADC and its objectives in the country, more education and information dissemination among general population is needed in this respect to ensure that the benefits flowing from 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-size traders, on trade facilitation issues, protocols and agreements, as well as government commitments on 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 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 that is cited in the CSAR is the increase in goods and services for most Mozambicans at reasonable cost, therefore increasing consumer welfare.

769. There are on-going processes aimed at putting the required legislation in place to promote regional integration such as removing some Non-Tariff Barriers (NTB's) and other discretionary policies that are in general a hindrance to intra-regional trade within the SADC Region; and eliminating Technical Barriers to Trade (TBT's) which include stringent requirements for packaging, marking and labelling, which create unnecessary barriers to international trade.

II. Findings of the CRM

770. The Government is aware that regional integration and free trade areas entail short-term revenue losses as customs and tariffs are reduced. With the signing of EPAs, further losses are envisaged. Accordingly, government projections exclude any revenues due to the SADC FTA. The mission noted that to compensate for these losses, the Government is to intensify its efforts to *broaden the tax base*. It has already increased the number of tax payers by over 100,000 since the National Revenue Authority started its operations in 2007. Further revenue-enhancing efforts have included taxing the banking system, and the strengthening of the auditing capacity of the Revenue Authority 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 on tourism promotion despite its stated wish to benefit from the tourism spill-overs from the 2010 FIFA World Cup in South Africa.
772. The Mission further noted that, with the onset of SADC's Free Trade Area launched in August 2008, the 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 NTBs can be quickly done away with, and which ones need further discussions. Further compliance is hindered by the still unresolved problems of rules of origin. Once this issue has been dealt with and resolved at the regional level, Mozambique will comply. The Government intends to fully implement the SADC free trade agreement (Box 4.9).

Box 4.9: The SADC Free Trade Area: Opportunities and Challenges

The launch of the SADC Free Trade Area means that most goods produced in the southern Africa region can now enter member countries free of custom duties. The Free Trade Zone is expected to create a regional market worth about \$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 agreement is part of SADC's ongoing efforts to deepen long-term regional integration in order to accelerate economic growth and reduce poverty for the millions of people living on the continent. Proponents claim that the Free Trade Area will have a positive impact on the welfare of households. From August 2008, producers and consumers will pay no import tariffs on an estimated 85 percent 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 in 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. But there are a number of challenges. According to SADC sources, to qualify for duty free, traders in the sub-region would have to produce a certificate of origin to customs officials which guarantees that the goods indeed originate from within the SADC region. This is based on a detailed list of product-specific rules of origin. There are, however, some concerns regarding the capacity of least developed countries in the SADC region such as Mozambique to detect rule of origin fraud. The question of who should be issuing out 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 due to the quantities that they deal in. Significantly, the issue of Mozambique's capacity to competitively trade in the SADC region is a cardinal matter. SADC countries are at different levels of economic development. South Africa will 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 de-industrialisation since the days of the civil war. But the most serious constraints to promoting growth, development and trade in Mozambique are underdeveloped structures and supply capacity. In addition, the micro-economic environment for the operation of small businesses is still characterised by a number of constraints. The problem is compounded by a lack of harmonisation of regional industrial, agricultural and competition policy. In particular, cross-border infrastructure development is still weak. Given the different levels of economic development among SADC member states, there is obviously need for SADC to devise mechanisms deliberately intended to capacitate weaker economies 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. The EU in Europe has provided support to weaker or new members.

773. On balance of payments, Mozambique's capital account is not liberalised. For now, such an action is 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 CBM captures all information, including from the Customs offices.
774. On regional multiple memberships, the Government did a cost-benefit analysis from which it concluded that it should stay with SADC and move away from COMESA. Government officials argued that this decision was a pragmatic one based on regional proximity and coherence, the desire to avoid membership overlaps, and to rationalise international commitments and 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 to facilitate quicker business activity and compliance. Now small traders need to comply with only a streamlined set of requirements, including filling in only one 'simplified export/import single 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 others, with a view to facilitating trade with these countries. The project of a 'One Stop Border Post' is envisaged, which will greatly facilitate the movement of goods and people within SADC. Authorities are further planning specialised border posts for car, rail, and people. This will reduce the long lines at border posts.
777. The Competition law now being discussed is expected to come into effect in the course of 2010 once approved by Parliament. Among its element 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 Small and Medium Enterprises strategy is similarly conceived.
778. The new *Banco de Moçambique* Organic Law is still in the pipeline due to the fact that SADC's Committee of Central Bank Governors is currently working on Codes that will govern the region's central banks. The envisaged CBM law will be aligned with these Codes. The CRM was informed that the autonomy of the CBM will be strengthened, including proscribing monetarisation of fiscal deficits (currently up to 10 percent of total government revenue).
779. The fiscal year is the calendar year in Mozambique. Since there is a move within the SADC countries to harmonize all member States' fiscal years, Mozambique will change to the dates to be agreed upon.
780. The CRM confirmed the assessment of the CSAR that the general population knows little about SADC regional integration efforts. Only a few organisations, such as the leading members of the Association of Small Traders, had undergone training workshops to familiarize themselves with the SADC FTA and later Customs Union and their implications for them. In a meeting with the CSOs, it emerged that some small traders engage in illegal activities to bypass paying customs duties, despite the fact that these illegal means are more expensive than the new legal ones. This is due to ignorance or the fact that the legal procedures for border trade are still considered cumbersome.
781. The CRM was informed that the CTA the organisation responsible for the exchange and dissemination of information and training small business owners in the country, is doing little with respect to information dissemination and training. Lack of information and training makes it very difficult for small business operators to take full advantage of the trading opportunities regional integration offers to them.
782. The CRM was informed that some of the natural disasters, particularly floods, that Mozambique suffered in the past were due to neighbouring countries opening their dams during the raining season, which added more water into the country already at/below sea level. This calls for better and coordinated actions with respect to the management of natural resources, particularly water, in the sub-region.

III. Recommendations

783. The APR Panel recommends that Mozambique:

- Facilitate trade, particularly for small traders, through more education and information dissemination on import-exports regulations [*Ministry of Commerce and Industry; Centre for Investment Promotion*];
- Create facilities at the border posts and simplify the onerous compliance measures to facilitate with other countries [*Ministry of Foreign Affairs; Ministry of Commerce and Industry Ministry of Finance; CTA*];
- Liaise with partner governments to fine-tune their own imports-exports requirements to suit the needs of small traders [*Ministry of Finance; Ministry of Trade; CTA*];
- Expeditiously establish *one border post* to ensure that the benefits flowing from freer regional trade flow into the country [*Ministry of Finance; Ministry of Trade*]; and,
- Put in place a coherent tourism strategy, especially in connection with the 2010 FIFA World Cup in South Africa [*Ministry of Planning and Development; Ministry of Tourism*].

CHAPTER FIVE

5. CORPORATE GOVERNANCE

5.1 Overview

784. Corporate Governance (CG) within the context of the APRM seeks to highlight the ethical principles, values and practices that facilitate striking of a balance between economic and social goals on the one hand and between the individual and communal goals on the other. The aim is to align, as far as possible, the interests of individuals, corporations and society within a framework of sound governance and common good. Emphasis is on accountability, transparency, responsible operations, efficiency and effectiveness.
785. Overall, Corporate Governance in Mozambique is still in its embryonic stages. Public awareness of corporate governance is still 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 standards and codes, the country has mainly ratified treaties on the environment. Mozambique has ratified 19 out of the 23 conventions on the environment, while four others have been signed but not ratified.. Mozambique is at different levels of compliance with the core principles on bank supervision, securities market regulation and insurance oversight, although they 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 IFRS standards on publication of financial records of the financial institutions and those of listed companies (although still very few) will greatly improve the situation in the medium and long term.
788. Accessing finance remains a serious challenge in Mozambique. Big businesses have access to a wide range of facilities, including foreign loans, the Mozambique stock exchange and the traditional trade finance from financial institutions. However, the small and medium business face the constraint of lack of security, high interest rates and generally low levels of transparency complicated by lack of acceptable records. The limited number of branches in the districts (43 only out of 128 districts) poses yet another bottleneck.
789. Private sector business is predominantly informal, unskilled and lacking entrepreneurial skills. CTA, the private sector apex body, while playing an important link role between Government and the private sector, has no capacity to service the entire country.
790. The World Bank's *Doing Business Survey* in its 2008 Report indicates that entrepreneurs in Mozambique can expect to go through at least 10 identifiable steps to launch a business, taking on average, 29 days. Overall, the ease of doing business in Mozambique is ranked at 134 out of 178 countries. The Government and the private sector continue to work with donors to improve the business environment.
791. In recent years, infrastructure in Maputo has improved significantly, with reliable power supply, reasonable major roads and adequate telephone capacity. However, major challenges remain in the case of feeder roads, rural electrification and telephone services to the districts. Further, oil security reserves are non-existent due to the absence of refining facilities.
792. The Mozambican Stock Exchange, founded in October 1999, was started with less than USD 5 million in capitalisation. Although a fundamental instrument for the raising of finance by companies, to date the exchange has only one listing (Cervejas de Mocambique). Currently, liquidity is very low given the limited equities (one) and debt instruments (15). The *Banco de 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 bureaucratic processes of obtaining permission, while improvements on the land may be used as collateral. Without transfers of the underlying rights, such collateral are unattractive. The legal system recognises and protects property rights to buildings and movable property. Since private ownership of land is not allowed, the Government grants land-use concessions for periods of up to 50 years, with options to renew. The government at times 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. But this process 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 cars and private houses, as collateral.
794. Corporate citizenships responsibility (CSR) depends on each enterprise situation and circumstances. The Mega projects and foreign companies in general are positively disposed to CSR but largely as a marketing tool rather than CSR. Some businesses seemed to show contribution fatigue aggravated by lack of accountability by recipient of funds granted.
795. Judicial Systems performance was boosted with the introduction of the commercial court to administer the new “commercial code”. However, public awareness of the new 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 they are receiving attention in various fora. The establishment of a national code of corporate governance to enhance accountability is overdue and remains a big challenge.

5.2 Standards and Codes

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 Confederation of Business Associations (CTA) developed a CG Code in 2001 called the *Manual de Governação de Sociedades*. The CSAR recommends development of a national code that takes into account the important information included in the corporate governance codes that are already used in the country.
798. According to the CSAR, medium size companies, including those registered as limited liability companies, are less responsive to corporate governance principles. Perceptions are 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 one stop shop seem to have improved the business environment. However, there is still a lack of awareness of the new norms and regulations, partly by staff in different institutions, but also among the general public. The CSAR further observes that many people are unaware of legislations 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 was worrying to note that they are not known to many citizens, and that the degree of their application leaves more to be desired.

Public Awareness of Investment Centres

800. The CSAR notes that, while a Centre for Promotion of Investments (CPI) exists, local people hardly use the centres “because of fears of not acceding the services or even ignorance.” Only 15.2 percent of members of the public polled were aware of any business associations that exist to facilitate business.

Public Awareness of Professional Associations

801. There is lack of awareness of existing professional associations among members of the public. The CSAR in this respect recommends setting up centres of civic education at the provincial level, to address the critical need for informing and educating the public.

International Accounting Standards/International Standards on Auditing

802. The CSAR notes that the recently developed government accounting systems did not take International Accounting Standards (IAS)/International Standards on Auditing (ISA) into account. The new accounting proposal differs from 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 and mandatory use of the Portuguese language. According to the background Paper, SMEs should be able to use the cash method if appropriate.

II. Findings of the CRM

803. The CRM confirms that Mozambique is a party to various conventions on the environment, labour, trade and others that are relevant to Corporate Governance themes (Table 5.1). As indicated in Chapter three of this Report, Article 18 of the Constitution recognises international conventions ratified by the Mozambique Parliament as part of the domestic legal system as having the same value as the internal laws and regulations.
804. The CRM noted that that adherence to international standards and codes (conventions) requires ratification by the Parliament (Art.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 (CM), after consultation with the Economic Council. Then the Council of Ministers submits the Convention for the approval of Parliament. A Parliamentary resolution is issued and published in the official gazette whenever a Convention is approved.

Table 5.1: The Status of Ratification of International Conventions on the Environment by Mozambique

Year	Subject	Type	Place & Date of issue	Status in Mozambique
	The Southern African Development Community – SADC	Treaty		Signed
	The Zambezi River	Multilateral Agreement		Signed
1973	Trade in Endangered Species of Wild Fauna & Flora (CITES)	Convention	Washington, 1973	Signed not Ratified
1981	Mozambique Member of IUCN			Ratified Resolution 21/81: 30.12.1981
1981	International Trade of endangered flora & fauna species	Convention		Ratified Resolution 20/81: 10.12.81
1981	Africa conservation of nature and natural resources	Convention	CPAP	Ratified Resolution 18/81 30.12.81
1982	United Nation Law of the Sea	Convention	Montego Bay, 1982	Signed , Not ratified
1987	Substance that deplete the Ozone Layer	Protocol	Montreal, 1987	Ratified.
1991	Indian Ocean Marine Affairs Co-operation (IOMAC)	Convention		Ratified Resolution 10/91: 14.09.1991
1991	International Maritime	Organisation		Member 1991
1992	Protection of the World Culture & Natural Heritage	Convention	Paris, 1972	Ratified 1982
1993	Protection of Ozone Layer	Convention	Vienna, 22/March/1985	Ratified Resolution 8/93: 24.12.1993

1994	Climate Change	Convention	UN Jun 1992	Ratified Resolution 01/94: 24.08.1994
1994	Combat Drought and desertification	Convention	Paris, 1994	Signed, Ratified
1994	International Hydrograph (OIH)	Convention	OIH	Ratified Resolution 20/94: 04.08.1994
1995	Framework on Climate Change	Convention	New York 1992	Signed, Ratified 1995
1995	Shared watercourse systems in SADC	Protocol		Signed 1995
1996	Ban of the Import into Africa and the Control of Tran boundary Movements of hazardous wastes within Africa	Convention	Bamako, 1991	Ratified Resolution 19/96 : 28.11.96
1996	Trans Boundary movement of dangers residues and elimination	Convention	Brasil, 22 March 1989	Ratified Resolution 18/96: 26.11.96
1996	Protection, Management and Development of the Sea Environment and Coastal Zones in the Eastern Africa Region, and related Protocols	Convention	Nairobi, 2/ Jun/1985	Ratified Resolution 17/96: 26.11.96
1996	United Nation Desertification	Convention	UN / 7 Jun 1984	Ratified Resolution 20/96: 26.11.96
1997	Control of Trans boundary Movements of hazardous wastes and their Disposals	Convention	Rio de Janeiro, 1992	Signed Ratified 1997

805. Most of the above conventions are reflected by Mozambique laws on environment (Law 19/97: 1 Oct. 1997), Land Law and Forest and Wildlife laws. The number of ratified international agreements is quite high, but as shown in Table 5.1, a few instruments such as CITIES and the United Nations Law on 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:
- NEPAD Framework Document (2201);
 - Principles of Corporate Governance (OECD & Commonwealth);
 - International Accounting Standards;
 - International Standards on Auditing;
 - Core Principles of Effective Banking Supervision;
 - Core Principles for Security and Insurance Supervision and Regulations;
 - African Charter on Human and People's Rights;
 - Labour Codes of the International Labour Organisations (ILO); and,
 - Codes on Industrial and environmental Safety and Hygiene of the World Health Organisation.

The NEPAD Framework Document

807. The CRM confirmed that Mozambique is a subscriber and an active supporter of NEPAD principles and programmes. The accession to the peer review mechanism is a sign of the country's commitment to the NEPAD frame work document.

The Commonwealth

808. Mozambique is an active member of the Commonwealth and a participant to 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 unavailability of the English version of Book II.

International Financial Reporting/International Standards on Auditing

809. Mozambique is operating government accounting systems, which did not take into account IFRS or ISA standards. The systems differ from 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 and mandatory use of the Portuguese language.

810. In response to this weakness, Mozambique has now taken the following measures:

- Adopted IFRS to apply to all banks from 2008, by directive of the Bank of Mozambique; and,
- Agreed to apply IFRS to other enterprises by 2010.

811. As noted in Chapter Four, the country has, with the IMF, continued to implement far reaching financial policy reforms, which include privatisations of major state owned banks and the reform of the Mozambique 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 which set the rules of the banking system. Mozambique has in this regard adopted the Core Principles of Effective Banking Supervision (CPEBS), and the country is working with the international Banking system to implement best practices.

Core Principles of Effective Banking Supervision

812. The 1997 Basel Core Principles on Effective Banking Supervision cover 25 principles used by central banks to ensure effective supervision and they are intended to provide the following:

- Spell out the objectives of supervision, its independence, transparency and co-operations with other regulators to ensure comprehensive supervision;
- Licensing of financial institutions based on their viability sustainability and plausible structures;
- Impose and implements 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. Mozambique has complied with 17 principles, four partially and four still outstanding, while 14 on liquidity risk management, 15 on operational risk, 17 on internal control and 23 on collective remedial powers of supervisions have been partially complied with. According to the BM, an update of regulations issued in 1999 is required after a through situational study.

814. The outstanding principles still to be complied with include:

- No. 7 on risk management process;
- No. 12 on country and transfer risk;
- No. 19 on risk supervisory approach; and,
- No. 13 on market risk.

815. The BM affirmed that it is preparing comprehensive risk-based regulations to be able to comply with the outstanding principles and felt that given the low money and security market deals by the banks the compliance with principle No. 13 was not urgent.

Measures adopted after FSAP

816. Under the strengthening of 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 IFRS;
- The implementation in 2004 of a new Financial Institutions Law strengthening the central bank's supervisory powers and introducing more strict penalties for non-compliances violations;
- Continued progress to strengthen banking supervision practices in line with Basel Core Principles (BCP) by strengthening on-and off-site supervisory capacity through;
 - requiring the preparation of financial statements of Mozambique's financial institutions and corporate sector in compliances with international; and,
 - Adopting prudential regulations in line with international best practices.

- Adoption of IFRS by the BM in 2006 and by commercial banks in 2007.

817. In a meeting with the CRM, the Governor of the BM affirmed implementation of the above measures. However, the Mission could not confirm this.
818. In 2007, the BM carried out 14 risk-based inspections of commercial banks focusing on risk management-systems requiring the banks to identify, quantify and control risks. According to the 2007 BM Annual Report, 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 improvement, but also found the following irregularities, among others:
- Use of outdated rates for fixed assets amortisations- an abuse of due process;
 - Lack of verification and reconciliation of accounts-a sign of unprofessional operation;
 - Ignoring the accounting chart-an act of insubordination;
 - Financing activities with third party resources-actions tantamount to fraud;
 - Lack of records and failure to submit mandatory reports, reflecting weaknesses in the capacity to supervise; and,
 - Performing foreign operations by non-licensed operators, also reflecting capacity problems by the supervisors.
820. However, the report does not stipulate what sanctions were imposed and whether corrective action was taken. No attempt was made by the CRM 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 2007

Risk Profile	Number and percentage of credit Institutions (%)		Percentage of total assets in the banking system (%)	Credit institutions and Non-Banking Financial institutions 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
Total	17	100.0	100.0	

Source: BM Annual Report 2007.

821. According to the BM Annual Report (2007), 76.5 percent of the institutions in 2007 (compared to 55.5 percent in Dec 2006) had a low risk profile and represent the majority of the banking system institutions. Institutions with high risk profiles in 2006 recorded no significant changes.

Core Principles for Securities Regulations

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 world-wide.
823. In a meeting with the CRM, the Governor of the Bank of Mozambique, 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 stock exchange; and,
- The BM is regularly invited and participates in the IOSCO annual meetings.

824. Briefly, the IOSCO principles cover the following:

- *Principles on Securities Regulators:* These principles provide for independence, accountability, powers and capacity of securities regulators. The BM is acting as the independent regulator of the stock exchange 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 it would also devote more time to the promotion and development of the capital market;
- *Principles of self Regulation:* These principles require formal recognition of Self-Regulatory Agency and Self-Regulatory Organisations. The BVM (stock exchange) is still a unit of the MoF but, operates independently. Brokerage is still being developed but presently it consists of units of commercial banks;
- *Principles of Cooperation in Regulation:* The BM as regulator should work closely with SADC under CISNA (the Committees of Insurance, Securities and Non Bank Authorities) to share information and promote the development of the capital market;
- *Principles for Issuers of Securities:* The principles provide standards for timely and accurate disclosure of information to investors. Efforts to align listing requirement with IOSCO principles are ongoing. Meanwhile, IFRS have been prescribed for all companies intending to list securities on the stock exchange;
- *Principles for Collective Investment Schemes (CIS):* There are no collective investment schemes in Mozambique. These should be developed to deepen the market;
- *Principles for Market Intermediaries:* The principles provide detailed requirements for registration, licensing, approval, oversight and conduct of business of market intermediaries; and,
- *Principles for the Secondary Market:* These principles impose oversight requirements over 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 illiquidity of the market.

Core Principles for Insurance Regulations

825. The principles of insurance regulation require:

- Existence of a plausible supervisory system articulating objectives, authority, process and consultation and information sharing;
- The supervised entity to be licensed, with suitable persons;
- Adoption of on-going supervision and off-site monitoring;
- Application of prudential requirements (risk and management assessment) capital adequacy and solvency;
- Protection of consumers, information disclosure and transparency; and,
- Anti-money laundering system to fight terrorism.

826. The Office of the General Inspector of Insurance of Mozambique was established under decree 42/99 and is under the supervision of the Ministry of Planning and National Development. The Inspectorate of Insurance has issued notices regulating the conduct of insurance business in Mozambique.

827. The prudential requirements include:

- Fit and proper criteria for significant owners, board members and management staff;
- Registration requirement process; and,
- Minimum capital requirement.

828. However, the Insurance Inspectorate has not yet sought membership to the International Insurance Supervisors (IAIS) or the International Organisation of Pension Supervisors (IOPS), pending full compliance with the core standards.

Core Principles of Pension Regulation

829. The key principles designed to regulate the pension sector are:
- *Principle I : Objectives*
National law should assign clear and explicit objectives to 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 supervision 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; and,
 - *Principle X : Governance*
The supervisory authority should adhere to its 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, CTA – the Confederation of Business Associations – informed the CRM that they have 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 on Corporate Governance was low. Interest in the subject was virtually non-existent and the new IOD had not yet taken off full swing.
832. However, the CRM confirmed that the CTA has organised breakfast meetings, public lectures and workshops to sensitise the targeted group (directors of senior managers) on Corporate Governance, resulting in a membership rise from 15 (2007) to 74 (2009). The CTA has so far conducted training for 219 personnel. The Institute of State Participation (IGEPE) with interests in 134 companies is cooperating with IOD to establish a Code of Ethics for Mozambique. The CRM was informed that the first draft was ready and it is expected to be finalised by the end of the year 2009.

International Labour Conventions

833. Mozambique has a long tradition in 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 Mozambican Constitution, as sources of authority for the Labour Law.
834. A Consultative Committee⁵⁵ chaired by the Minister of Labour and composed of four other major economic ministries and the representatives of employers associations and trade unions is entrusted with the responsibility to follow up on the developments in ILO and other matters related with labour relations. Table 5.3 shows the conventions that were ratified by the Mozambique Parliament between 1977 and 1999.

Table 5.3: International Labour Conventions Ratified by Parliament between 1977 and 1999

Convention	Theme
1	Duration of shifts in Industries
11	The right to for 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	Safety handling chemical products
171	Night Shifts

Source: Ministry of Labour, 2009.

835. The freedom for civil society to form associations is guaranteed by the Constitution. The Labour Law provides the legal basis for business associations and for the establishment of labour unions. Article 159 of the Labour Law regulates the establishment of labour associations or unions and article 262 lays down the requirements for the establishment of business associations. The right to strike is also regulated under article 194.
836. The labour law is considered a progressive legal instrument and a good base to protect the rights of the citizens. However, concerns are widespread among economists and the private sector in relation to limited flexibility and high cost for companies arising from the present proposal of the labour law. The inflexibilities of hiring, firing and high severance payments may have turned the Mozambique labour force to be non-competitive. Small and medium entrepreneurs 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:
- Appoint a national Corporate Governance Regulator (CGR) to oversee the development of the capital market [*Ministry of Finance*];
 - Define a suitable model for corporate governance through adoption of a national code of corporate governance [*MoF; IoD; CPI*];
 - Raise capacity skills and implementation of standards, codes and policies [*IoD; CTI; proposed CGR*];
 - Raise public advocacy and awareness of professional standards through setting up centres of civic education at the provincial level to address the critical need for informing and educating the public [*IoD; CGR*];

⁵⁵ Comissão Consultiva do Trabalho (CCT).

- Give urgent consideration to coming up with a Capital Markets Act preferably with a separate regulator to develop, regulate and ensure efficiency and effectiveness of the securities market in the country [MoF; Parliament];
- Separate the stock exchange from the apparent direct control of the MoF to become truly independent [MoF; BM]; and,
- Provide the Inspector of Insurance with technical assistance to reinforce compliance with international IAS and IOPS standards including IFRS [MoF; IMF].

5.3 Assessment of the Performance of APRM Objectives

Objective 1: Promoting 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 focussed 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 cost of credit is one of greatest barriers to business growth and development in Mozambique. Credit from banks to the private sector represented approximately 30 percent of GDP (this figure is outrageously low.). The network of micro finance institutions (MFIs) is growing, but is still inadequate, and MFIs charge high rates of interest. The CSAR observes that, despite the role of the FARE/FAFR agencies, as well as the expansion of microfinance institutions, business owners face great difficulty in accessing banks or other financial institutions in most districts and provinces. Only 31 of the 128 districts have commercial banks. It notes that some districts do not even have microfinance institutions. The CSAR also discloses that many poor [business people] have difficulty accessing financial services due to costs, risks and convenience. The CSAR suggests that expansion of banks to the provinces should prioritise agricultural areas where production is high, as farmers in these areas need commercial banks/microfinance institution where they can safely save their money. They also complained 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;
 - access to capital;
 - assets growth opportunity;
 - corporate governance;
 - risk management skills;
 - crime/corruption;
 - qualifications and skills; and,
 - poor combination of assets/liabilities.

841. The BM Governor stated that commercial banks in Mozambique lack resources to fund manufacturing activities and businesses are forced to utilise short-term funding resources which prevents their funding of long term projects.⁵⁶

The Stock Exchange

842. According to the CSAR, there is a slow pace of listings on the Mozambique Stock Exchange (MSE). In 2006, after 7 years of operation, the MSE had 13 listings. The CSAR observes that the stock exchange is still in its growing phase, and that the public perception is that it is non-existent.

The Insurance Sector

843. The Insurance industry 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 still not adequately represented at the district level.

Legislative Awareness in Policy Making

844. The CSAR notes that legislators lack awareness of international best practices and local experiences. In consequence, weak research has led to poor legislation in the following CG areas: environmental laws and regulations; land; forestry and wildlife; tourism fiscal; and commercial code and labour laws. It opines that “there is a need to improve the elaboration system and application of the laws.”
845. The CSAR further suggests the need to address the following issues as a matter of urgency, specifically the need:
- for inter-sectoral coordination within Government at the three branches - the executive, legislative and judiciary - in policy making;
 - to monitor performance;
 - to reinforce consultations between Government, the private sector and civil society in the process of policy making; and,
 - to decentralise 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 enforcement. The police and the judiciary were blamed for doing little about crime. There have been delays on hearings involving business operators.
847. Policing as well as judicial capacity to investigate economic crimes is limited in the country. Scandals which have yet to be resolved include the Mozambique Commercial Bank and Banco Austral scandals (2002). According to the CSAR, there is a consensus that the judicial system lacks adequate 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 adequately enforce justice, including the laws regulating tax evasion, counterfeit products, and illegal trade in goods. Weak capacity in legal accounting, amongst 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.

⁵⁶ ‘Ho backed bank to open in Mozambique’, Macau Daily Times, 15 June 2008 edition, viewed 14 July 2008.

849. The CSAR further observes that few commercial disputes are taken to the tribunals due to the lengthy delays of the process. In fact, the CAR observes that the tribunals do not even exist. However, it should be noted that a *Bankruptcy Law* has been proposed, although not yet approved and promulgated into law.

Administrative Constraints

850. According to the CSAR, the major concerns include the complexity of tax laws and regulations; high tax rates; the narrow tax base; the inefficient tax administration process; delays and uncertainties in VAT refunds; tax incentives to large business that provide an uneven playing field; limited public information on the tax system; and inadequate dialogue between the private sector and Government on tax issues. The government has few trained officers and accountants who can explain and educate tax payers on the tax system.

Tax administration

851. The tax administration system and capacity are weak. Studies have shown the overall tax burden at over 50 percent of gross income [for many firms]. Entrepreneurs are dissuaded from registering their businesses due to the high tax rate and cumbersome taxation process. Reducing taxes and simplifying the system is required. The CSAR observes that customs taxes are very high, and contribute to high goods process.

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. Doing Business 2007 states 38 days average for importing and 39 days for exporting.

Administrative barriers

853. Administrative barriers to business identified in the *Doing Business 2007* survey by the World Bank are [relative to the rest of the world] highest in the categories of enforcing contracts [168 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.

The 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 (see section on Access to Finance);
 - reimbursement of tax;
 - a low standard of national produce; and,
 - too many fines.
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 AGENDA 2025 goal of “gradual integration of informal sector into local economy rather than fighting it.”

Business Licensing

856. Mozambique has set up a “one stop shop” for business licensing. However, the Background Paper observes that the concept of a one stop shop will not evolve if the administration of the process is not well managed and permanently monitored and improved.
857. Similarly, the CSAR notes that the unique counter [one stop shop] still needs improvements in provision of services. At the moment, the one stop shop actually acts as an information desk. To start a business, an entrepreneur still needs to go to different institutions. Moreover, the CSAR observes that difficulties regarding registration of businesses were mentioned by stakeholders, and that these difficulties are linked to the slow bureaucratic process of issuing of licenses for economic activities. These difficulties were exacerbated by long travel distances to different institutions to complete paper work.

Infrastructure

858. The CSAR notes that infrastructure in general, and communications infrastructure in particular, is weak, and that a good number of districts do not have access to *mobile telephone services*. There is, however, good progress in *road building*. But a major challenge is to support local road firms. Furthermore, building and maintaining feeder roads are a low priority at present. Mozambique also has a serious challenge in ensuring road maintenance. The CSAR observes that roads in rural areas cannot be used during the rainy season.
859. The CSAR also cites problems in the rail, water, sanitation and energy infrastructure. Full rehabilitation of the Sena *Railway* in the centre of the country is required. Adequate provisions of water and sanitation services are a major challenge, and they impact negatively on business. The reduction of current downtimes in the supply of *power* is also a critical need for business, as downtimes 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, Act 18/92 of 14 of October establishes labour tribunals for resolving workplace disputes. However, these tribunals have not been established. The CSAR observes that the new Labour Act 23/2007 of 01 August was passed, but does not indicate whether it is already in force.
861. The new law includes the right of employee’s to join unions. The employer body CTA, has noted its reservations to the new law, which members feel gives employees too many protections at the expense of employers. CTA members also feel at a disadvantage vis-à-vis competitors in SADC and the rest of the world. Unions such as OTM-CS believe, on the other hand, that the new Labour Act introduces flexible work contracts that may lead to insecure jobs for workers. The CSAR observes that [in general] the new law is still weak with respect to regulation of competitiveness and flexibility of the job market.

Export Capacity

862. Mozambique’s traditional exports include cashews, shrimp and fish, copra, timber, sugar, cotton, and tea, citrus and exotic fruits. These exports have *low profit margins* due to a high level of competition and easy entry.
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 at preferential rates under the African Growth and Opportunity Act (AGOA). According to the Background Paper, eight years after first obtaining eligibility, Mozambican producers only export two of its traditional exports – prawns and cashew nuts – to the US, in marked contrast to neighbours such as Lesotho, Swaziland and South Africa. A representative of the Confederation of Mozambican Business Associations observed that there were medium term constraints

which prevented Mozambican business from fully exploiting the AGOA opportunities including the *quality of products, certification, and a lack of business capacity*⁵⁷.

Foreign Investment

864. According to the CSAR, Mozambique attracted \$8 billion in foreign investment in 2007, and has liberalised foreign investment rules in 2008 as part of a plan to boost foreign investment to \$12 billion in 2008. This has already appealed to foreign investors from Italy who have identified sectors such as agriculture, agro-industry, tourism and energy to invest in.⁵⁸ Furthermore, the newly formed Brazil-Mozambique Chamber of Commerce and Industry (CCIABM) has also identified the following sectors for investments in Mozambique: food, drinks, cosmetics, machinery, equipment, construction materials and services, medication and agricultural tools.⁵⁹

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 from 50 to 100 years.⁶⁰ Transactions of land use rights are not allowed to be freely traded, and require government approval. The 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 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. Most of these farmers do not possess title deeds to prevent them from eviction, and while they are sometimes transferred to another plot of land, they are sometimes told by municipal authorities to simply move out, with no recourse or alternative.⁶¹

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 have been made by Mozambique to review laws relevant 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. But, as noted in Chapter Four, the country has made substantial progress in promoting financial liberalisation, and restructuring its banking sector over the past 10 years. Mozambique is now deepening those reforms by strengthening the institutional regulatory environment for financial sector

⁵⁷ 'Companies Not Taking Advantage of Agoa', Agencia de Informacio de Mocambique (Maputo), posted to the web 19 June 2008, viewed 14 July 2008

⁵⁸ Mangwiro, C. 2008, 'Italy to invest in Mozambique', Reuters, 9 July 2008, viewed 14 July 2008.

⁵⁹ 'Brazil: Brazilian business mission to visit Mozambique in September', Macauhub Economic Information service, July 9, 2008, viewed 14 July 2008.

⁶⁰ Valy, B. 2008 'An overly Civil Society?', Inter Press Service (Johannesburg), 11 July 200, viewed 14 July 2008

⁶¹ Valy, loc. cit.

development within the framework of a financial sector development strategy developed after 2003 financial sector assessment of its financial sector.

Financial sector developments

870. The CRM notes that Mozambique's financial system had come a long way since the end of the civil war—evolving from a government-owned system to a full-fledged, market-based financial system. Evidence available to the CRM shows that, over a long period, the financial system was dominated by foreign banks and highly concentrated with the five largest banks accounting for over 90 percent of total deposits.
871. According to the IMF (2007), the system had also become increasingly dollarised, with foreign currency deposits, and loans accounting for 51 percent and 70 percent of their respective totals in 2002. The system's role in financial intermediation was also underdeveloped even by regional standards, as reflected in its small credit GDP ratio (30 percent), 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 (NPL) to total loans (21 percent at end-2002), but today, 2008 drastically reduced to 2 percent.
872. The IMF noted that real lending rates in Meticals in the period 1999-2002 averaged 17.5 percent, reflecting very large intermediation spreads, partly caused by high levels of NPLs made to state-owned enterprises and other non-compliant borrowers. This problem reflected the lack of a mandate and capacity by the BM to effectively supervise banks and was compounded by the lack of adequate reporting standards for monitoring the soundness of bank lending.
873. Other factors included:
- high overhead costs, partly reflecting the small size of the Mozambican financial system;
 - high reserve requirements, to ensure 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. Mozambique's 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,
 - assist lenders in the 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), impose stringent collateral requirements, or simply 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 was hampered by the poor outreach among financial institutions and its impact on saving mobilisation. Financial savings mobilisation was constrained not only by Mozambique's low-income levels but also by a thin branch network of banks, particularly in rural areas. The situation was further aggravated by the relatively small size, and outreach of the microfinance industry. Constraints to providing financial services in rural and remote areas were widely noted to include very low

population densities, weak or nonexistent markets, poor physical and communication infrastructure, and the local unavailability of skilled staff.

877. In a meeting with BM officials, the CRM was informed that the non-bank financial institutions (NBFI) 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 Ministry of Finance (insurance) and the state pension scheme, INSS (pensions), which, in turn, had both an administrative and a prudential mandate.

Financial sector reform

878. To address the above challenges, the government developed, in collaboration with donors, a comprehensive financial sector reform strategy. Financing for the 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).⁶²
879. In interactive sessions with various stakeholders, and based on the adduced evidence, the CRM noted the following:
- IFRS standards have been adopted by all banks (2008) and the rest of the corporate sector is scheduled to adopt the same in 2010;
 - The commercial code has been revised to improve transparency, accountability and broaden coverage (we could not get copy in English);
 - Most Basel I principles (25) 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. The incentives include duty free imports of equipment for upcountry branches and inclusion of treasury cash in those branches into cash reserve requirement;
 - Steps have been taken for strengthening liquidity of Mozambique Stock Exchange through listing of new products (commercial paper + SME bonds);
 - A Bankruptcy Law has reached Economic Committee of Ministers Stage and is expected to be promulgated into law by 2010; and,
 - 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 one hand, and from the increasing wave of mergers and acquisitions, on the other.⁶³ Table 5.3 shows the distribution of financial institutions and network of bank branches in 2007.

⁶² The FSTAP focuses on:

- i. strengthening the banking system, and enhancing the capacity of the BM in terms of banking supervision, managing the banking system and financial infrastructure, including real time gross settlement system;
- ii. improving financial accountability and transparency by the introduction of international financial reporting standards (IFRS) to commercial banks and corporate entities; and,
- iii. improving money and government bond market efficiency and depth, 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.

⁶³ In 2007, the banking system was marked by various events, among which included the acquisition of Banco de Desenvolvimento e Comercio by FirstRand Holding Moçambique, which in turn changed its commercial brand; change in the Banco Austral to Barclays Bank; Novobanco to Procredit; ABC Leasing to African leasing Company; Uniao Comercial de Bancos to Mauritius Commercial Bank; merger of BCI Leasing with Banco Comercial e de Investimentos and changes in the shareholders composition of *Banco Commercial e de Investimentos*. All these developments changed the business philosophy and enhanced competition and financial innovation.

881. The banking business continued to be dominated by the four largest banks which represented, at the end of 2007, 88.9 percent of the total assets, 91.6 percent of total deposits, 86.9 percent of total loans, and 76.4 percent of 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 percent of total loans, 0.48 percent of total deposits, 1.7 percent of total assets and 3.0 percent of total capital, virtually rendering them to be negligible players.⁶⁴
882. Notwithstanding the increase by 19.5 percent in the number of branches, the geographical distribution remained unchanged. The districts continued to be less preferred by the majority of the institutions and most of them are still concentrated in Maputo. Recent efforts have increased branch distribution as shown in the following table of financial institutions.

Table 5.4: Distribution of Financial Institutions and Network of Bank Branches

Province	Branches		Credit Unions		Micro credit Inst.		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
Zambezia	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

Source: Bank of Mozambique.

883. Table 5.4 shows that two provinces, Niassa and Zambezia, did not record any increase in the number of branches since 2005. Meanwhile, Gaza, Manica, Tete and Cabo Delgado provinces, where the number of branches remained unchanged in 2006, recorded a favourable increase in the number of branches in 2007.
884. The CRM observed that access and cost of credit is consistently rated by firms as one of the greatest barriers to business growth and development. It is widely stated that the Mozambique banking system does not provide enough support to start-ups and in particular to the expansion of Small and Medium Enterprises (SME's), being the most poorly served, as well as the agricultural sector (see table above). In an interview, the BM Governor informed the CRM that Mozambique banking system liquidity is relatively high. However, the banks are reluctant to expand credit, preferring to remain with creditworthy borrowers among the safe sectors.
885. Microfinance institutions 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 percent p.a.
886. It is argued that fast and sustainable economic growth and high employment rates can only be achieved by deepening the reforms in the financial system and by supporting the expansion of credit institutions. The following table shows the number of financial institutions operating in Mozambique.

Table 5.5: The Financial Institutions Structure in 2007

1	Banks	12
2	Micro banks	1

⁶⁴ 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 the customers.

3	Credit Cooperatives	6
4	Micro-lending Operators	71
5	Leasing Companies	1
6	Group Purchase Administration Companies	1
7	Investment Companies	1
8	Risk Capital Management Companies	1
9	Credit Cards Issuing or managing Companies	1
10	Credit Representation Institutions with Head Office Abroad	1
11	Exchange Houses	23
	Total	119

Source: CSAR March 2008.

887. One way of addressing the lack of credit to SMEs is the introduction of a “District Fund” of seven million meticaís per district per year from the central government. Access is subject to a business viability plan and support from local officials. Although the interest rate charged is at 1 percent p.a., the repayment rate is very low and non-performing loans are said to be very high (up to 90 percent) in some districts. The sustainability of this effort and its entire disbursement structure needs to be reevaluated.
888. Another way of reducing cost of finance is to make it easier for lending institutions to obtain all relevant information about the borrower. Credit Rating Agencies (CRA) specialise in collecting this information from all persons who access to the system. The BM is already running a CRA. To make it easier for potential borrowers to sign up to the system, the CRM was informed that a privately run CRA would be established.

Microfinance

889. In interactive sessions, the CRM was informed that the microfinance sector has grown significantly markedly in the past decades. Growth both in the number of clients and, especially in the outstanding loan portfolio was considerable (about five and seven-fold increase from 2000 to 2005). Consolidation also seems to be underway – three institutions out of about thirty-five control more than 68 percent 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 MFI’s had more than 1,000 clients. Growth has also been accompanied by a substantial improvement in performance. The percentage of MFIs with recovery rates considered acceptable (90 percent or above) increased from 16 percent in 1997 to about 30 percent in 2005.
891. However, the MFIs outreach, particularly in rural areas, remains very limited. About 62 percent of MFIs and 50 percent of micro borrowers are concentrated in the Maputo – Matola urban corridor. Rural areas account for less than 12 percent of borrowers and only 5 percent 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 Mozambique’s National Statistics Agency show that of the non-agricultural informal sector activities, 42 percent of those involved in trading and 48 percent of those involved in services (excluding transport) are located in those areas.

Judicial Environment

892. The CRM notes that the judiciary has been given another role in Mozambique, whereby the Administrative Court (*Tribunal Administrativo*) vets procurement contracts, certifies Public Accounts and Budget implementations amongst others. The CRM cautions that the fusion of administrative and judicial functions could blur the separation of powers between the Executive and Judiciary and breed conflicts 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.

The Stock Exchange

893. The CRM observed that there is some progress in capital markets development in Mozambique. Capital markets are critical to financial sector deepening and strengthening of the sector is essential for growth. The benefits of a stock exchange include lowering cost of capital, attracting investors through an exit opportunity and generally improving corporate governance and hence efficiency and effectiveness of operations. The Mozambique stock exchange (BVM) started operations in 1999 with market capitalization of US\$4million, which to date has risen to US\$400millions, 6 broker/dealers, and 16 listed securities. Although run independently, BVM is owned by the GM and is run as a unit of the MoF.
894. The Exchange which is fully automated consists of one corporate equity security listing, namely, the Mozambique Breweries (CDM), whose shares are held by South African Breweries (70 percent), the Mozambican public (27.5 percent) and GM (2.5 percent).
895. The other listings constitute bonds as follows:
- Seven GM bonds of between 5 to 10 years maturity; and,
 - Eight corporate bonds issued to support commercial bank operations.
896. There is also one unlisted GM perpetuity bond issued to back up the BM monetary operations.

Table 5.6: Transactions within the official listing market

Market	Traded Amount		Traded Amount (Mt 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
Total	1.618.237	881.692	141.620	84.000

Source: Bank of Mozambique Annual Report 2007.

897. Presently, the Exchange trades daily but is severely constrained by lack of liquidity as bond holders prefer to hold them to maturity due to their paucity. CDM shares are also hoarded due to the attractive dividend yield.
898. Lack of public awareness pauses another challenge due to limited resources to execute the public awareness campaign throughout the country. Today, limited awareness programs occasionally feature on Radio and T.V, while briefing meetings 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. The BVM is, however, a full member (2001) of ASEA, the African Stock Exchange Association whose objectives include information exchange, joint assistance and harmonization of operations. The BVM is also a member of the committee of Southern Africa Stock Exchanges (COSSE) (2000), which aims at information exchange and integration within the region.
900. A second share corporate issue of Mozambique Guest House Company (CMH) is at a prospectus stage and should improve liquidity when listed. A new decree (2008) permitting the issuance of “Commercial paper” is in the offing. It is expected to attract business enterprises to issue commercial paper.

901. The BVM is now exploring opportunities to introduce a segmented market consisting the “official/senior and the junior market to increase access to the markets by SME. The required minimal capital is shown in Table 5.7.

Table 5.7: The Proposed Tiers Minimal Capital Requirements

Senior Market	Junior Market
Minimum Capital 17Million MZN (US\$ 653846,1)	5Million MZN(US\$192307,6)
Audited Accounts = 2 years (following IFRS)	1 year accounts following IFRS
Share distribution =15 percent of the issue to the public or 250,000 shares, whichever is higher	Share distribution = 5 percent of the issue or 25,000 shares to public, whichever is higher

Source: BVM at meeting with CRM (Feb, 2009).

902. The BVM has potential to play an important intermediary role in the long term market of Mozambique. It requires the support of all stakeholders. Hindrances to listings would include high taxation to companies which must reveal back taxes for two years as they adopt IFRS. The secondary market trading would also suffer on two fronts: Double taxation of dividend at company and at beneficiaries’ level through the stock exchange called ‘capital gains’.
903. Listing of private bonds is also hampered by the absence of a benchmarking to guide their pricing based on established “yield curve”. This curve is based on securities of various maturities traded on the exchange. The limited issues of these securities do not help this process.

Land

904. Land is an important economic asset which can be used to transform society from subsistence to market economy and the rights thereto can determine the degree of husbandry or utter neglect. As noted in the CSAR, land in Mozambique is state-owned, with serious implications for investment.
905. Whereas investments in other the sectors (tourism, manufacturing) is on the upward trend, that in agriculture is limited. The holding of land in Mozambique today has created a “bimodal agrarian structure”.⁶⁵ A large percentage of the land is held in very large parcels and equally large percentage in small present parcels. The middle holding, which would be suitable for market development in land, is according to the study ‘empty’.
906. The CRM notes that this may impede the growth of investors in Mozambican agriculture. Further, although rights may be transferred in the urban areas (*predio urbano*) without approval, those in rural areas (*predio rustico*) where development is urgently needed, have to go through the (lengthy) administrative procedures.
907. The market in land would require transferable and mortgageable rights to the land. However, although developments on the land are transferable, without the corresponding rights to the land, the transfer of developments would not accord to the transferee lasting rights to the property. Further, the law prescribes reversion of non-moveable improvement on the land to the state, another disincentive for investment in land.

The Insurance Industry

908. The insurance industry in Mozambique is small but growing. It has six insurance companies, three non-life, two composite and one (Austral seguros) in the pipeline. One company – Emose – is held 80 percent by the Government and 20 percent by employees. There are 25 brokers/dealers of which five are foreign.
909. The Regulator (Inspector General of Insurance) follows corporate governance in exercising his oversight duties. The Inspectorate applies the CAMEL (capital adequacy, asset quality, management ability, equity

⁶⁵ USAID (2007), *Land use Rights for Commercial Activities in Mozambique*.

and liquidity adequacy) model in its supervisory role. Management quality is assessed on the usual 'fit and proper' criteria, while accountability to stakeholders is done through regular publication of financial statements of insurance companies. Table 5.8 shows the performance of the insurance industry from 2003 to 2007.

Table 5.8: Insurance Premiums in Mozambique (2003 – 2007)

	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
PIB	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/GD	0.72		0.57		0.56		0.70		0.64

Source: Inspector General of Insurance, 2009.

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).

Box 5.1: The Underdevelopment of Indigenous Entrepreneurship in Africa

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 the local people towards wage employment in the mines and settler farms. The 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 outrightly banned. 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.

Sources: Tangri, R. (1999), *The Politics of Patronage in Africa*. Currey, Oxford.
Chigunta, F. (2006), *Origins of the Informal Sector in Africa*.

Infrastructure

911. Without low cost access to markets, either through roads, ports, railways or communications, the private sector cannot sell their products or services, neither can they deliver their products at low cost. The CRM observed that Mozambique has prioritised infrastructure development. The country has also undertaken maintenance and rehabilitation of existing roads. During the period 1994 – 2004, nearly 6,000 km of primary/

secondary roads and 3,200 railway bridges received emergency maintenance. Also around 6,100 km of feeder roads benefited from rehabilitation and 88,545 km of roads received routine maintenance. A major bridge linking the North – South, crossing the Zambezi River is under construction (2006 to 2009) at a cost of nearly US\$100 million.

912. The CRM learnt that major railway connections were under rehabilitation or already concluded. The Nacala corridor is under reconstruction. Both railway and the port were privatised to a JVC consortium. The railway linking Nacala and Lichinga is also under the management of the consortium; although not yet fully operational.
913. The Sena railway in the centre of the country is a very significant infrastructure, since the majority of Mozambique's valuable resources lie on its path. The Sena runs northwest from the port of Beira through the forests and national parks of Sofala, branches off into the rich agriculture land of Zambezia, and proceeds to the mineral resources of Tete. The potential of the region is impressive by any standard but it will only remain potential until the Sena railway is fully rehabilitated. The Beira Port is the point of departure for Sena railway related products and services. The major challenges, besides concluding the rehabilitation of rails, is the development of port facilities and improve their services. The private sector cites the high cost of transportation by rail and through Mozambican ports as major constraint to business operations.
914. Two institutions are crucial for the continuity of Mozambique's infrastructure programme: The Road Authority (ANE) and the Road Fund (FFE). These two institutions are managed by independent Boards. Also, three Public road maintenance companies (ECMAP) play an important role in the feeder roads programs. One major challenge is to support local road firms to develop by providing them with a steady access to market through the road fund.
915. The CRM learnt that Mozambique has been engaged in deregulating the communication sector, having introduced two private sector cellular phone providers. This process was well phased out, and both companies are competing and providing affordable services for nearly 1.5-2 million clients.
916. The fixed telephone state company was transformed into a public (SA) Company and engaged in developing further the infrastructure base, while exploring the fixed line. Cell phones cover mostly all provincial capital and 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 for Mozambique in both urban and rural areas. Various donor projects, including the Millennium Challenge Account (MCA), are used to finance infrastructure.
918. Power generation and distribution is also being taken as a priority. Mozambique aims at supplying hydro electric power to all 128 districts by 2025 against (83 are already connected). The country intends to develop coal solar and wind power but the latter two are 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 situation has improved, Mozambique has no security reserves for oil and no refining capacity.
920. The CRM noted with some concern that, although Mozambique generates 2183 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 an issue of concern which the GoM should seriously and carefully examine.

III. Recommendations

921. The APR Panel recommends that Mozambique:
- Speed up the implementation of agreed action plans between Private Public Partnership sector working groups [*Ministry of Planning and National Development; MoF*];
 - Create a credit reference bureau outside the BM to be owned and run by the private sector thereby giving a more neutral atmosphere for easier acceptability by the private sector [*MoF; BM*];
 - Increase the issuance of treasury bills/government bonds of various maturities to produce a “yield curve” to be used by the private sector to benchmark their prices at which they issue private debt instruments to the market [*MoF; MB*]; and,
 - Offer fiscal incentives to attract more listings at IPO (e.g. cancel or defer, back corporate taxes revealed after application of IFRS) and boost secondary trading by eliminating or reducing capital gains tax on security trading and reduce taxes on dividend on listed companies [*MoF; BMV*].

Objective 2: Ensuring that Corporations act as Good Corporate Citizens with regard to Human Rights, Social Responsibility and Environmental Sustainability

I. Summary of the CSAR

922. To address this objective, the CSAR began by addressing issues of unemployment, gender equity, and the environment. The CSAR also examined how corporations were dealing with issues of workforce health and skills development.
923. The CSAR states that unemployment affects approximately 20 percent of the active population. It claims that local people are often excluded from jobs generated by foreign investment, as the foreign investor imports [part of] the work force.
924. On gender equity, the CSAR observes that, despite recent economic advancements, women do not seem to benefit. It notes that, while women are visible on 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 percent of women entrepreneurs work in the informal sector. The CSAR attributes the problem to cultural practices which culturally subjugate women as well as the low educational attainment level of women in the country. The CSAR also notes the 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 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, etc. Some industrial activities have been located in heavily polluted areas without prior environmental impact assessments. Effluent from textile and paper plants, including caustic soda and cellulose, are sometimes dumped in rivers.
926. On the workforce, the CSAR observes that HIV/AIDS is responsible for many deaths among the economically active population. While it is noted that huge sums of money are spent on campaigns in the name of HIV/AIDS patients, these have had a limited impact on the spread of HIV. According to the CSAR, the HIV/AIDS pandemic reduces GDP per capita by 1 percent a year. The CSAR cites the Business Community against Aids group (ECOSIDA), which is supported by CTA, as an initiative intended to fight HIV/AIDS in the work place. However, not many people were aware of the activities of this group. The CSAR also notes the effect of malaria and cholera as some of the major diseases affecting the work force.
927. Skills’ training is a critical issue for human resource development. The CSAR observes that many business people 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 Institute of Directors.

II. Findings of the CRM

The Private Sector

928. The CRM learnt that the private sector in Mozambique comprised an estimated 31,735 firms. Formal employment generated by the formal private sector is less than 320,000 out of an economic active population (EAP) estimated at 9.36 million (Table 5.9). This corresponds to 3.3 percent of EAP, most of whose members are unskilled, unmotivated but trainable.
929. Information availed to the CRM from various official sources show that the informal sector in Mozambique employs an estimated 7.2 million people (75.1 percent of EAP) as employers or employees. Another 1.7 million is employed in informal agriculture micro-enterprises and 0.5 million in informal businesses in the urban areas.

Table 5.9: Formal Sector Employment in Mozambique by Province

Provinces	Enterprise Census	Percent	Formal Jobs	percent
Cabo Delgado	1442	4.5	6194	2
Gaza	3158	10	22644	7.3
Inhambane	1964	6.2	15306	4.9
Manica	2083	6.6	10127	3.3
Maputo Cidade	8823	27.8	141009	45.3
Maputo Província	2754	8.7	32124	10.3
Nampula	2505	7.9	17993	5.8
Niassa	772	2.4	4041	1.3
Sofala	5619	17.7	30266	9.7
Tete	1672	5	7504	2.4
Zambézia	1043	3.3	24060	7.7
Total	31735	100	311268	100

Source: National Institute of Statistics, 2009.

930. Mozambique needs to continue pursuing a policy of providing incentives for businesses to become formal, as a major contribution to corporate governance developments. The CTA is critical to the development of the private sector. Current efforts which include lobbying Government to attend to private sector interests and coordinating business associations have produced some results and should be strengthened.
931. Further, the simplification of tax payable by small businesses to 5 percent of gross sales has positive and negative sides. The levying of tax not based on profit could lead to eroding of capital while the declaration of gross sales without a verification mechanism will continue to challenge the integrity of the tax payers.
932. The CRM suggests that CTA should be capacitated to promote good corporate governance within the private sector through implementing a code of best-practice amongst its members, instituting programmes for skills development and making inroads into the growing informal sector to assist with their transformation into the formal sector.
933. One important area which requires strengthening is ethical education to train members who are engaged in both public service and private business to appreciate the potential “conflict of interests” situations and to accept 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 there is a level playing field with regard to access to credit between men and women. In general, there is no discrimination but some married women still appear to require the spouses guarantee for obtaining loans despite the fact that the new Commercial Code has removed that requirement. More public awareness will improve the equal competitive conditions.

III. Recommendations

935. The APR Panel recommends that Mozambique:
- Develop National Social Responsibility Plans and Guidelines, in order to, amongst others, offer guidelines on specific areas where corporations could focus on in their social responsibility [*Ministry of Planning and National Development; MoF*];
 - Highlight corporate governance and best practice indicators (transparency, accountability, social responsibility, etc) in national surveys, such as *Top 100 firms* survey developed by KPMG in order to encourage their adoption by corporations[MoF];
 - Introduce reforms to offer more services to its members including [CTA]:
 - Finalisation, adoption and implementation of a Codes of Good Corporate Governance and Ethics; and,
 - Improving business efficiency and effectiveness through skills development, public awareness and nation-wide public lecture programmes.

Objective 3: Promoting 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 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 an ethics code 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 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 for popularising anti-corruption laws. In procurement, a reduction of government discretionary powers and corruption is required. In particular, there is need for publication of all public contracts awarded in the government bulletins, including government earnings from exploration contracts for coal, gas and petroleum.
939. The CSAR discloses that Global Integrity (2006) cited the privatisation process in Mozambique as full of corruption. The banking system alone suffered over \$400 million in losses during the 1990s due to corruption. Foreign investors complain of having to give away shares to state workers in return for *licenses*. It is noted in the CSAR that even in *business registration*, it is difficult to obtain documentation unless a bribe is paid. Corruption has become the accepted norm for doing business.

940. The CSAR observes that some foreign importers manage to import goods at a cheaper rate through customs than local businesses. This also promotes the *informal sector* which presumably buys supplies from the foreign importers which does not pay taxes.
941. With the exception of the Taxation Authority (ATM) and the Ministry of Industry and Commerce (MIC), no other government department has managed to combat the phenomenon of *inspectors* sharing 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 inter-provincial borders. This is most notable in Zambézia province.

Perception of Justice

942. The CSAR highlights the perception that justice is only for the rich in Mozambique, 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 reprisals.

Role of Media

943. Focus Groups observed that the press often do 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 that information and numbers on corruption cases should be published to heighten public awareness.

The Anti-Corruption Institutions

944. The CSAR discloses that the institutions formed to combat corruption are not well known to the public, and that the general perception is that these institutions do not work. It suggests the need to popularize anti-corruption bodies and extend organisations such as the *Gabinete de Combate à Corrupção* to the district levels. However, it notes that the so-called *Gabinetes de Combates à Corrupção*, apart from being located in the capitals of the provinces, are not known to intervene in any corruption cases. Moreover, no big corruption cases have been prosecuted in Mozambique, and no prominent person has been convicted. Anti-corruption bodies are also staffed by non-experts and public servants without the proper training and commitment. The institutions should be truly independent of government.

Public Declaration of Assets

945. The CSAR observes that some citizens live ostentatiously well beyond their salary levels and calls for a public declaration of all assets of people nominated for public positions. It also recommended the use of the police group – SISE – in prosecutions, as it is seen as an effective organisation.

II. Findings of the CRM

Absence of National Codes of Best Practices

946. The CRM notes that, besides the company laws and other related legislation already discussed, Mozambique does not have a code of best practices of its own. CTA, in cooperation IFC, NORAD, NCG and AMSCO, developed a code of good governance for companies to support what is already legislated in the company laws. The *Manual de Governação de Sociedades* 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/diploma to show that they strictly adhere to Mozambican rules, they do not bribe nor accept bribes, respect shareholders and stakeholders rights and that they are engaged in servicing society.
948. Various NGOs have also started drawing some codes of best practices 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 practices. The Institute of State Participation (IGEPE), in consultation with the IOD, has drafted an ethical code intended to be widely applicable on a voluntary basis.

Corporate Social Responsibility in Mega Projects

949. The CRM noted that the extent to which corporate stakeholders are treated in a fair and just manner or whether their rights are protected in Mozambique are dependent mainly on the justice system and, also on awareness by stakeholders of their rights. The CRM learnt that communities living in areas where large projects (Mozal, Sasol, Moma, Quirimbas, Niassa Reserve) are located are apparently benefiting from social programmes launched by these projects. Documentation availed to the Mission also revealed that it is mandatory by law that part of the turnover from community eco-tourism and safari projects in Tete and Sofala 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. As noted in Chapter Four, most companies in Mozambique are very small, with an average estimated turnover of less US\$100,000 per year. A small business does not stimulate compliance with corporate governance, due to the costs involved. The third constrain of a weak judiciary system has already discussed above.

Disclosure of Information

951. The CRM notes that the new Commercial Code mandates timely disclosure of information to the shareholders. For example, Article 415 of the commercial code specifies what information is required to be provided to all shareholders of a private public company (SA) in advance of the shareholders meeting. Beside a factual report of the company, it is required that a statement of accounts is also prepared and provided with the independent auditor's opinion.
952. Although the international standards of accounts that are now being adopted in banks but 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 called *Conselho Fiscal*, with independent powers to research and report on company's performance to Parliament.
953. However, the CRM notes 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 not helped the situation.

954. The CRM observes that, with the current capacity constraints prevailing, the GoM does not have the competence to investigate economic crimes. Recent widely reported examples which did not progress very far are the bank scandals (i.e. Mozambique Commercial Bank & Banco Austral). 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, illegal trade of goods, etc, are some of the problems faced by the Mozambican society. Although an effort is being made to train lawyers and accountants in both private and public universities, there is still weak capacity in legal accounting. 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 practice in better organised societies are critical to improving business ethics and tackling white collar crime.

Corruption in Mozambique

956. The CRM notes that corruption is a major governance challenge in Mozambique. The Berlin-based anti-corruption NGO – Transparency International (TI) – has placed Mozambique among those countries where ‘corruption is perceived as rampant’. In TI's latest Corruption Perception Index (CPI), Mozambique is ranked in 99th position out of 163 positions –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 zero to ten - with zero indicating extremely high levels of perceived corruption and ten indicating very low levels. A score of less than three indicates ‘rampant’ corruption - there are 71 countries in this group, including Mozambique, which scores 2.8.⁶⁶
958. The CRM notes 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 of the Republic has promised to move strongly against corruption..
959. According to the TI Report, despite improvements in Mozambique's justice system since the end of one-party rule in 1994, the independence of the courts is still not guaranteed. The report listed 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 is relatively free to report on corruption and economic crime. However, the investigative capacity of reporters and their knowledge on specialised subjects such as economics and finance is very limited. This results in the poor quality of reporting. Strengthening the capacity of journalists to investigate economic crimes could be a major contribution to fight corruption and promote business ethics in Mozambique.

⁶⁶ 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.

961. ETICA and other business organisations could be targeted and capacitated to systematically research and report on the state of business ethics and corruption. These reports, when widely published, would motivate policy makers to take action either on policy reforms or support improvement in the performance of the judiciary.

III. Recommendations

962. The APR Panel recommends that Mozambique:
- Conduct nationwide awareness campaigns to promote business ethics, work ethics, individual ethics and integrity, respect of systems, efficiency and effectiveness, importance of safeguarding of national assets, conflict of interest etc all sectors [*Public/Private Partnerships and civil society*];
 - Promote shareholder education and information dissemination to empower the shareholders to appreciate and claim their rights, but equally important to reform their duties to the corporations [CTI; IoD; GVM];
 - Establish an Institute of Chartered Accountants to promote self-policing by of the observance of IFRS and best practices in corporations [CTI; MoF];
 - Arrange training for the media to enhance their investigative capacity in the promotion of ethical business standards. CTA is specially positioned to mobilise resources for the professional training and exposure;
 - Assist CTAs to ensure self-regulation among their members by:
 - Establishing codes of best practices in all business associations; and,
 - Strengthen the board of directors to encourage annual corporate self-performance assessments and individual director evaluation.

Objective 4: Ensuring 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 shareholder rights, including, among others, the right to convey or transfer shares, obtain relevant information on the corporation on a timely and regular basis, and 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 and bankruptcy laws and the level of compliance with, and enforcement of, such legislation and codes; interactions between stakeholders and corporations; access to information; and rights of participation by stakeholders in relevant fora.

Conditions of Work

964. The CSAR observes that many companies do not respect worker 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 worker human rights and 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 Welfare. According to the CSAR, inspectors do not consult workers during inspections. It is also states that foreign workers receive more pay for the same type

of work. Workers were also unsure of the compensation they would receive for being dismissed as a result of living with 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 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 of trade unions are the lack of qualified staff and the low number of 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 (INSS). However, the amount paid out is insufficiently tied to inflation, which leads to extreme difficulties for the beneficiaries.

Corporate Social Responsibility

969. The Background Paper underlines the critical issues of private sector unfamiliarity with emerging CSR norms. This is corroborated in the CSAR where it is noted that community and social programmes organised by business are not of wide occurrence in Mozambique. The CSAR discloses civil society perceptions that companies in general do little in social terms for the communities. Moreover, the CSAR observes that since the introduction of the open economy, many workers have lost their jobs or benefits such as food and child care.
970. However, the CSAR contrasts this dismal record with the observation that in the last few years major companies abide by the principles of their social and environmental responsibilities, and therefore inform their stakeholders about their activities. Companies such as Mozal, CDM, MCEL, and Vodacom, among others, have programmes that are helping construct schools, 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 Global Compact.

Consumer Rights

971. According to the CSAR, the consumer is often unaware of his/her rights. Furthermore, where laws exist, they may be ignored- for example, the law that forbids selling alcoholic drinks to young people under the age of 18.

II. Findings of the CRM

Employment

972. The CRM observed that formal sector employment in Mozambique is extremely low, employing less than 5 percent of the economically active population. Even if the figure of about 7.2 million citizens in self employment, living mostly in rural areas is included, the level of unemployment is about 20 percent among active population. This high level of unemployment requires job creating growth.

Fair Treatment to shareholders

973. The Commercial Code has legislated into law some of the basic practices for fair treatment of stakeholders.
- Article 6 - clarifies the applicable law amongst the contracting parties as between Mozambican and foreign law;

- Article 11 – permits spouses to carry on business “irrespective of whether they have authorisation from other person” or not;
- Article 10 – Gives clarity on the age to do business by minors (18yrs);
- Article 12 – Stipulates that the law of Mozambique shall apply for transactions contracted in Mozambique;
- Article 25 – Stipulates compulsory renewal of lease for at least one term protecting the interests of the lessee for that period; and,
- Article 76 - Entrenches non-competition in law by prohibiting competition against sold businesses save for express permission of the buyer. This protects sold businesses against unscrupulous sellers who may establish competitive business leading to 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 or responsibilities and the director’s duties, shares and protection of shareholders. Whereas subsidiary legislation may be issued by regulation bodies, it is preferable for the main law to make stipulations on the key matters especially on:

- Protection right on the shares, their registration and transferability;
- Protection of the minority shareholders; and,
- The responsibility of directors.

Trade Unions organisation

975. Mozambique has a very short history of independent trade unionism, and virtually no experience with 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 Portuguese owners and technicians had fled.

976. In 1983, the state created the Organisation of Mozambican Workers (OTM) and these councils came under its control. The OTM 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 in currency at the time.

977. Starting in 1985, the OTM began to create national unions, assigning each to represent a different sector of the economy. In effect, rather than represent workers, the unions functioned more as departments of the OTM, implementing 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 ONJ) and a teachers' union (the ONP) which were created independent of the OTM and continue to function as such.

979. The effects of the break-up of the communist system in Eastern Europe in the late 1980s were deeply felt in Mozambique. The 1990 Constitution created a multiparty political system, put emphasis on the rule of law, and opened the way to a free-market economy. At the OTM national conference in November 1990 new statutes were passed, making it independent of any political party.

980. As a further democratic reform, the government passed a 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 of unions, who were given, among other rights, 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 - Civil Construction and Mining (SINTICIM), Hotel and Tourism

(SINTIHOTS), and Road Transport (SINTRAT) - went one step further. They announced their break with the policies and structure of the OTM.

982. The CRM notes that the Unions have considerable powers in relation to the labour policy and reforms negotiations and in relation to issues such as minimum salary in Mozambique.

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 are developing their own social programmes with impacts on local communities. The HIV/AIDS programmes, schooling development, health centres, and community participation in the management of natural resources, are some of the programmes developed by the large projects. But the CRM did not find systematic information on community and social projects undertaken by Mozambican companies.

Environmental Management and Sustainability in Mozambique

984. The CRM notes 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 the Forest and Wildlife Law and the Land Law constitute major legal instruments to mitigate and prevent environmental degradation.
985. Mozambique's major environmental problems stem from:
- Localised water and soil pollution;
 - Urban environment;
 - 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 small size, some industrial activities have been located in heavily populated areas without prior environmental impact assessment. These industries are the source of the effluent from textile and paper industries (caustic soda and cellulose) dumped in rivers. The cement factories in Maputo and Nacala are well known for their filtration problems. Others industries that are a source of concern in towns include petroleum refining, chemicals, explosives, fertilizers, and painting.

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 administrative capacity to cope with the basic needs of the growing population.

Tsetse fly Infection

988. Tsetse fly infection is among the principal limitation to the growth of livestock production with an adverse impact on rural incomes. In humans, tsetse fly infection is the cause of sleeping sickness. It is estimates that almost 75 percent of the geographical area of Mozambique is infected by the tsetse fly.

Threatened ecosystems

989. The threatened ecosystems include the mangrove vegetation and coral reefs in Mozambique. The mangrove are being destroyed through their use in agricultural, fish farm tanks, salt pan and unsustainable extraction of 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 species and crustaceans. Coastal erosion is a direct consequence of unsustainable extraction of mangrove vegetation.

Deforestation and bush fires

990. Deforestation and bush fires are a major problem which takes away an estimated 120,000 hectares per year. It has been noted that uncontrolled fire and firewood extraction are major causes of deforestation.

Water resource degradation

991. Water resource degradation is happening along the rivers basins, lakes, lagoons, marshes, wetlands, dams and aquifers formations. Mozambique requires a strategy to preserve fresh water as this is becoming an increasingly scarce commodity.

III. Recommendations

992. The APR Panel recommends that Mozambique:
- 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: Providing for accountability of Corporations, Directors and Officers

I. Summary of the CSAR

993. This objective relates to the effectiveness of the corporate governance framework regulating disclosure requirements, the enforcement thereof and the adequacy of remedies for breach. The CSAR did not discuss this objective in detail. No detailed information was 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 number 13/84 of 14 of December approved the General Accounting Plan (GAP) applicable to all economic activities with exception of banking and services. The objectives of the plan are the standardisation of companies accounting and to guarantee homogeneous information gathering and economic control needed in the planned national economy. In meetings with stakeholders, the CRM was informed that the GAP has led to the establishment of uniform code of accounts, terminology, modalities of accounts process, valuation criteria's, general methods to determine company results, models for demonstrations 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 International Accounting Standards (IAS). The most important

differences are in the areas of inventory, intangible assets, the 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 notes that it is presently too complicated for the vast majority of small businesses in Mozambique to comply with such systems. Small and medium size firms should be able to use the cash method if it is more appropriate.
997. Since the beginning of 2005 there has been a discussion to reform the Mozambique accounting system in order to make it adequate or in line with international best practices. In fact, IFRS practices have been enforced in banking system since 2008 and other corporations will adopt the standard starting 2010.

Commercial Code

998. The CRM noted that the objective of the Commercial Code is partly to provide full accountability of the financial records to the stakeholders and partly to ensure integrity of the financial records. In article 43, the statutory books are given as:
- Journal – to record all transactions of the enterprise;
 - Inventories - to ensure all the assets stocks of enterprise are fully accounted for, to demonstrate sustainability of the enterprise; and,
 - Minutes book (register).
999. However, the following financial statements which in many jurisdictions form part of the statutory records are not stipulated:
- The profit and loss statement showing the viability of the business;
 - The cash flow reflecting the liquidity of the enterprise; and,
 - The equity statement showing the solvency of the business.

III. Recommendations

1000. The APR Panel recommends that Mozambique:
- Define the accountability parameters in corporations, starting with the functioning of the boards-to incorporate board selection-appointment, skills/gender mix on board, board/management relations, operational and risk management plans, reporting, communication policy, etc [*MoF; IoD*];
 - Establish local professional institutions e.g. Institute of Personnel Management; Institute of Chartered Accountants etc [*MoF; CTA*];
 - Adopt a set of rules and principles for a critical mass of professionals to be trained [*MoF; MPD*];
 - Amend Article 43 of the Commercial Code on disclosure of financial records to include:
 - Profit and loss to show viability of the enterprise;
 - Cash flow to disclose liquidity of the corporation; and,
 - Equity statements to show the solvency of the corporation.

CHAPTER SIX

6. SOCIO-ECONOMIC DEVELOPMENT

6.1 Overview

1001. Sustained socio-economic development implies the continuous improvement in the well-being and in the standard of living of the people. It is premised on the principle that, in the context of accelerated economic growth, poverty can be effectively reduced 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 momentous task of rehabilitating and developing its shattered economy, and raising the standards of living of the population. As noted in Chapter Two, Mozambicans were caught up in probably among the worst possible quality-of-life conditions in the world, during the civil war.
1003. Since 1992, Mozambique has made great strides in recovering the economic and socio-cultural infrastructure lost during the civil war. As part of this process, the country has signed and/or ratified international standards and codes in order to benchmark progress in socio-economic development against accepted international norms and practices.
1004. At the time of the first national household survey in 1996-7, Mozambique was recognised as one of the world's poorest countries (UNDP, 1997).⁶⁷ According to UNDP, in the 1996-7 national survey of household consumption (known as IAF96⁶⁸), the mean consumption per capita in Mozambique was actually below the absolute poverty line.
1005. The government's PQG *Plano Quinquenal do Governo* (Five-Year Programme) and *Plano de Acção para Redução da Pobreza Absoluta* [National Poverty Reduction Strategy] or 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 social economic conditions and to effectively contribute to the development of the nation by having easy access to basic services including education, health, food, clean drinking water and sanitation.
1006. Mozambique has, no doubt, made remarkable progress towards achieving some major socio-economic 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. As noted in Chapter Four, the economy has grown at an average rate of 8.4 percent per year over the past five years, while the income poverty headcount has declined from 69.4 percent in 1997 to 54.1 percent in 2003.
1007. There has also been notable progress in school enrolment, with net enrolment rate rising from 51 percent in 1997 to 95 percent in 2007, whereas EP2 recorded a 13 percent rate during the same period. Equally, efforts are underway 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 with regard to the development and distribution of health centres across the country and training of needed human resources. Despite 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 (NIS, 2007).

⁶⁷ UNDP (1997). *Human Development Report 1997: Human Development to Eradicate Poverty*. Available at: <http://hdr.undp.org/reports/global/1997/en/> (20 February, 2009).

⁶⁸ The abbreviation IAF is from the Portuguese name for the survey, *Inquérito aos Agregados Familiares*, or 'Household Survey.'

1009. Although there has been notable socio-economic progress over the years, effective policy implementation remains a critical challenge. Corruption, inadequate resources, lack of capacity, particularly at lower levels, and politicisation of development programmes are major challenges, reinforced by deficient public expenditure management, revenue enhancement and coordination of development assistance. Weak policy and programme implementation in Mozambique suggests that there is 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 unemployment, particularly among the youth.
1012. Another source of concern is rising income inequality. Mozambique has not been able to fully address the problem of rising income inequality (within and across regions and between urban and rural areas). The inequalities are not only evident for income but also for other basic social services such as health and education.
1013. Underlying all this is Mozambique's high dependence on external sources of funds. While this dependence has been declining over the years, it 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 various policies over the years.

6.2 Standards and Codes

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 standards and codes. Mozambique recognises the need to subscribe to and implement international instruments. According to the CSAR, Mozambique has signed and ratified most of the major international instruments on socio-economic development.
1015. In the CSAR, the following are listed as some of the international standards and codes that Mozambique has ratified:
- African Union Constitution Act – 2000;
 - NEPAD Framework Document (2001);
 - African Charter on Human and Peoples' Rights (1990);
 - Constitutive Act of the African Union (2000);
 - Universal Declaration on Human Rights-
 - World Summit on Social Development Plan of Action (1995);
 - International Convention on Civil and Political Rights-
 - United Nations Convention on the Rights of the Child (1989);
 - Convention on the Elimination of all Forms Discrimination against Women (1979)
 - The Beijing Declaration and Platform of Action (1995)
 - Convention against all Forms of Racial Discrimination-
 - Protocol to the African Charter on Human and Peoples' Rights on the Rights of Women in Africa (2005);
 - Protocol of Option to the Convention on the Children's Rights on the Involvement of Children in Armed Conflicts-;
 - Protocol of Option to the Convention on the Children's Rights on the Selling of Children, Child Prostitution and Child Pornography-; and,

- Protocol of Option to the Convention Against Torture and Other Cruel, Inhuman or Degrading Treatments or Punishments.

1016. According to the CSAR, all the above standards and codes are in line with the main thrust of government policy making in recent years. Specifically, NEPAD and African Union instruments are consistent with the pan-African spirit of all post-independence governments in Mozambique, which have stressed the importance of African historical experience as the foundation of pragmatic politics on the continent.
1017. However, the CSAR admits certain important instruments on socio-economic development still need to be ratified. For example, in spite of Mozambique having signed the protocols relating to the Right to Development of 1986, Sustainable Development of 2002, Millennium Development Goals in 2000, these instruments have not yet been ratified despite their being the backbone of the standards and norms in the promotion of socio-economic development.
1018. Mozambique is also yet to ratify the SADC Protocol on Gender Equality and the Convention on Disability. This is ironic given that females comprise 52 percent of the country's population, while the number of disabled people is high as a result of the 16 year civil war.
1019. Nonetheless, the CSAR states that the standards and codes find internal expression in some of the most crucial development initiatives. According to the CSAR, the implementation of these standards and codes has reached an advanced stage as they have been mainstreamed in key socio-economic programmes and strategies, such as Agenda 2025, PARPA, the Government's Five-year Plan and the annual PES. These and other policies and sectoral programmes are said to reflect the commitment of government to eradicating poverty and reaching the MDGs.
1020. The CSAR further sheds light on the process of adherence to international standards and conventions. These are sealed by the MNE and submitted to Parliament for its observations by the Committee for Legal Issues and the Committee for International Relations. The committees then submit the proposal(s) to a parliament plenary session for ratification.

ii. Findings of the CRM

1021. While Mozambique recognises the need for international standards and codes, as noted in the CSAR, there is no detailed and systematic discussion of the international treaties that Mozambique has ratified or domesticated on socio-economic development. The dates when some international instruments were ratified are in some cases not provided.
1022. It is also not clear why Mozambique has not been able to ratify the remaining conventions, in particular, the Protocols on the Right to Development of 1986, Sustainable Development of 2002, and Millennium Development Goals in 2000.
1023. In interactive sessions, the CRM observed a general lack of awareness and understanding of the various standards and codes which the government is a party to on socio-economic development, among stakeholders. A major factor which hinders dissemination of information on the ratified standards and codes are high the levels of illiteracy and 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 lack of information on the depository of ratified and domesticated standards and codes. Generally speaking, information on conventions is hard to come by in Mozambique. This is important to bear in mind, since 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:
- Ratify and domesticate all outstanding instruments [*Ministry of Foreign Affairs, Parliament*];
 - Create an easily accessible database on signed, ratified and domesticated standards and codes for their monitoring [*Ministry of Foreign Affairs*]; and,
 - Design a programme to disseminate information on signed, ratified or domesticated standards and codes and encourage their utilisation in policy formulation and programme and project design [*Ministry of Foreign Affairs, CSOs*].

6.3 Assessment of the Performance of APRM Objectives

Objective 1: To Promote Self-reliance in Development and to 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 well-being. The process of preparing PARPA II, under the responsibility of the government but involving civil society and international partners, illustrates the need for national leadership for 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 in this respect cites various programmes that the government has come up with to promote national development. Principal among these are PARPA II and 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 at promoting social and economic progress.

PARPA II

1030. At present, Mozambique's development strategy is framed in the *Plano de Acção para Redução da Pobreza Absoluta II* (Action Plan for the Reduction of Absolute Poverty II – 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 GoM is consolidating macroeconomic stability and undertaking a second wave of structural reforms, encompassing 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 infrastructures and agriculture, rural development, and better macroeconomic and financial management.

1032. However, PARPA II differs from the previous one in that it has broader priorities that include greater integration of the national economy and an increase in productivity. In particular, it focuses attention on district-based development, creation of an environment favourable to the growth of the nation's productive sector, improvement of the financial system, measures to help small and medium-size companies to flourish in the formal sector, and the development of both the internal revenue collection system and the methods of allocating budgeted funds. It is a flexible development strategy which is adjusted and updated annually using the Medium-Term Fiscal Framework, the Economic and Social Plan, and the State Budget, which are tools used to implement the Government's Five-Year Plan.
1033. The CRM noted that the PARPA II document is structured in terms of three pillars: governance, human capital, and economic development. The pillars 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 well-being of the citizens. It is also aimed at making it possible to examine the connections between the three pillars in order to improve coordination.
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. Also included 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, and 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 part of the resources in the state budget will be used to finance classic social services that cover a huge proportion of the population, including the poorest.
1036. The *economic development* pillar concentrates on conditions basic to the pursuit of productive activity, such as improvement in infrastructures that promote the creation of wealth and ensure the availability of natural resources, a reduction in bureaucratic obstacles, and the enactment of legislation that safeguards citizen rights and encourages gains in productivity, and innovation. It will also give priority to inter-sectoral connections in order to ensure higher productivity in agriculture and related sectors. Additional priorities are the development of the banking and financial systems so that they may fulfil their duties in retention of savings and active financing of production, particularly production by small and medium-sized companies.
1037. In terms of funding the development programmes, planning, budgeting and public financial management operations are all governed by the Integrated System for State Financial Management (e-SISTAFE) legislation. This legislation was approved in 2002 in an attempt to modernize the Public Financial Management (PFM) architecture. The e-SISTAFE is defined along five core sub-components, which have also constituted the main areas of PFM reform in recent years: (1) state budget organisation and preparation, (2) public accounts, (3) treasury operations, (4) state procurement systems and (5) internal control.
1038. With regard to planning and budget formulation functions, 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, central, provincial and district – are formulated and captured within the general framework of the annual national economic and social plan (PES) and its associated state budget (OE). The government's PES and OE are prepared on the basis of the policy priorities defined in the government's five-year programme, which, since 2006, is being operationalised through the PARPA-II document.

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 PES and OE also takes into account the financial projections included in the MTFF, which provides the medium-term financial envelope for government programmes, as well as the link between strategic priorities defined in the PARPA-II strategic document, annual plans and yearly budgets.

The roles of the Ministries of Finance and Planning and Development

1040. Since 2005, planning and budgeting functions in Mozambique are the responsibility of two separate ministries: the Ministries of Finance (MoF) and 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. The MPD defines national strategic policy guidelines every five years in the government's five-year programme, which essentially draws from the political manifesto of the incoming government. It also coordinates the preparation of the medium term planning and budgeting instruments, PARPA and MTFF, which serve to operationalise the government's five-year plan. Finally, it compiles the PES and reports on mid-year and annual performance. In its current form, the PES is essentially a compilation of sector-level and provincial plans, the latter in some cases produced on the basis of district annual planning exercises.
1041. The MoF, on the other hand, is in charge of preparing the annual budget and managing public financial systems. Since 2006, the former is prepared each year on the basis of the overall resource envelope defined in the MTFF, as well as on information on the availability of external funding. With this information the MoF defines budget ceilings for the main components of internally financed investment and recurrent expenditure: salaries, goods and services, etc. These ceilings are defined for each line ministry, provincial government, district administration and municipality and 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.⁶⁹
1042. During the process of planning, executing, monitoring, evaluating and adjusting PARPA II, strategies, programmes, and sectoral and cross-sectional programs and plans were also used as basic documents. Regional, African and international agreements, including the Millennium Development Goals (MDG), New Partnership for the Development of Africa (NEPAD) and the Southern African Development Community (SADC), were consulted.
1043. Because of the importance that the Government of Mozambique attaches to participation by civil society and appropriate use of the contributions from the cooperation partners in the achievement of the objectives defined here, the drafting of PARPA II took into account the opinions of both groups.

Recent Developments in Planning, Budgeting and PFM

1044. The various problems affecting 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 the government's poverty reduction efforts, have led the government to place these issues at the top of its reform agenda in recent years. This has resulted in various reform initiatives being articulated in all of these areas.

⁶⁹ In this respect, it is important to note that provincial governments, district administrations and line ministries are simply a territorial extension of the national government at the provincial, district and sector level. Consequently, their budgets and annual plans should be viewed as an integral part of the national (consolidated) budget and 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.

1045. In the areas of planning and budget formulation, the GoM has taken a number of steps to improve the links between planning and budgeting functions and 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*. In line with the PARPA-II document, the MPD and the MoF have also developed a common methodology for budget and planning preparation for all levels of the public administration.
1046. In addition, the MTFF, first developed in 1998, was modified in 2006 to take into consideration policy changes contemplated in the PARPA-II document and take into account territorial considerations, with basic expenditure projections defined at a provincial, district and municipal level. The Government, together with its international cooperation partners, have also been working to bring all external funds ‘*on budget*’, to ensure the completeness and inclusivity of the national planning and budget formulation process. To this end, the government together with several donors created in 2005 a specific *on-budget* taskforce to help establish better links between the different actors in the budget 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 area have been mostly directed at introducing modern PFM systems and providing the human, technical and managerial resources that can ensure the correct, timely and flexible allocation and use of financial funds throughout the Mozambican public administration. In this respect, the government set up in 1999 UTRAFE, a government management unit in charge of designing, implementing and overseeing reforms in this sphere. This was followed, in 2002, by the passing of the SISTAFE body of legislation.
1048. In the CSAR, however, there is no serious attempt to discuss Mozambique’s firm ownership of the development process (i.e. policy package, directions, options and priorities of development, etc) in the country. This is not surprising given that Mozambique’s socio-economic 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 key buzz words of the international aid business.⁷⁰ This emphasis on the importance of ownership is embodied in the *Paris Declaration on Aid Effectiveness*. At the centre of the Declaration is the idea of country 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 only to accept aid that suits their needs.

Aid Dependency in Mozambique

1050. Despite recent macro-economic improvements, Mozambique, as noted in Chapters Two and Four, 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 GoM attends the World Bank's Consultative Group for Mozambique, which brings together the country's major creditors in form of Programme Aid Partners as part of the Memorandum of Understanding (Box 6.1). The *multi-dimensionality* nature of high donor dependency in Mozambique is a major source of concern.

Box 6.1: The Dynamics of Aid Dependency in Mozambique

⁷⁰ As a determinant of *commitment* to reform or *appropriateness* of the reform programme, *ownership* (or lack of it) is referred to by recipient governments, donors and lenders, civil society organizations and scholars, alike, to explain success and failure of development aid and policy reform programmes.

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 (Ratila 1990). From 1987, still under generalised war conditions (the peace agreement was only signed in October 1992), the Government of Mozambique embarked in the implementation of its Program of Economic Rehabilitation, recommended and supported by the Bretton Woods institutions and the broader donor community. Twenty years later, the economy has grown and peace has been consolidated, and aid dependency has penetrated in every pore of the social, economic and political sphere. More than two thirds of public expenditure, including off budgets, are financed through aid. The current account deficit in 2006, excluding the contribution of mega projects, was equivalent to 15 percent of real GDP; this deficit is mostly financed through international aid. In 2005 and 2006, total aid flows to Mozambique, of which 80 percent finance public expenditure (on and off budget), reached a figure close to 25 percent of GDP.

Sources: official statistics from <http://www.ine.gov.mz>, Castel-Branco, 2007; Castel-Branco, Sulemane *et al* 2005, and Ernst & Young 2006.

The Multidimensional Nature of Aid Dependency in Mozambique

1052. Interactions with stakeholders, especially government officials, and a review of evidence availed to the CRM from various government ministries and departments, have led the CRM to conclude that Mozambique is heavily dependent on international aid in a multidimensional, structural and dynamic manner, namely, with respect to finance, policy choices, institutional building, the culture of civil service and civil society organisations, and even the development and dynamics of political institutions and of the economy. Several independent analysts have made similar observations.⁷¹
1053. Given this high aid dependency, there is no doubt that donors and lenders have penetrated in each area and level of policy debate and decision-making in Mozambique. The International Monetary Fund (IMF) appears to have a strong hand on macroeconomic policy making, particularly with respect to monetary, public finance and balance of payments policies and management. This appears to create policy rigidities and reduces policy space. Similarly, the World Bank has introduced a performance-based loan system which 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 Bank's view of sound economic policy and business environment – for example, the adoption of more liberal labour market and foreign investment legislation – which 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:
 - Immediately begin to explore ways and means of reducing the country's aid dependency over time by preparing a properly articulated aid exit strategy. [*Ministry of Planning and Development; Ministry of Finance*]; and,
 - Strengthen the implementation of the Paris Declaration on Aid Effectiveness in order to strengthen country ownership of development policy and aid activities [*Ministry of Planning and Development; Ministry of Finance*].

Objective 2: To Accelerate Socio-economic Development 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 improvements in the wellbeing of the citizens. Post-1992 Mozambique has achieved commendable results in improving education, health, safe drinking water and sanitation, and social development in general.

⁷¹ Castel-Branco, Sulemane *et al.*, 2005, de Renzio and Hanlon, 2007, Macamo, 2006, Hodges and Tibana, 2005.

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 in the implementation of the strategies adopted, and the respective underlying policies remain.
1057. Further, despite the fact that within the process of decentralisation the district is considered the focus of development, which is praiseworthy, this importance does not yet reflect in the budgetary scenario. Only 3.0 percent of the general State budget is allocated to districts for local investment. The provinces are allocated about 30 percent of the State budget, leaving the central Government with the majority of the budget (67 percent).

Results achieved by Development Policies and Mechanisms

1058. The CSAR states that there is remarkable progress in the indicators of health and basic education. Education net rate for EP1 (lower primary) rose from 51.0 percent in 1997 to 95.1 percent in 2007 and for EP2 (upper primary) it reached 13 percent. Access to EP 1 has been a success but as the ratio teacher-student has increased (1:75), with implications on the quality of education. However, the already low access rates to secondary and technical and vocational education have registered very modest progress, frustrating the life prospects of millions of youth who finish primary education, but face enormous difficulties both in accessing higher education and training, finding jobs in the formal sector or engaging in sufficiently profitable activities.

II. Findings of the CRM

1059. As previously noted, PARPA II provides the main framework for accelerating socio-economic development to achieve sustainable development and poverty reduction in Mozambique. While the GoM and CSOs appear to have different ideas on how best to fight poverty, the PARPA process has brought them together through the *Poverty Observatory* (i.e. a consultative forum which enables civil society groups, including the private sector, to air their views on poverty alleviation policies) The CRM considers the GoM's consultation with civil society on the monitoring and evaluation of poverty reduction a best practice with lessons for other African countries (Box 6.2).

Box 6.2: Best Practice in Policy Dialogue on Poverty between the State and Non-state Actors in Mozambique

The emphasis on policy-making geared towards poverty alleviation provides a good framework to gauge whether progress can be articulated with public action in any meaningful way. PARPA (i.e. the Programme of Action for the Eradication of Absolute Poverty) has introduced the Poverty Observatory (PO), which has turned out to be a useful platform for dialogue between the Government and civil society. The Observatory brings together Government representatives and representatives of civil society organisations, including employers' associations and trade unions. It has a consultative character, but has proven a powerful instrument to broaden the discussion of policy options in the country. The PO allows for the participation of civil society through 20 seats that are allocated to the Goup20 (G20). The G20 is a network of CSOs that originally consisted of 20 CSOs but the number of participating CSOs is higher, as it varies according to the time and interest of civil society representatives. The G20 is filling the gap of information sharing and facilitating consultation with the civil society organisations on the issues of the budget process. It also engages the Government in the discussion of policy by making concrete suggestions on how to tackle certain issues. From 2005, the G20s mushroomed in provincial capitals of the country to represent civil society in the provincial Poverty Observatory. The work of the Provincial Poverty Observatory in turn feeds into the National Poverty Observatory. Since the Poverty Observatory was launched in 2003, it has held at least one plenary session per year at the national level. The outcome of the Poverty Observatory process is presented to Parliament and feeds into the development of the annual development plans.

Source: Field notes, Mozambique, 7 February – 2 March, 2009.

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 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: Millennium Development Goals

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 Mozambican government's Poverty Reduction Strategy has had some success in reducing the proportion of Mozambicans living in absolute poverty, from 69.4 percent in 1997 to 54.1 percent in 2003.
1063. However, it is difficult to ascertain poverty reduction in Mozambique beyond the year 2003 due to lack of recent data. This presents a major change to policy makers to design and implement appropriate anti-poverty programmes. Significantly, it makes it difficult to monitor progress on the attainment of the Millennium Development Goals.
1064. On the basis of the available data up to 2003, Table 6.1 presents the poverty headcount, poverty gap and squared poverty gap between 1996 and 2003 in Mozambique, with 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, which is to reduce the incidence of absolute poverty to less than 60 percent by 2005, was attained.

Table 6.1: Poverty Headcount and Poverty Gap

Geographical Regions	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
Zambezia	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

Source: Brück, T. and K. van den Broeck, (2006; p.14).

Regional Differentiation in Poverty Reduction

1065. While the difference between urban and rural areas has been narrowed from 9.3 to 3.8 percentage points, Table 6.1 shows that the differences between geographical regions have been enlarged. A very large decline in poverty (28.3 percentage points) is observed in the Centre, a much smaller decline in the North (11 percentage points) and an increase of 0.7 percentage points in the South. From being the poorest area in 1996, the Centre showed the lowest incidence of poverty in 2002.

1066. The decline in poverty in the Centre is strongly driven by a huge reduction in poverty in Sofala (51.8 percentage points) and Zambézia (23.5 percentage points) provinces, which both have large populations. However, the reduction in poverty in Sofala province seems to be overstated due to an apparent underestimate of consumption in 1996/97 (Fox, Bardasi et al. 2005). On the other hand, the presence of the second largest city in Mozambique, 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 most Northern province), Maputo Province and Maputo City (in the most Southern 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 (*Instituto Nacional de Estatística* 2004). The increase in poverty in Maputo City in particular shapes the results of the southern poverty trend.
1068. A UNDP study interpreted 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 observed. Based on a few mega-projects, as noted in Chapter Four, this growth has created few jobs, while its contribution to public revenue has been marginal when compared to its value of production.
1069. The UNDP report pointed out that the southern provinces receiving 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 neglected agriculture and fishing, the primary source of livelihood of more than 80 percent of Mozambicans. As a result, malnutrition is prevalent among poor Mozambicans, especially children, suggesting the existence of a paradox. Both the World Bank and UNICEF have alluded to this.
1070. The CRM noted that, for the poorest 60 percent of the population, nearly half of the children are malnourished (Box 6.3). The evidence shows that one-fifth of children die before they reach their fifth birthday. The main reason for this paradox is that growth is not reaching the chronically poor.

Box 6.3: Child Malnutrition in Mozambique

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 is so poor that they cannot feed their children. 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.

Sources: Hanlon, J. (2007), *Is Poverty Decreasing in Mozambique?* Conference Paper No. 14.

1071. In general, the population of Mozambique can be divided into three groups:
- At the top are perhaps 7 – 15 percent of Mozambicans with assets and jobs;
 - In the middle is an insecure group; and,
 - At the bottom are approximately half of Mozambicans, who are severely poor.
1072. The top 7 – 15 percent of the population consumes a large share of the 'national cake' and is doing well. The bottom half of the population live below the poverty line and are struggling to survive and their position is said to be worsening. The rest are fighting to stay out of poverty.
1073. A review of documents which 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, and amongst the poor (between the very poor, abjectly poor and starving);

- People are switching to eating cheaper, less nutritious substitutes which may be a cause of malnutrition; and,
- Most poor people do not have the assets to participate in the present market-centred economic model.

1074. There is no doubt that there was some decline in poverty in Mozambique until 2003. But the significance of the decline is subject to different interpretations and, inevitably, controversy (Box 6.4).

Box 6.4: Caution over the use of Mozambique's Poverty Statistics

Based on interactions with stakeholders and 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 of this for the reliability of the data collected for the surveys on poverty. Not surprisingly, the official figure of the dramatic decline in poverty (from 69.4 percent in 1997 to 54.1 percent in 2003) is highly contested by many independent observers. This figure is based on a pair of family consumption surveys (IAF, *Inquerito aos Agregados Familiares*) in both rural and urban areas in 1996-7 and 2002-3. The key contentious issue here is the definition of poverty. Two approaches were used for the surveys: a 'fixed food basket' and a 'flexible food basket'. For the 1996-7 survey, a fixed food basket was used, which reflected what people near the poverty line actually consumed. Based on this approach, 69.4 percent of the population (11.2 million people) lived below the poverty line. For the 2002-3 survey, the obvious choice was to use the same food basket 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 percent in 1997 to 54.1 percent 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. But the cost of the food bundle had more than doubled in most parts of the country, and this was well above the official rate of inflation of 77 percent. To get round this, the authorities decided to use a different food basket. Combined with some complex statistical methods, they created 'flexible food bundles'. Based on this new approach, the number of people living below the poverty line fell from 69.4 percent in 1997 to 54.1 percent in 2004. With the fixed food bundles, the decreases in poverty are entirely rural and mainly in Sofala and Tete provinces. With the flexible bundle, poverty falls in both rural and urban areas, including Zambezia as well as Sofala and Tete. Ironically, with the flexible bundle, poverty increases significantly in Maputo city.⁷² Again with the flexible bundle, and despite the population increase, the number of poor people had fallen from 11.2 million to 10 million. It is, therefore, evident that two definitions of poverty based on the food basket give two different figures – 11.7 million and 10 million – of the number of people living below the poverty line. On this basis, the reported official fall in poverty in Mozambique appears to be exaggerated. This raises serious questions about the whole system of measuring poverty in Mozambique *as it gives the impression of a statistical reduction in poverty which 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 1996-7 and 2002-3 surveys. The CRM takes the view that it is difficult to make claims of a substantial reduction in poverty on the basis of two different data sets.

1075. As noted above, the CSAR points to stagnation in poverty reduction since 2003. This has been confirmed by various sources, including the World Bank. However, recent data appear to suggest that poverty has been increasing since 2003 (Hanlon and Smart, 2008)⁷³. 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 opening opportunities. But the gains have been unequally distributed, resulting in rising inequality.

⁷² 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 the 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 2 percentage points while the reduction in national poverty would have been only 6.2 percentage points.

⁷³ Hanlon, J. and Smart, T. (2008), *Do Bicycles Equal Development in Mozambique?* Currey, Oxford.

1077. As in the case of poverty, recent data on inequality is not available. 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 interpreted as ‘no equality’.
1078. The conventional measure is the Gini co-efficient which shows a slight increase in urban inequality between 1996 and 2002. This is not statistically significant. But the Theil index, which shows a transfer from the poor to the rich, reveals quite a significant increase in urban inequality and also an increase in rural inequality.

Table 6.2: Measures of Inequality in Mozambique, 1996 and 2002

	GINI		THEIL	
	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

Source: Hanlon (2007), “Is Poverty Decreasing in Mozambique?” IESE, Mozambique.

1079. Table 6.3 below also reveals the pattern of inequality in household consumption in Mozambique between 1996 and 2003. The table shows that inequality in household consumption in Mozambique 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 South, caused much of the rise in national inequality and that the 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) or by changes in the North or the Centre of the country (which have very similar Gini coefficients).

Table 6.3: Changes in Inequality in Household Consumption in Mozambique

	Mean Consumption (as proportion of poverty line)	Increase in Consumption (in percent)	Real (in	Gini Coefficient
	2002—3	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
Of which:				
Maputo City	1.69	10	0.44	0.52

Source: James *et al.*, (2005), “Has Growth in Mozambique been Pro-poor?”

1080. Another cause of the rise in inequality is the emergence of a small but quite well-off group of households in Cabo Delgado province in the North, which may be related to the sampling problems in that province mentioned above (*Instituto Nacional de Estatística* 2004). The existence of a few, better off households, thus, 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 provinces within Mozambique has actually declined within this period (James, Arndt *et al.* 2005). Comparatively, the degree of urban inequality in Mozambique is high by African standards. The policy challenge concerning the inequality of welfare appears to lie in tackling the rising consumption inequality within Maputo City and thus to stem the small rise in consumption inequality seen in 1996-97 to 2002-03.
1082. Although the economy grew by 7.9 percent in 2007, most of the growth in income and consumption occurred among the population's richest quintile, with less than 10 percent of growth affecting the country's poorest people. In the United Nations 2007/2008 Human Development Index, the country ranked 172 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 the 2003-6 period in Mozambique. 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 ten percent per year, while the urban labour is growing at over three percent per year. On the other hand, opportunities for work in rural areas, even for *ganho-ganho* day labour, are becoming increasingly scarce because only few people are well off enough to employ 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 CRM discussions with different stakeholders in the provinces, it was generally agreed that to eradicate rural poverty, there was need to focus on improving agricultural productivity, agro-processing capacity, basic literacy and 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 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

In CRM meetings, stakeholders in the provinces identified the following as critical to reducing rural poverty:

- *People must be literate, education and vocational education acquiring technical skills is important. There is need to make primary and secondary education compulsory.* The aim should be to have rural children acquire good education and training on technical skills that they can use to undertake self-sustaining development such as small and medium enterprises;
- *There must be capacity building for high skills so that we can occupy the high technical posts in mega projects;*
- *Most people are peasants and depend on agriculture, there is need to improve agricultural productivity;*
- *Strengthen agro-processing capacity in the rural areas particularly for commodities such as cashew nuts, pineapples, mangoes, cereals, soyabean, tobacco, sugar, cotton and others;*
- *Improve the marketing infrastructure and storage facilities for agricultural produce;*
- *Promote investment into projects that create employment;*
- *Promote income generating projects such as fisheries, beehives, income generating crops and others.*
- *Address the problem of access to funding especially for young people.*

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 over emphasized. Apart from its substantial share in the GDP, the agricultural sector provides the sole medium of survival to over 80 percent of the population.

Agriculture

1087. CRM 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 GDP in recent years was mainly from agriculture, this was not necessarily from increased productivity. Rather, it was 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 agricultural productivity.

Box 6.6: Local Perceptions of Key Challenges in boosting Agriculture in Mozambique

The local perceptions included:

- Low productivity, agricultural yield per hectare is still one of the lowest in Southern Africa (GOM, 2004);

- Lack of storage or preservation of agricultural produce;
- Limited access to credit because agriculture is treated to be 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 – extension officers are not adequate to take the information to the farmer;
- Limited transport infrastructure especially roads to distribute food from high potential to low potential areas and to access markets;
- Limited availability of relevant technologies;
- Limited agro-processing capacity;
- Lack of information especially on markets;
- Limited funding for agriculture; and,
- Limited transfer of technology because technology adoption rate is slow.

Sources: CRM Interactive Sessions in Provinces, Mozambique, 7 February – 2 March, 2009.

1089. In consultations with the CRM, local people stressed that promoting agricultural development should include strategies aimed at increased agricultural productivity, promotion of agro-processing industries; promotion of the role of women in agricultural production; improvement in road and irrigation infrastructure; technologies to decrease post harvest losses and storage facilities; improved access to credit; climate change adaptation through 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 negatively affected production in the agricultural sector. In interactive sessions with stakeholders, it was also revealed that maize was being smuggled into Malawi. As a consequence, serious food shortages are experienced in some parts of the country, as pointed out during the visit of the mission to Inhambane, Gaza and Sofala provinces. This situation has led to serious food insecurity for some inhabitants, particularly those in rural areas.
1091. Urgent measures need to be taken to cope with and resolve the problem. The establishment and dissemination of national silos and other appropriate food storage facilities and increase in agricultural production through the development and promotion of small scale irrigation schemes, could be some of the corrective measures to be considered.

Social Security

1092. The CRM noted that Mozambique has a favourable policy and legal framework for social protection and has already made significant milestones. The country approved a law on social protection (Law no 4/2007) in 2007 that defines the basis of social protection in Mozambique.
1093. The Law has three pillars of social protection (a) Basic Social Security, (b), Obligatory Social Security and (c) Complementary Social Security. Mozambique approved the regulations to implement Obligatory Social Security (Decree 53/2007). The country is currently elaborating the regulations to implement Basic Social Security.
1094. The CRM also noted that the other legislation contributing to social protection in Mozambique include: The Family Law, 10/2004; Land Law, 19/1997; Law on HIV/AIDS in the workplace 5/2002; Law 6/99 protecting children (barring them from nightclubs); and, *Decree 24/89, regulating access to transport for older people*.
1095. The actions and programmes that are currently being implemented by the government to reduce absolute poverty under basic social security include: a Food Subsidy Programme; Programme of Direct Social Support; Income Generation Programme; Social support for work; and Community development initiatives (Box 6.7 for details). 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 being currently Implemented in Mozambique

1) Food Subsidy Programme in the form of a cash transfer of 100MT (4.1USD)/300MT (12.5USD) for a household of 1 – 5 people respectively from Jan 2008. This is targeted to people including those living in absolute poverty with a permanent incapacity such as persons with disability, older persons, persons with a chronic disease and others;

(2) Programme of Direct Social Support in the form of a basic food basket is targeted to people include those who are very vulnerable such as those living in absolute poverty, Persons living with HIV/AIDS who are living in absolute poverty, Children who are head of households, vulnerable persons affected by floods etc.

(3) Income generation programme which provides a revolving fund for small income generating projects targeted to women living in poverty.

(4) Social support for work – provides some basic training and introduces the beneficiaries to an employer (government, private sector or NGO), usually the beneficiaries gains full employment after the programme.

(5) Community development initiatives, benefits rural communities across the country to construct social infrastructure in poor communities such schools, medical care, clean water facilities.

Source: CRM consultations with Ministry of Women and Social Action, Mozambique, 24 February, 2009.

1096. Although the basic social security programme has contributed to reducing poverty and reducing vulnerability, CRM discussions with stakeholders revealed the following challenges:
- Coverage is still limited and the Ministry has inadequate funds to expand the programmes;
 - Lack of data and information on the specific persons who are vulnerable and excluded limits targeting;
 - Weak technical capacity;
 - Few donors committed to social protection; and,
 - The small number of civil society actors who work in social protection.
1097. A particularly affected social group is youth. In interactive sessions, the CRM was informed that, despite a high level of youth unemployment in Mozambique, young people are not entitled to any form of social security.

Progress on the MDGs

1098. As discussed below, Mozambique's progress with the attainment of the MDGs presents a mixed picture. The report found that the country fared extremely well in some areas and reasonably in others. However, the CRM noted that lack of more recent data is a major constraint to monitoring progress on MDGs.

Eradicating extreme poverty and hunger

1099. According to a nationwide household income survey conducted during 2002 and 2003 by the *National Institute of Statistics*, income poverty reduced from 69.4 percent in 1997 to 54.1 percent in 2003. However, this achievement masks significant regional variations and the fact that more than half the population still live in absolute poverty (GoM and UNDP, 2008). The prevalence of poverty is higher in rural than urban areas. As noted earlier, income inequality increased over the same period. The country experienced a improvement of eight percent in the incidence of undernourishment (Total Children under-five years of age who are underweight) over the period 1997 to 2005.

Achieving universal primary education

1100. Mozambique has recorded remarkable progress in improving the net primary enrolment rate, which increased from 44 percent in 1997 to 69.4 in 2003 and 95.5 percent in 2008. The grade 5 primary completion rate significantly increased from 22 percent in 1997 to 38.7 percent in 2003 and 72.6 percent in 2008. However, there are some disparities between regions and between boys and girls.

Promoting gender equity and empowerment of women

1101. Mozambique has made significant progress in promoting gender equality and empowerment. The major achievements include the improvement in girl's ratio to boys in EP1 enrolment rate from 0.71 in 1997 to 0.9 in 2007; and increase in women representation in parliament from 28 percent in 1997 to 37.2 percent in 2008.

Reducing child and maternal mortality

1102. Mozambique has made some progress towards reducing child mortality rate, which dropped from 115.9 in 2003 to 102.1 in 2007 per 1000 live births (Mozambique 2008 Statistical Yearbook). However, geographic disparities are still evident across the country. A child in Cabo Delgado is three times likely to die before reaching five years of age than a child in the city of Maputo (GoM and UNDP, 2008). The maternal mortality rate (MMR) declined from 1000 deaths in 100 000 births in the 1990s to 408 in 2003. The proportion of births attended by health personnel increased from 44.2 percent in 1997 to 47.7 percent in 2003. In 2007, 51.6 percent of babies were delivered in health institutions (Mozambique 2008 Statistical Yearbook). However it is important to note that urban women are more likely to deliver with health personnel (71.4 percent) than rural women (28.6 percent). 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 8.2 percent for adults (15-49 years of age) and this increased to 16.2 percent in 2004 and dropped to 16 percent in 2007. There is high geographical variation in the prevalence rate across the country, with some provinces and cities having experienced an increase in rates whilst in others it fell (Objective Three in this chapter). HIV prevalence among the 15 to 24 year old age group is much higher for women than for men.⁷⁴ Malaria is a major public health problem in Mozambique. It is estimated that 40 percent of all outpatient cases and 60 percent of paediatric cases in hospitals are a result of malaria. According to the Mozambique 2008 Statistical Yearbook, the malaria fatality rate among adults has slightly increased from 7.1 in 2002 to 7.7 in 2007, while that among children has marginally declined from 3.8 to 3.2 during the same period.

Ensuring environmental sustainability

1104. Mozambique experienced an increase in the proportion of the population with sustainable access to an improved water source that rose from 37.1 percent in 2001 to 48.5 percent in 2007. Despite the general positive increase in coverage there is a wide disparity between rural and urban areas and across the provinces. But the progress made in sanitation coverage presents a mixed picture. Sanitation was not as good as in the case of improved water supply. The MDG 2008 report indicates that 25,638 pit latrines were constructed in rural areas all over the country in 2007, representing 39 percent coverage and an increase of 6.4 percent from the 2003 figure. On the other hand, there was decline in the proportion of the population with access to improved sanitation in urban areas from 71.7 percent in 2003 to 47.3 percent in 2007.

Developing global partnerships for development

1105. Mozambique has developed partnership with international development partners on poverty eradication. This is reflected in the Memorandum of Understanding (MoU) with Programme Aid Partners, a group of now 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 which are in line with

⁷⁴ This is reflected in the fact that the percentage of women among infected individuals age 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 percent of men, 57 percent of women, and 6.2 percent of children are living with HIV/AIDS, which has severe implications for their economic and social well-being. The burden falls more heavily on women because of the increased costs of caring for the home.

International Monetary Fund requirements (through the Policy Support Instrument)⁷⁵, while at the same time it engages 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 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, health and other basic services. In this respect, it is important for the country to vigorously promote growth.

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 of young people. As 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 often resort to drug and substance abuse to ease their frustrations, and prostitution to earn an income.
1108. In interactive sessions, there was, however, recognition that some laudable initiatives are being carried out by the government through, among others, various skills development programmes, establishment of, and support to, the National Youth Council and various youth associations. 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 'Initiative Support Fund' aimed at making available financial resources to support productive activities by the youth was 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 very stringent credit conditions. The youth saw this as the main constraint to their initiation of, and engagement, in productive ventures. There is a need to re-assess the administrative arrangements and the effectiveness of the Fund with a view to making it more transparent and easily accessible to young people.
1110. The CRM was, however, happy to note that concerted efforts are being made by the government to expand technical and vocational training across the country with a view to developing much needed skills for the job market. In some provinces like Cabo Delgado, special curricula were 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 long-term and to create the required conditions (such as access to credit facilities) for the graduates to be able to create or secure employment without delay. Failure to achieve that may lead to frustrations 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 on rise throughout the country, especially in the two major cities of Maputo and Beira. Particularly affected by this phenomenon are the unemployed youth. The government and the CSOs are in this regard encouraging young people to become pro-active 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

⁷⁵ The Memoranda of Understanding signed between the GoM and the IMF over the past years are illustrative of the dominant role that the IMF plays in driving the policy in Mozambique.

urgent need to put in place clear national policies and strategies in order to seriously tackle the problem which, if unattended to, can lead to disastrous social economic consequences.

1112. Another issue that was constantly raised during various discussions was about the status of the youth in the social economic 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 inconveniences it represents.
1113. The role to be played by the community in addressing many of the problems confronting the youth remains paramount. Consequently, the communities should be recognised as an indispensable partner and greater efforts should be directed towards sensitizing and supporting them in this regard.

Monitoring and Evaluation

1114. In line with the Memorandum of Understanding with Programme Aid Partners, Mozambique has to evaluate success according to a matrix drawn within this agreement. This involves the evaluation of performance of donors/lenders and government with respect to implementation of indicators and targets specified in performance matrices for all parts. The government matrix of more than 40 indicators (those that the performance of government is evaluated against by donors) is a subset of indicators and targets selected, by donors, from the government economic and social plan. This sub-set does not necessarily represent the government higher priorities but is consistent with donor and lender concerns.
1115. In this respect, the Government's *Balço do Plano Económico e Social* (Review of the Social and Economic Plan), a half-yearly evaluation of the fulfilment of the Government's five-year social and economic plan, is a useful measure of progress. It uses indicators drawn both from the IMF Economic and Social Assistance Facility (ESAF) and PARPA and provides the government with an accurate qualitative and quantitative assessment of progress in socio-economic development.
1116. Further assessments and evaluations are the Annual Poverty Reports (2004, 2005), researched, compiled and put together by civil society organisations within the framework of the Poverty Observatory, a consultative forum set up by the Government and representing employers, trade unions and non-profit organisations 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 National Institute of Statistics, they include qualitative data disaggregated down to the district level.
1117. However, a major weakness of official poverty measurement in Mozambique 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 and are, for this reason, a very good source of information on the progress that the country is making towards meeting the goals which it set out to achieve. Given that poverty reduction is the overriding objective of the Government, any assessment of progress in this respect may be deemed a good gauge of the country's performance.
1118. Crucially, though, government officials know that at the end of the day the indicators selected by donors are those that matter most because of implications they have for aid flows, even if they are not the most important from a development policy perspective for the sectors concerned. Government officials often say that they consider these targets and indicators only for the period of the Joint Review (JR) and Mid-Term Review (MTR) when they have to be accountable to donors and lenders. While these indicators are the key to maximise aid flows, they may not be part of the core business plan of the government.

III. Recommendations

1119. The APR Panel recommends that Mozambique:
- Allocate 10 percent of the budget to agriculture in line with the NEPAD Maputo Declaration [MoF, Ministry of Agriculture, Local Government];
 - Strengthen the M&E system to ascertain progress on the attainment of targets in PAPRPA and MDGs [MoF];
 - Address the issue of youth unemployment through the design of appropriate employment promotion programmes. [Government; Private sector]; and,
 - Increase national awareness on the importance of social protection in the processes to reduce poverty [MoF].

Objective 3: To Strengthen Policies, Delivery Mechanisms and Outcomes in key Social Development Areas, including: Education and fight against HIV/AIDS and other Communicable Diseases

I. Summary of the CSAR

Policies and Delivery Mechanisms

1120. The CSAR notes that PARPA and 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 effectively contribute to the development of the nation by having easy access to basic services including: education, health, food, clean drinking water and sanitation. According to the CSAR, the development of human capital is key to achieving the objectives of the plan. 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 reduction of absolute poverty hinge upon the consolidation of peace, democracy, social stability and the guarantee of individual freedom and liberties of the citizen. The government's Five-year Program (2005-2009) spells out the general objectives of the government 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 in this regard made concerted efforts to develop social sectors through increases in budgetary allocations, formulation of necessary policies and strategies and initiation of related programs. However, no figures are given.

Education

1123. The CSAR notes that a National Education Policy (PNE) was approved in 1995 focusing on basic education. Subsequently, two education strategic plans were put in place in 1997 and 2006 respectively, with the objectives to expand education and to improve its quality. The plans also provide for the expansion of secondary and informal education and vocational training.
1124. According to CSAR, the government has made concerted effort to rehabilitate education infrastructure, most of which was destroyed during the 16 years of war. During this period, about 50 percent of primary schools and related infrastructure were destroyed. The situation was particularly severe in rural areas of the northern and central regions of the country. Also, the report points out that the need to implement the structural adjustment programme had limiting effects on the rehabilitation of the social economic sectors which includes education.
1125. Notwithstanding these constraints, the CSAR notes that the government has achieved considerable progress in the sector, especially in the area of basic education. The post war rehabilitation of schools and

construction of new class rooms, coupled with the training of teachers, were the critical measures that contributed to making advances in improving access to the basic education.

1126. The CSAR further notes that there has been remarkable progress in reducing the asymmetry between girls' and boys' access to EP1 (1st level) education. However, it is pointed out that the equity decreases substantially as the school level increases. The report suggests that most of the impediments contributing to the prevailing asymmetry in numbers of girls and boys who have access to education are related to a non-conducive school environment or to social cultural and economic factors.

Health

1127. The CSAR notes that government's health policies and programmes are in line with the Constitution which in article 89 defines the right of all the 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 health care, especially targeting vulnerable groups such as women and children, and a sustained campaign to reverse the current expending trends of HIV/AIDS pandemic and to bring under control endemic diseases, particularly malaria, tuberculosis and leprosy.

HIV/AIDS

1128. According to the CSAR, Mozambique is still among the 10 most affected countries in the world, with an infection rate of 16.3 percent. Some urban centres and transport corridors are experiencing higher rates of infection. Referring to the 'report on the revision on HIV epidemiologic vigilance data 2004, 2005' by the MISAU, CSAR points out zonal variations in the infection rates. Sofala Province is the most affected with a rate of up 25 percent, followed by Maputo City at 25 percent and Nampula at 9.8 percent of prevalence.
1129. Starting in 1986, the government has put in place a number of programmes and strategies to fight against 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 Council is mandated to coordinate, monitor and evaluate multi sector activities aimed at combating HIV/AIDS pandemic. It is indicated in the CSAR that under the coordination of CNCS, a National Strategic Plan (PEN) for combating STD/HIV/AIDS was initially launched in 2000.
1130. The CASR notes that, despite all the measures undertaken by the government to address the problem, the situation is still worrying, given the growing trend in the prevalence rates. The report points out that some of the objectives pursued under the national strategic plan are not being fully achieved due to various reasons.

Malaria

1131. Malaria is identified in the CSAR as being the highest killer in the country, accounting for 30 percent of registered deaths. It is also noted that nearly 20 percent of pregnant women are infected by the parasite. To combat malaria, the government has launched the National Programme to Combat Malaria (PNCM) under which preventive measures such as pulverisation of residences, use of impregnated mosquito nets are promoted and carried out. Also, the program aims at facilitating access to treatment by the communities.

Tuberculosis

1132. According to the CSAR, Mozambique is among the 22 countries in the world "considered high burden countries" and it is currently ranked 18th by WHO in tuberculosis infection. The trend in the rates of infections has been rising between 2001 and 2006 with an increase of 57 percent. Tuberculosis remains one of the main causes of deaths of people living with HIV/AIDS. Efforts are being endeavoured to treat tuberculosis with the establishment of one basic health centre in each of the 128 districts in the country. The centres are well equipped and have the necessary qualified staff to carry out related diagnostic, treatment and records

keeping operations. Also, the CSAR indicates that since late 1980s, the government is pioneering the introduction of the “short term treatment under direct observation” (DOTS).

II. Findings of the CRM

1133. The CRM observes that, following a prolonged period of internal conflict during which a great deal of the country’s economic and social infrastructures were destroyed, Mozambique has made sustainable efforts to reconstruct and revitalise the socio-economic sector. To this end, policies and strategies have been designed and initiated for the development of the sector with particular emphasis on education, health and the fight against HIV/AIDS. The government has invested heavily in the social sector which accounts for about 13 percent of the national budget. In view of this investment, the CRM acknowledges remarkable strides made towards improving the country’s socio-economic objectives.
1134. However, along these laudable accomplishments, stand a number of challenges which are likely to be amplified and to undermine national efforts to effectively tackle critical social and economic issues, if no corrective measures are taken in due time. Indeed, the eagerness to hurriedly extend access to basic social services by all citizens throughout the country has meant stretching limited resources and capacity to the maximum, therefore compromising the quality and the effectiveness of most services rendered.

Education

The CRM noted some achievements accomplished in the area of education during the last 15 years, especially in basic education. As noted in the CSAR, the basic primary education sector (E1 and E2) registered remarkable progress between 1999 and 2007. According to the Mozambique 2008 Statistical Yearbook, the number of public schools in lower primary (E1) increased from 8,007 in 2003 to 9,303 in 2007, while that in upper primary (E2) rose from 950 to 1,116 during the same period. This saw an increase in the enrolment of pupils in E1 and E2 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 (E1 and E2) are not proportionally matched by the recruitment of additional teachers in order to maintain acceptable teacher/students ratios.

Box 6.8: The Imbalance between Primary Level Education and Secondary and Tertiary Education

The CRM noted with concern that there is a serious imbalance between the expansion rate of basic primary education and that of secondary and professional level education. The latter has not kept up pace with expansion in the former, particularly at the EP1 level which has registered considerable increases in enrolment, resulting 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.*** As a result of the big imbalance between the two levels, large numbers of poorly trained primary school leavers, who could not access secondary level education, are regularly thrown into the job market.

1135. In the area of tertiary education, the CRM notes the critical role played by the government as the moderator and the 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 complimented by interventions from the private sector.
1136. As commendable as these achievements are, 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.
1137. From what the CRM was able to ascertain from various discussions in the provinces, there has also been a significant drop in quality of education due to the high teacher/student ratio and the lack of necessary pedagogical equipment and other learning facilities including desks.

1138. Although it can be said that all regions of the country have been able to reap the results of progress in education, there remain notable disparities among regions and between rural and urban areas as regards the quantity and the 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 the quality of schools compared to the rest of the country. The northern region, with its sparse population and poor transport and communication infrastructures, shows greater weakness with regard to the level and the extent of coverage of social services being delivered. Some representatives from Niassa Province informed the CRM that in some parts of the province, a pupil still has to travel more than 10 km from his/her home to reach the nearest school. Many discussants also complained about the poor quality of furniture and other equipment in schools.
1139. Concerning technical and vocational training, notable stride has been made in developing the sub-sector. However, its capacity to absorb potential applicants is very limited. Given large numbers of primary and secondary school leavers and high rates of unemployment among the youth, special attention should be given to this sub-sector, 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 sustained efforts of the government to promote and expand basic education throughout the country as a way forward to achieving one of the national goals to develop human capital, is indeed very commendable. However, there is a need to ensure that the increasing trend in education, especially in basic education, does serve a clear purpose, namely, to develop necessary skills and know-how for school graduates to engage productively in the development of the country. Among concerns expressed during the CRM consultations by many stakeholders is the fact that education at all levels, still suffers from the lack of professional or vocational training. Though some initiatives are being taken to redress the 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 agriculture sector (i.e. crop production, livestock, and fisheries), all of which offer 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 the youth, necessitates the importance of defining and articulating a national policy and action strategies on how to achieve the 'best mix' of factors of development, including skills training, financial investments, transport and communication infrastructures, marketing facilities etc., required to promote and develop employment opportunities and active and productive participation of the population in the development of the country.

1140. In tertiary education, the CRM commends the government for the sustained progress 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 the Head of State and sector Ministers. However, because of their heavy dependency on donor's aid, universities in Mozambique have been unable to initiate independent research projects due to 'conditionalities' imposed by donors and the lack of qualified research personnel.
1141. On the issue of gender equity in education, the CRM learnt about the existence of inequality in the enrolment of boys and girls, especially at the EP2 and at the secondary school levels. Some of the reasons for these gender imbalances are well highlighted in the CSAR. However, the CRM was encouraged to note that sustained efforts are being made in all 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.
1142. The CRM cautions that gender imbalance should be viewed not simply as a problem of access to education of 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. The effectiveness of outcomes of the ongoing government's initiatives in this regard will greatly depend upon the level of integration, coordination and inclusiveness of related policies, strategies and programmes.
1143. In interactive sessions with stakeholders, the CRM was informed of situations involving lack of transparency in school admission. In some provinces (such as Zambesia and Nampula) it was claimed that sometimes parents have to pay bribes in order for their children to be admitted into school or to pass from one school

level to another. Some irregularities concerning contracting for school construction work were also brought to the attention of the CRM. A number of discussants in Nampula Province pointed out that some contractors were not fully honouring their obligations after winning a contract to construct classrooms or other school infrastructures. These contractors take the money and use most of it for other purposes and they end up doing shoddy work which allegedly does not last more than 3-5 years. The stakeholders claimed that this was occurring with the full knowledge of some local administrative authorities as there were weaknesses in the government monitoring mechanism.

1144. Another challenge repeatedly brought to the attention of the CRM was the acute shortage of qualified teachers, especially in remote rural areas. Besides, there were other constraining factors, including lack of incentives and 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 very much appreciated. The use of vernacular languages in teaching the basic level education was also seen as a limiting factor in recruiting qualified teachers from other parts of the country. Further, it is not clear what the existing national policy guidelines on incentives to teachers in different teaching conditions are, how they (incentives) are packaged, administered and monitored.
1145. On the issue of adult literacy, though some marginal progress has been made in increasing the literacy rate from 43.3 percent in 2000 to 46.4 percent in 2003, illiteracy is still very high in the country and it is a very serious impediment to its development. Victims of illiteracy are unable to take full advantage of information and know-how conveyed through various media, to better their lot and to actively participate in the development of the country. The CRM noted that ongoing government efforts have not yielded desired results and the situation needs to change. Consequently, there is a need to review current policies and strategies to ascertain their effectiveness.

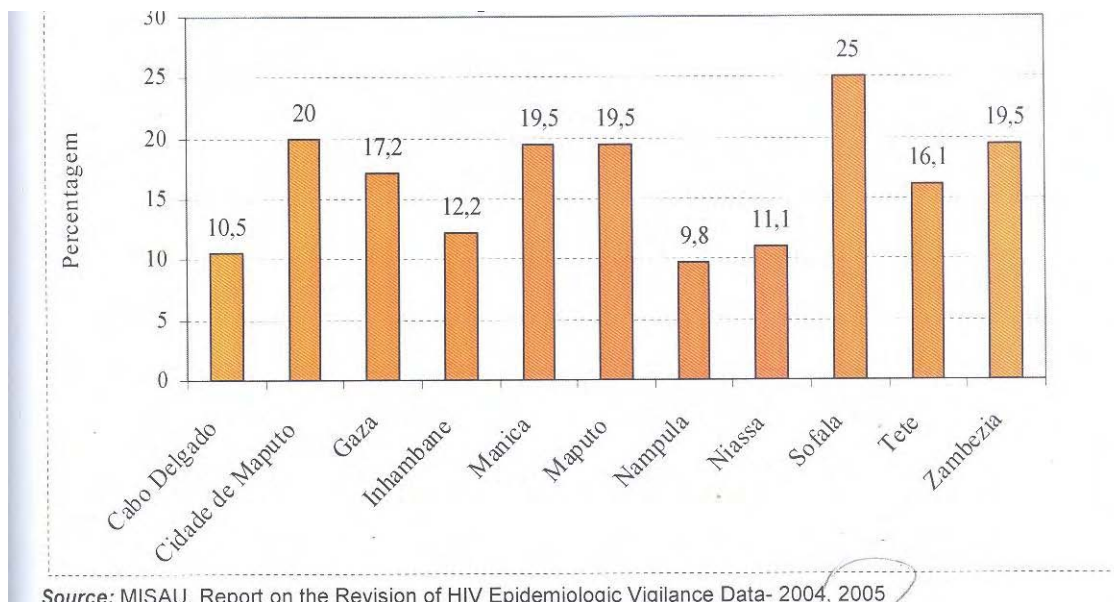
Health

1146. The CRM observed that notable progress has been achieved in the various components of developing the sector including: policy and strategic frameworks, infrastructure development, and 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 health care services. According to the Mozambique 2008 Statistical Yearbook, 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. Despite this progress, the national health system remains structurally very weak. The key challenge that the 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 percent of Mozambicans still walk 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 necessary medical infrastructures and equipments 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 (Mozambique 2008 Statistical Yearbook).
1147. Another problem highlighted during the visit to Zambezia is 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 services. In this connection, 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 the quality of services delivered, be it in the health or education sector, are not compromised. As in the case of the education sector, the CRM concluded that in the health sector, there is a lack of clarity about national policy guidelines on incentives to medical personnel working under different conditions, and on how these incentives are packaged, administered and monitored.

HIV/AIDS

1148. It is estimated that more than 1.4 million Mozambicans are infected, corresponding to a prevalence rate of 16 percent. This represents an increase in the prevalence rate from 13.6 percent in 2002. Every day there are 500 new HIV/AIDS infections. Women, both adults and children, but especially girls, have been the most vulnerable to HIV/AIDS. 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 percent (Table 6.4).

Table 6.4: Provincial Distribution of HIV/AIDS in Mozambique by Percentage



1149. The devastating effects of HIV/AIDS on economic and social sectors in a province like Sofala cannot be over estimated. The concentration of the infection on the most active segment of the population 15 to 50 year of age puts 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 in the past few years, the disease continues to claim victims and in some provinces, it is on the rise.
1150. 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 went from 19.7 percent in 2004 to 16 percent 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 the districts health centres 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 in dissemination and raising of awareness on HIV prevention.
1151. 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 to determine the most effective approach to fight against HIV/AIDS. Overall, however, the rising trend of the pandemic necessitates reviewing and adapting current policies and strategies to prevailing socioeconomic and cultural realities across the country.
1152. The problem of stigmatisation was also widely highlighted by many discussants during the CRM provincial consultations. In Zambezia Province, for instance, it was indicated that because of fear of being castigated and discriminated against by one's family and community, affected individuals prefer to keep there sero status a secret, while engaging in sexual activities without protection. Stigmatisation also makes it difficult

for many people to undergo voluntary testing for HIV or to fully comply with the treatment regime. Activities undertaken to address the problem remain very limited and uncoordinated. As demonstrated in the cases of Zambezia and Sofala, efforts to educate and to sensitise families and communities of affected persons about their support role in fighting the HIV/AIDS pandemic and stigmatisation are yet to yield tangible results.

1153. Access to retroviral treatment in Mozambique is low. This is partially attributed to the problem of ignorance of the majority of the population. Also what comes out of discussions in various parts of the country visited by the review mission 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.
1154. The CRM noted that a higher percentage of women and girls (58 percent) are affected by the HIV/AIDS in Mozambique. Yet there is no special role assigned to women and girls in sensitising and mobilising Mozambican society against the pandemic.
1155. Concerning the support from other stakeholders and external partners, the CRM was informed that both the private sector and the civil society organisations are playing an active role in supporting the government fight against HIV/AIDS. In addition, the Bill Clinton Foundation is helping with the supply of necessary drugs and equipment for testing and treating the affected persons. However, it was observed that the Clinton Foundation programme, though very useful in making available critical drugs and other medications for HIV/AIDS treatment, has had some negative effects on national efforts for institutional building. This is mainly because it is being implemented independently outside the existing national institutional frameworks.
1156. The CRM was informed about how well qualified national technicians are regularly lured into abandoning their positions in government institutions to join the Clinton Foundation because of better incentives. This brain drain has in some ways undermined 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 partners to ensure that their interventions are complementary and supportive of national programmes and not substitutions.

Malaria

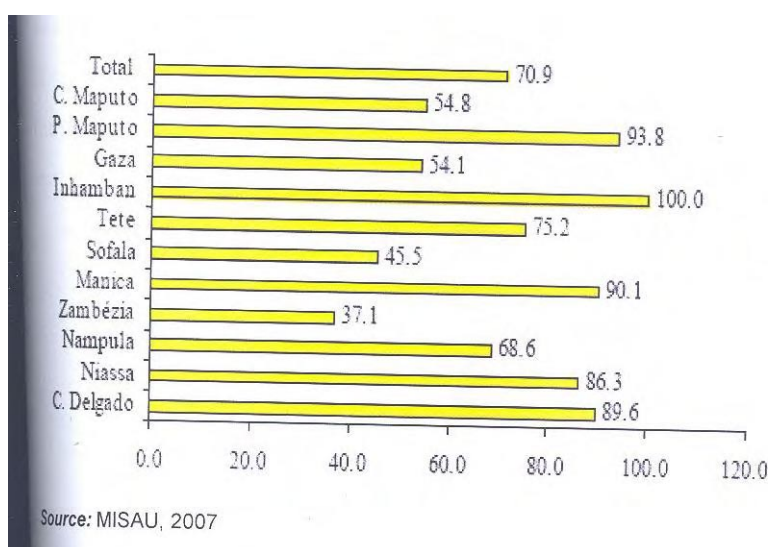
1157. As noted in the CSAR, malaria is the leading killer despite the fact that it is both preventable and can be treated. It is estimated that 26 percent of hospital deaths are due to Malaria. The prevalence rate in children under 5 fluctuates between 35 and 60 percent. Malaria especially constitutes a high risk factor for pregnant women. It is the major cause of many premature births. According to the 2008 Mozambican MDG Report, nearly 35 percent of affected pregnant women are paralysed and more than 60 percent are afflicted by associated anaemia. About 45 percent of all observed cases in external consultations and nearly 56 percent of internments in paediatric wards are attributable to malaria.
1158. Various efforts have been undertaken by the Government to response to the threat. Measures to contain the spread of the disease, including intra domicile spraying, distribution of mosquitoes nets treated with long life insecticide and sensitisation campaign about the disease have been initiated and some positive results have been yielded. For instance, the CRM was told in Tete and Manica provinces that during the short period of 2007-2008, malaria infection rate is decreasing.
1159. Although some headway is been made in reducing both the infection and the fatality rates as indicated in the case of Tete and Manica, malaria continues to be a colossal public health challenge. Like in most other African countries, malaria tends to be relegated to the second level priority compared to the HIV/AIDS pandemic or other epidemics like cholera, even though it is the number one killer. 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.

1160. 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 mosquitoes nets which in 2008 stood at 35 percent and 15 percent, respectively, to 60 percent and 80 percent, respectively, by 20015 as targeted for the MDGs;
 - Carrying out a sustained and intensive campaign of 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 medicaments and trained staff; and,
 - Making the malaria awareness campaign an integral part of the pre-natal care package as it is currently done with regard to the fight against the HIV/AIDs pandemic.

Tuberculosis

1161. Despite on-going commendable efforts, the TB infection rate is on the rise. Currently, the national average of TB prevalence is estimated at 624/100,000 from 636/100,000 people. The 'Direct Observation Treatment Strategy' (DOTS) pioneered by the government has yielded notable results (Figure 6.1). The impact of different anti-TB activities has been a net reduction in the number of cases, as indicated above. Also, during the period between 2006 and 2008, mortality rate shows a deceleration from 129 to 117 deaths per 100,000 inhabitants.

Figure 6.1: Tuberculosis Infection Rates in Mozambique



1162. Despite the 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. The progress recorded in the treatment and the recovery from the infection 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 DOTS has regressed from 77 percent in 2003 to 47 percent in 2007.

III. Recommendations

1163. The APR Panel recommends that Mozambique:
- Undertake a comprehensive review of its pyramidal structure of education in order to broaden access to education at the secondary, technical and tertiary levels [*Ministry of Education*];
 - Establish guidelines on standards and quality monitoring for the education and health sectors[*Ministry of Health*];

- Establish an integrated multi-sector framework for the fight against HIV/AIDS, Tuberculosis and Malaria [*Ministry of Health*];
- Bring on traditional leaders, religious leaders and other opinion makers within communities on the forefront in the fight against HIV/AIDS [*Ministry of Health*];
- Actively involve youth and women in the fight against HIV/AIDS [*Ministry of Health*; CSOs];
- Take necessary measures to extend and intensify the coverage of DOTS by involving communities and capacitating health centres to provide quality diagnostic and laboratory services [*Ministry of Health*].

Objective 4: Ensuring Affordable Access to Water, Sanitation, Energy, Finance, Markets, ICT, Shelter and Land for All Citizens, especially the Rural Poor

I. Summary of the CSAR

1164. The CSAR notes that, generally, access to basic infrastructures such as water, sanitation, energy, finance, markets, ICT, shelter and land for all citizens, especially the rural poor, have been unequally distributed not only among provinces, but also between urban and rural dwellers and the socio-economic strata of the population in Mozambique. This has serious implications for improving the wellbeing of Mozambicans, including the attainment of MDGs.
1165. According to the CSAR, the approval of the National Water Policy in August 1996 marked the beginning of an aggressive attempt to achieve the Millennium Development Goals by increasing the spatial coverage in the provisions of drinking water and sanitation services in Mozambique. Hitherto, about 1/3rd of the urban and rural areas were supplied with potable drinking water in 1992/1993, and only four percent of the urban population is 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 lowest access. The focus of the 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 percent was achieved in the provision of improved latrines in the rural areas.
1166. Concerning energy supply, the CSAR notes that Mozambique has great potential for electricity generation to meet the domestic needs and for export to other Southern African countries but this has not been achievable due to, inter alia, inadequate funding of the *Electricidade de Mocambique* (EDM), established by law in 1991. Thus, during 2005, only seven percent of the urban population and two percent of people living in the rural areas had access to electricity supply. However, in 2006, strategies were put in place to expand the distribution network of power supply and commercialisation of liquid fuels.
1167. With regard to access to finance and markets, the CSAR notes the over concentration of the financial operators in the main urban centres, especially in Maputo, the capital. This accounts for the limited access of rural dwellers to credit for the expansion of agricultural production activities and marketing of agricultural products. Despite the intervention by the GoM, through the establishment of the Support Fund for Economic Rehabilitation (FARE) whose main goal is to channel credit to projects located in the rural areas, as well as the establishment of the minimum capital requirement for micro -finance operators and the establishment of the Bank of Mozambique branches in the provinces, there is inequality in the distribution of credit by activity sector. Commerce in the urban centres remains the priority sector.
1168. The CSAR indicates that access to information technology such as radio, television, telephone internet and other means of communication, shows considerable increase between 1997 and 2003. In particular, access to radio increased from 29 percent to 65 percent among rural dwellers between 1997 and 2003. However, there is still wide disparity in access to other means of communication, especially telephone and internet between the urban and rural areas on the one hand and among provinces on the other, with the southern provinces having more access than the Central and Northern provinces.

1169. Although land constitutes a sizeable proportion of the assets of people in Mozambique, the CSAR indicates that its ownership is vested in the state. The Constitution stipulates that land may not be mortgaged or used as collateral for borrowing. Only 11 to 15 of the 36 million hectares arable land is presently being cultivated with a further 46.4 million hectares of land under forestry. In terms of access to land, only two –fifth of the land is allocated through customary system and less than 10 through sales, particularly in the urban centres. In addition, most households interviewed for the CSAR indicate that the level of access to land showed considerable improvement in the last five years. However, the main issue as far as access to land is concerned in Mozambique, 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

1170. The issue of disparity between provinces as well as between urban and rural areas regarding the provision of basic facilities such as water and sanitation, energy, finance, markets, ICT and shelter as contained in the CSAR was confirmed by CRM during interaction with stakeholders. The CRM observed, and was informed, that there is 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 infrastructures in the Maputo Province has attracted investors to the southern region since the colonial period.
1171. During interaction with stakeholders, there was a general perception that communities in the central and the northern parts of the country were poorer than the southern region in the provision of affordable basic facilities. However, positive changes are expected soon with the growing emphasis on investment in education, especially establishment of tertiary education as well as the implementation of the national government's rural development strategy.

Access to Water

1172. Access to drinking water and sanitation in Mozambique has historically been a major problem, in common with many Africa countries. In 1992, only a fifth of the country's households had access to potable water. But the situation seems to have improved in recent years. According to the 2008 progress report on the MDG for Mozambique, the proportion of households with access to safe water rose to 44.3 percent in 2007. However, more households were provided with safe water source in the rural areas (48.5 percent) than in the urban areas (40 percent) in 2007 (Table 6.5).

Table 6.5: Comparison of Urban and Rural Water provision Coverage (%) 2004-2008

Province	Year									
	2004		2005		2006		2007		2008	
	Ur	Ru	Ur	Ru	Ur	Ru	Ur	Ru	Ur	Ru
Niassa	10	59.2	11	59.3	11	62.9	11	70.5	23	67.7
C. 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
Zambezia	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
Inhabane	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

Source: CRM Findings, 2009

Note: Ur= Urban; Ru=Rural.

1173. However, the 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 percent in the rural areas (Table 6.6). Nevertheless, the disparity between 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 to minimise pollution by the Community Water and Sanitation Committee.

Table 6.6: Urban Water Supply Coverage by Province in Mozambique (2004-2008) by Percentage

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
C. 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
Zambezia	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
Inhabane	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

Source: Directorate of Resources, Maputo, 2009.

Note: Pop=Total Urban Population (%).

1174. 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 Second National Water Development document of 1998. The CRM regards this as a good example of a Public-Private-Partnership.
1175. Access to safe drinking water in Mozambique is likely to increase even more when the implementation of the Second National Water Development Project begins. The project aims to improve the quality, reliability, and sustainability of water services for the cities of Maputo, Beira, Quelimane, Nampula and Pemba through the promotion of greater private sector participation in the provision of water services. However, the good practice of review of reviewing the tariff structure twice in a year by the Water Regulatory Board should be maintained in order to ensure affordability by urban residents.

Recommendations

1176. The APR Panel recommends that Mozambique:
- 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 achieved in urban water coverage, improve on the current drive to ensure that the proportion of population with access to safe water in the rural areas meets the MDG goal of 70 percent in 2015 at the minimum [*government*]; and,
 - Vigorously pursue the campaign on the use of clean water for healthy living [*National, Provincial, District governments and CSOs*].

Sanitation

1177. As noted under Objective Three above, the MDG 2008 report indicates that 25,638 pit- latrines were constructed in rural areas all over the country in 2007, representing 39 percent coverage and an increase of 6.4 percent from the 2003 figure. On the other hand, there was a decline in the proportion of the population with access to improved sanitation in urban areas from 71.7 percent in 2003 to 47.3 percent in 2007. The reason for this decrease is not clear.
1178. In an interactive session, stakeholders claimed that the decline could be due to the transfer of the responsibility of maintaining sanitations to the municipalities. Although the GoM is trying to address the issue of 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 health workers to train household members on the construction and use of the improved latrines. Nevertheless, stakeholders believe that an increase in awareness campaign on healthy living at the community level could increase access to affordable sanitation in Mozambique.

1179. The CRM notes the promotion of the technology of Composting Latrine by WaterAid, especially in Sofala and Niassa provinces where compost from the latrines have been used to boost the yields of agricultural crops such as Maize and fruit trees.

Recommendations

1180. The APR Panel recommends that Mozambique:
- Strengthen the capacity of municipal governments in the provision of skilled staff and funding to fully assume responsibility for the provision of improved sanitation especially solid waste management [*National and Provincial governments*]; and,
 - Improve on the training of district staff, civil society organisations and household members on the construction of improved latrines in the rural areas [*Provincial governments*].

Energy

1181. Approximately 80 percent of the energy consumed in Mozambique comes from woody biomass with an annual consumption estimated at 16 million cubic meters. This is the equivalent of about USD 706 million annually. Wood energy (mainly charcoal) remains the main source of domestic energy in urban areas, posing not only a big 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 with a 2.3 percent and -82.9 percent change from the 2006 production figures. Currently, most of the gas and coal are exported to other SADC countries.
1182. The CRM notes that the national energy strategy's main reform for the expansion of domestic access to modern energy and promotion of export-oriented energy projects through private sector participation. Also, the reversion and control of Cahora-Bassa Hydro-Electric Plant (HCB) will not only ensure additional energy for internal consumption but will, in addition, guarantee concession fees and a better fiscal regime for Mozambique government.
1183. The CRM confirms that all major cities have been connected to the national grid and currently EDM is connecting more than 90,000 families into the distribution grid each year, with an annual investment of about \$50m to \$60m. Stakeholders confirm the electrification of 82 district headquarters out of 128 representing about 64 percent coverage. Despite this less than five percent of the people have access to electricity in rural areas.

Recommendations

1184. The APR Panel recommends that Mozambique:
- 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 [*Ministry of Energy*];
 - Speed up electrification process especially in the rural areas to promote 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

1185. As noted in Chapters Four and Five, the CRM confirms the disparity in the number of micro finance banks between urban and rural areas. In addition, stakeholders confirm the inability of small-scale farmers to access micro-credit due to high interest rate and unaffordable requirements for collateral.
1186. Stakeholders complained to the CRM of inadequate and poor storage facilities for agricultural products in Mozambique and lack of agro-processing industries in most districts thereby limiting access to markets by small scale farmers.
1187. The CRM notes the average to good conditions of inter- provincial roads and the poor states of intra-provincial roads and 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

1188. The APR Panel recommends that Mozambique:
- Provide improved storage infrastructure and training in post-harvest handling for small-scale farmers [*Ministry of Agriculture*]; and,
 - Rehabilitate existing and establish more agro-processing industries and provide up-to-date marketing information to farmers regularly [*Ministry of Agriculture*].

Transport Infrastructure

1189. The volume of goods and passengers handled by the five modes of transportation in Mozambique in 2006 and 2007 are shown in Tables 6.7(a) and 6.7(b).

Table 6.7(a): Transportation of Goods in Mozambique by Major Modes of Transportation in 10⁶TKM

Modes	2006	2007	% Change
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

Source: Mozambique 2008 Statistical Yearbook

Table 6.7(b): Transportation of Passengers in Mozambique by Major Modes of Transportation in 10⁶PKM

Modes	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

Source: Mozambique 2008 Statistical Yearbook.

1190. As shown in Tables 6.7(a) and 6.7(b), the road is the most important mode of transportation of goods and passengers in Mozambique, accounting for more than half (58.3 percent) of the volume of goods transported in Mozambique in 2007. Similarly, roads accounted for 96.1 percent of the passengers' transportation in the same year. However, as shown in Table 6.7(c), only 17.9 percent of the total lengths of roads in the country are paved or tarred. A further 25.4 percent are graded or gravelled, while more than half 56.7 percent are footpath. The CRM observed that most inter-provincial roads are tarred, whereas municipal and districts roads were in bad conditions. Most rural roads are footpaths which are at best gravelled or graded.

Table 6.7(c): Type of Road Surfaces by Provinces in Mozambique in 2007 (Km)

Provinces	Tarred or Paved	Graded or Gravelled	Footpath
Niassa	161	379	2,257
Cabo Delgado	668	883	1,893
Nampula	516	1,411	2,133
Zambezia	351	858	3,037
Tete	837	215	1,889
Manica	581	924	939
Sofala	567	912	896
Inhabane	622	450	1,822
Gaza	464	1,039	1,024
Maputo	478	378	740
Total	5,245 (17.9%)	7,449 (25.4%)	16,630 (56.7%)

Source: Mozambique 2008 Statistical Yearbook.

1191. Mozambique has five sea ports in Maputo, Beira, Quelimane, Nacala and Pemba. There was an increase in the volume of goods and passengers handled by the sea ports between 2006 and 2007 with a higher percentage change (21.8 percent) in volume of goods than passengers (4.4 percent). The use of sea transport for passengers' movement was the least among the major modes of transportation in the country in 2007.
1192. Unlike other modes of transportation, the use of rail for movement of goods and passengers decreased by 3.6 percent and 6.6 percent, respectively, between 2006 and 2007. The CRM observed that this could be due to the fact the rail system runs east-west and no direct link between North and South where 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 are old and dilapidated, thus discouraging the use of this mode for movement of goods and passengers. Nevertheless, the CRM observed that the rail system in Mozambique is well linked with neighbouring countries, thus promoting international trade.
1193. The CRM noted the equitable distribution of the nation's airports between the three regions and the ranking of the National Carrier, *Linhas Aereas Mocambique* (LAM), 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 handled by this mode between 2006 and 2007.

Recommendations

1194. The APR Panel recommends that Mozambique :
- Develop a national plan for the improvement of network of serviceable roads in the provinces to facilitate timely and adequate evacuation of agricultural products from the farms to markets in urban centres [*Ministry of Works*];
 - Create cyclists' lanes when constructing and rehabilitating new roads in urban and peri-urban areas of the country [*Ministry of Works; Municipalities*];
 - Link the northern and southern regions directly through the rail system in order to facilitate efficient internal trade system [*Ministries of Planning and Development and Works*]; and,
 - Improve the use of sea transport for movement of passengers and goods along the 2,700Km coastline in the country [*Ministries of Planning and Development and Works*].

Information and Communication Technology

1195. The CRM notes the wide coverage in the provision of postal services in the country. There are 11 central, 77 primary, 17 secondary post offices and three postal posts in Mozambique in 2007. The 108 postal facilities handled more than six million letters, about 65,000 express mail service and more than seven thousand parcels in 2007.
1196. The CRM also note a significant increase of 57.1 percent in the number of subscribers to mobile telephone services in the country between 2005 and 2006 by the two providers (Mcel and Vodacom). This is unlike the fixed network where the increase was 1.1 percent within the same period. Although it is difficult to establish the number of internet service providers and registered cyber cafes in the country, the CRM notes the availability of internet facilities in all the provincial headquarters and some other municipalities with a relatively low coverage in the rural areas.

Recommendation

1197. The APR Panel recommends that Mozambique improve on access to affordable internet and other information technology facilities in both urban and rural areas to facilitate effective information dissemination [*Ministry of Communication*].

Shelter

1198. Immediately after independence, the government of Mozambique 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. According to a study by MOPH/DNH and UNDP-HABITAT (Monograph of Maxaquene neighbourhood) on the average, 50-60 percent of the urban population was living in informal settlements and marginal areas, in houses made of light, unstable material immediately after independence.
1199. The CRM confirms through stakeholders, the development of shanty towns and slums in many cities with high population density and uncontrolled high housing rents. The high housing rents along the coast lines of Maputo and other cities is unaffordable to most government workers who are now being forced to live in slums around the cities with low housing and environmental qualities.
1200. In general, the CRM notes the following challenges to Mozambique housing industry:
- Weak housing policy as a result of inadequate skilled human resources in the housing unit of the Ministry of Public Works and Housing;
 - 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 difficulties of obtaining plots of land for building especially in urban areas (About 4,000 plots approve annually);
 - The negligible budgetary allocation to housing unit of the Ministry of Public Works and Housing annually as against the 5 percent budgetary allocation recommended by the African Ministerial Council on Urban Development;
 - The low quality of houses in both urban and rural areas with almost half and more than 90 percent of houses in urban and rural areas, respectively with thatched roofs; and,
 - The difficulties of obtaining data on housing and the unfriendly design of houses and public buildings to People Living with Disability (PLWD) in Mozambique. The CRM confirms the non-availability of reliable data on housing in Mozambique.

Recommendations

1201. The APR Panel recommends that Mozambique:
- Address the issue of 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 African Ministerial Council on Housing decision [*Ministry of Local Government; Ministry of Finance*]; and,
- Build capacity in the Directorate of Housing in 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

1202. 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-run is not a constraining factor to increased agricultural production.
1203. The production of basic staples, notably maize, has increased with concomitant reductions in the levels 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. However, there is a need to devise policies and strategies that will guarantee a sustainable exploitation of land and water resources the country possesses.
1204. However, the CRM notes that the state ownership of land in Mozambique is a major constraint to wealth creation. The sale and use of land as collateral are prohibited which make 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.
1205. The highlights of the 1997 Land Law currently in use include:
- customary rights (for individuals as well as groups), co-titling regime and the role of local communities in resource management, conflict resolution and their position when new investment is coming into the area;
 - the fact that women are seen as having full rights, independent of the household or family unit of which they are part;
 - 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 such as tourism, mines, forestry and others, and that licences on their own do not confer a land-use right.

Recommendations

1206. The APR Panel recommends that Mozambique:
- Rehabilitate and establish small scale irrigation facilities in order to ensure adequate use of agricultural lands for food security [*Government and 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 and parliamentarians*].

Objective 5: To Make Progress towards Gender Equality in All Critical Areas of Concern, including Equal to Access to Education for All Girls at All Levels

I. Summary of the CSAR

1207. The CSAR notes that the GoM has put in place the necessary institutional and policy framework to address 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, the Five-Year National Development Plan and PARPA II addresses gender equality. Other sectoral plans have gender mainstreamed in them, For example, the Education and Culture Sector prioritizes gender issues in its Strategic Plan (2006-2010/11).
1208. In order to realise the set goals and objectives, Mozambique has, among others, set up an institutional framework that includes a Ministry of Women and Social Action (MWSA) established in 1995; Gender Focal Points in ministries (2003); National Council for the advancement of Women (2004) which has a technical group comprising of all sectors and provincial and district councils. The National Council for Advancement of Woman was established to promote and monitor the implementation of Government gender policies. On this basis, it can be argued that there is a juridical, political and institutional structure in Mozambique which is favourable to the promotion of gender issues and the empowerment of women.
1209. The CSAR notes that since 2005 the MWSA has been undertaking training on gender mainstreaming in development programmes to representatives of sectors and provinces. Remarkable progress had 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. However the CSAR notes that illiteracy rates are still high for women, the dropout rate for girls is high in upper primary and the enrolment rate in secondary education is low.

II. Findings of the CRM

1210. The CRM notes that Mozambique has supportive policies, laws and an institutional framework to guide the efforts towards achieving gender equality and equal opportunities for all individuals (Box 6.10). The GoM has signed several regional and international instruments that promote 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.
1211. National level provisions include the Constitution; the Land Law; Family Law; Law on trafficking of human beings; 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 (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: i) The recognition of customary unions, allowing women married under customary law to claim property and custody rights; ii) the recognition of informal unions, giving women who have lived with their partner for more than one year the right to inherit; iii) an increase in the minimum age of marriage to 18 years (from 14 and 16 years for boys and girls respectively); and iv) 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 the law. The Law on trafficking of human beings, especially of women and children, criminalises trafficking and protects the rights of women and children.

Box 6. 10: Legal framework for gender equality in Mozambique

International and regional instruments

- The Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) (1993)
- Optional Protocol-CEDAW (OP-CEDAW)
- The UN Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children (2003)
- The SADC (Southern Africa Development Community) Gender Declaration (1997)
- Prevention and Eradication of Violence Against Women and Children (Addendum to the SADC Declaration on Gender and development) 1998
- African Charter on Human and Peoples' Rights: the Women Rights Protocol (2005)
- Solemn Declaration on Gender Equality in Africa
- The 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 trafficking of human beings especially of women and children (2008)
- The Second National Plan for the Advancement of Women (PNAM 2007-2009)
- Gender Policy (2007)

Source: APRM field notes, Mozambique, 7 February- 2 March, 2008.

1212. In 2007, the country approved a Gender Policy whose 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 political, economic, legal, socio-cultural, defence and security areas of activities. The country also has a National Plan for the Advancement of Women 2007- 2009 (Box 6.11).
1213. As noted in the CSAR, to facilitate implementation of these laws and policies, the country has put in place an institutional framework which includes a Ministry of Women and Social Action; Gender Focal point; the National Council for the Advancement of Women, the Parliamentary Commission on Social, Gender and Environmental Affairs and the Forum for Women Parliamentarians.

Box 6.11: Good Practice: The National Council for the Advancement of Women

The National Council for the Advancement of Women include 12 women and four men. The Council meets every three months and holds extraordinary meetings when necessary to discuss a full range of issues at the highest level. Replicas of the Council exist at the district level. This is intended to encourage women to discuss issues that affect them at the lowest levels. It is through this coordination mechanism that gender activities are implemented. Members of civil society and religious groups are also part of the process.

Source: APRM field notes, Mozambique, 7 February - 2 March, 2008.

1214. Although there is a very supportive legal and institutional framework, the CRM found out that many Mozambican women, especially in the rural areas, are still mainly unaware of their rights and if they are aware of their rights they often do not know how to exercise them. The biggest challenge to gender equality that the CRM noted was the dominance of customary law that favour patriarchy.

Major role of Civil society in advocating for Gender Equality

1215. The CRM found that there is an active civil society in Mozambique which has been responsible for mobilising support for wide-based support for gender equality through direct campaigns. The civil society undertook a lot of advocacy work towards the enactment of the Family Law in 2004. Civil society has also been responsible for advocating for a law proposal on domestic violence.

Gender Mainstreaming and Gender Responsive Budgeting

1216. The CRM was informed that MWSA has been undertaking training on 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 to mainstream gender budgeting into the planning and resource allocation processes and urges the Government of Mozambique to accelerate implementation of this initiative.

Gender Parity in Primary and Secondary Education

1217. 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 percent in 2005 to 90.1 percent (UNDP, 2008). However, girls are significantly more likely to drop out of school than boys. Though girls and boys enrol in 1st

grade on a roughly equal ratio, only 39.4 percent of Grade 11-12 pupils in 2007 were girls (Mozambique 2008 Statistical Yearbook).

1218. The CRM learnt from discussions with stakeholders that the major challenges affecting girls' attendance to primary and secondary schools include: long distance to school; even though primary education is free, lack of resources to buy school materials such as uniforms and stationary; 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 there is a ministerial decree of 2003 that states that all school girls who become pregnant will have to attend night school, or leave the school, thereby making the girl drop out of school. Stakeholders complained that this decree puts the girl child at a disadvantage and it is important that it is reviewed. The new Family Law, passed in 2004, raised the legal age for marriage to 18 f (with parental consent) and 21 (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.
1219. The CRM also noted that significant regional inequalities exist between provinces or between districts in the same province. The key indicators of education, such as enrolment, completion and the teacher qualification levels, are substantially lower in the northern and central regions compared to the southern region of the country.
1220. The CRM notes that Mozambique is putting a lot of effort and has made some progress to improve 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 that cause high drop-out rates, take care of regional and gender inequalities, and encourage the participation of women in the teaching profession. It must be noted that the Ministry of Education already has a strategy in place to encourage participation of women in teaching which needs reemphasizing.

Box 6.12. Efforts to Encourage Girl Participation in Education

The country has embarked on many strategies to improve the participation of girls in school. Some of the strategies that were identified in consultations with different stakeholders include:

- Increasing the number of female teachers as role models. The percentage of female teachers increased from 23 percent in 1997 to 30 percent in 2007. (Proportion of female teachers in 2007 Primary Education 1=34 percent; Primary Education 2=27 percent; Secondary Education 1=16 percent, Secondary Education 2=19 percent).
- In collaboration with the WFP, the government provides a snack or a meal at school and a food basket for girls in primary education – committees are in place to monitor and raise awareness with the families
- Secondary schools have been established close to the communities so that girls can attend.
- Targeting of girls of primary and secondary levels with scholarships to ensure access to education for girls.
- Use different strategies to sensitize the communities on educating girl children including the Commission of Fathers established to sensitize fathers; parent teacher's association and school councils and others.
- Use of a book or film on children's rights to create awareness in communities.

Source: APRM field notes, Mozambique, 7 February- 2 March, 2008.

1221. Participants in provincial CRM consultations emphasised that efforts to encourage girl participation in school should go beyond the school-feeding programme. The stressed the need to raise sensitisation and awareness raising among parents on the importance of sending the girl child to school. They also emphasised that the school councils should be pro-active in sensitising parents to eliminate the practice of early marriages.

Gender Parity in Tertiary Education

1222. In consultations with the chancellors of the institutions of higher education, the CRM learnt that, at the tertiary level, Mozambique has made progress in increasing the participation of women in some universities, particularly private universities where the female proportion is more than 50 percent. Some of the

universities have in place an affirmative action policy for women that include a fee waiver targeted at girls to encourage their participation. Notably, more women are taking science courses and in general they are academically performing better than men. However in public universities, the participation of women remains much lower than that of men averaging between 25 to 30 percent. 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 more effort should be made to have girl children enrol and complete higher education.

Adult literacy

1223. The CRM noted that the literacy rate in Mozambique for women (at 37.5 percent) is considerably lower than that for men (67 percent) (CSAR data for 2005). However, the CRM noted that the country has made some progress in reducing the adult literacy of women, which was 74.1 percent in 1997 and decreased to 66.2 percent in 2004. Enrolments for adult literacy classes have increased between 2005 and 2007, having achieved 599,114 students (1st and 2nd years), of which 345,941 (58 percent) are women. The country is making special efforts to have more women attend adult literacy classes and the CRM recommends intensification of these efforts because women's literacy is of crucial importance in addressing wider issues of gender inequality and family welfare.

Women and Health

1224. The CRM noted that Mozambique has made great efforts to improve access to health and maternal health. The maternal mortality rate (MMR) has declined from 1000 deaths in 100 000births in the 1990s to 408 in 2003 and 340 in 2008. The proportion of births attended by health personnel increased from 44.2 percent in 1997 to 47.7 percent in 2003. However, the proportion of births attended by health personnel in urban areas (71.4 percent) is higher than in rural areas (28.6 percent).
1225. There are also large disparities between the regions in accessing maternal health. The CRM learnt that the improvements that have been made on maternal health were due to the implementation since the year of the National Plan and Strategy for the Reduction of Maternal and New Born Mortality. Participants in provincial consultations noted that health services in health centres had expanded in the rural areas. The CRM was impressed by the progress, but however emphasises that maternal health is very important, the country should scale up the efforts to further reduce the MMR, address the rural urban disparities and strengthen the health workforce.
1226. The CRM noted that the HIV/AIDS pandemic in Mozambique has a woman's face, as more women (60 percent) are currently living with HIV and AIDS compared to men (40 percent). The HIV prevalence rate is particularly higher amongst younger women than men. As noted elsewhere in this chapter, the prevalence rates are also higher in some regions for example the southern region when compared to the northern region.
1227. The underlying factors that explain the high levels of HIV infection among women and young women need to be addressed. In different meetings with stakeholders, the CRM was informed that the higher HIV prevalence 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 and violence; illiteracy; and poverty. The CRM observed that the country has been doing some work to address these gender related issues that lead to feminization of the HIV epidemic in Mozambique. However this is an area where more needs to be done.
1228. With regard to reducing mother to child transmission (PMTCT), the CRM observed that the country had made some progress (Box 6.13).

The CRM noted that the number of PMTCT sites in Mozambique had increased to 386 by December 2007, up from 222 by end 2006. The number of health centres with antenatal care facilities that offer PMTCT services is almost 800. In 2006, the total estimated number of pregnancies in Mozambique was 760,000, and 35 percent of these women (269,084) received antenatal care at a health facility with PMTCT services. The proportion of HIV+ pregnant women receiving ARV prophylaxis to the overall HIV+ pregnant woman population has increased from 0.2 percent in 2002, to 8.3 percent in 2006 and 29.7 percent in 2007 (GoM, 2008). The CRM also learnt that the number of HIV+ women who receive 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 to ART. However, the CRM observes that there is still a large unmet demand, and urges the country to continue scaling up the efforts to improve access to PMTCT and ART.

Source: Sources: CRM Interactive Sessions in Provinces, February, 2009.

Women and Participation in Decision Making

1229. The CRM findings indicate that Mozambique has made substantial progress in promoting representation of women in politics and decision making, with women currently accounting for 37.2 percent of the MPs (Table 6.8). This percentage reflects a two percent increase over the period 1999-2004. The Prime Minister is a woman and so is the Vice-President of the Parliament. The CRM was informed that the FRELIMO party uses a quota system to ensure the representation of women in politics.

Table 6.8: Women in leadership Positions

	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

Source: Ministry of Women and Social Action; * 2005 figure.

1230. Although there is a significant increase in the number of women leaders in Mozambique, it is necessary to assess the extent to which the quantity corresponds to improvement in gender equality on the ground. In particular, it is important that the increased number of women participating in decision-making leads to improved gender equality on the ground.
1231. 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 percent of the positions to women. However, at consultation meetings in Gaza and Inhambane, and in Nampula, participants indicated that women were not fully involved in decision-making at local level (Box 6.14).

Box 6.14: Low Participation by Women in Decision Making at Lower Levels

Although women are encouraged to be part of the School Councils and community consultative councils, few accept due to traditional customs. In some cases, their husbands do not allow them to participate on the councils. Other constraints that women face include taboos, lack of confidence and self-esteem, powerless, 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.

Source: Source: APRM field notes, Mozambique, 7 February- 2 March, 2008.

Women's Access to Productive Resources and Formal Employment

1232. The CRM noted that Mozambique had made progress to improve the access of women to land. The Constitution, the Land Law and the Family Law provide for gender equality in accessing land and discussions with stakeholders confirmed this. However, the customary law that favours male ownership of

property still dominates and women, especially those in remote areas, are still not aware of the supportive laws.

1233. The CRM was also informed that women have limited access to credit. Access to credit is not easy because formal banks require collateral that most women do not have and it also requires some documentation in the form of identity cards that 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, the CSOs and communities themselves were undertaking to improve access to credit for women, including the 7 Million Meticaís district fund. Consultations revealed that women were 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 that can ultimately contribute to poverty eradication.
1234. 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 percent compared to 30.7 percent for men in 2003 (GoM and UNDP, 2005). The CRM found out that the country has adopted a Labour Law (Law No 23/2007) that supports implementation of the principle of equal opportunity by increasing participation of women in the labour market.⁷⁶ Implementation of this law will go a long way in opening up opportunities for women in the formal sector. The CRM recommends that this law be fully operationalised so that it can translate to real benefits to women on the ground.
1235. The CRM noted that the majority of women are in agricultural production. Strategies to economically empower women in Mozambique should be aimed at improving their agricultural productivity, access to markets and agro-processing capacity as noted earlier under Objective Two.

Gender-Based Violence

1236. The CRM consultations in Mozambique revealed that the forms of gender-based violence (GBV) most prevalent in the country include: domestic violence; childhood 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 son preference; and trafficking in women and forced prostitution. In Inhambane and Zambezia provinces, it was reported that childhood sexual abuse when committed by the fathers to their daughters was linked to traditional rituals of wanting to get rich. Once done the family kept it as a secret and it could force the child to drop out from schools.
1237. GBV disproportionately affects more women than men in Mozambique. As shown in Table 6.9, women form the largest proportion of the number of cases reported to the police of violence in the first 6 months of 2008. The CRM also learnt that older women in Mozambique experience gender-based violence.

Table 6.9: The number of reported cases of violence in Mozambique in the first 6 months of 2008 by province

Province	Men	Women	Children	Total
Maputo city	343	2050	197	2590
Maputo Province	144	319	185	648
Gaza	53	166	80	299
Inhambane	106	373	158	637
Sofala	318	1090	224	1632
Tete	65	292	36	393
Manica	289	456	171	916
Zambezia	78	267	76	421
Nampula	87	837	215	1139

⁷⁶ The Labour Law, among other things, recognises equal rights for both men and women with regard to remuneration, provide for sanctions for sexual harassment and, for the first time, introduced paternity leave.

Niassa	117	393	104	614
Cabo Delgado	2	163	52	217
Total	1602	6406	1498	9506

Source: Ministry of Interior 2008 data quoted in the magazine Essential.

1238. However, Table 6.9 does not include those who looked for support from other institutions or women who kept silent and did not report. The CRM learnt that GBV was prevalent in the country, mostly against women and girls, but consultations with stakeholders revealed that violence against men was on the increase.⁷⁷
1239. The factors attributing to violence against women include economic factors related to poverty; socio-cultural factors; and conflict and insecurity. Poverty and marginalisation is wide spread among women and is a causal factor leading to violence against women, and also 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 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 the consultations held in the provinces, the CRM learnt that violence against men is mainly a result of women trying to protect themselves.
1240. The CRM takes the view that gender based violence need to be urgently addressed because it has a wide range of health, social, psychological and economic impacts. Violence against women has several health, human rights and socio economic 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 suffer severe injuries and/or unconsciousness including mental illness and death following the rape and rape victims are nine times more likely than non-victims to have attempted suicide (UNFPA, 2001). Sexual abuse of school going children leads to the affected girls dropping out of school. The traditional practice of early marriage also leads to many girl children dropping out of school.
1241. GBV directly leads to the drain on the economically productive workforce and generates a climate of fear and insecurity. Overall, if gender based violence against remains unchecked, there is a perpetuation of gender inequality. Yet it is now widely acknowledged that gender equality is required for the achievement of the MDGs on health, poverty, education and environmental sustainability.
1242. The CRM learnt that trafficking of human beings in particular women and children was 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 trafficking of human beings especially of women and children of 2008. The CRM recommends that the country operationalise and enforce the law.

Progress made on initiatives to curb gender based violence

1243. To curb domestic violence, the CRM learnt that the Government and civil society institutions had taken several actions, including training police in women's rights and assistance to the victims of violence; creating counselling services to assist the victims; creating a database on domestic violence; some 151 centres had been created for abused women and children; and installing "SOS" lines. However more needs to be done especially on prevention and creating awareness. There is also need to improve sensitisation especially through community leaders such as traditional and religious leaders on the importance of valuing each

⁷⁷ 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 girl children is usually committed by near family members.

other's rights. Discussions in the provinces revealed that there is need to sensitize children and build their skills at schools.

Challenges

1244. The key challenges in addressing GBV include:
- Slow change in attitude;
 - Inadequate legal aid and psychosocial services in support of survivors of violence;
 - Weak legal framework;
 - Lack of accurate and comparable data;
 - Limited linkage of gender based violence with other themes such as economic empowerment of women; and,
 - Weak institutions.

Resource Allocation for Gender and Development

1245. The allocation of resources to the Ministry of Women and Social Action is low and was 0.7 in 2006. The Ministry 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 MWSA which relate to persons with disability, older persons and children.
1246. However these policies have not been fully operationalised largely because of lack of resources. The Ministry has limited human and financial resources. Although the Ministry receives donor aid, it is important that resources from government be increased since they are more sustainable. Consultations with the vulnerable groups confirmed the concerns that the Ministry was not receiving adequate resources to meet their needs.

Vulnerable Groups

1247. Apart from women and girls, other vulnerable groups include persons with disabilities, the youth, internally displaced persons (IDPs), orphans and vulnerable children (OVC), older people,

Persons with disabilities

1248. Persons with disabilities have difficulties in accessing education and employment. In education the major reasons for limited access include lack of disability friendly facilities, lack of resources to buy school materials such as uniforms, lack of education materials that are prepared for persons with disabilities; lack of teachers at levels higher than grade eight and for particular disabilities; limited number of official sign language interpreters. The transport system does not provide for persons with disability. PWD have difficulties to access buildings such as banks. They have problems of accessing treatment on HIV/AIDS. The services for malaria are available but they are not enough to cover everybody. PWD have difficulties to get wheelchairs, walking sticks and other equipment to assist them. Discussions with the group of PWDs revealed that although they felt that they are integrated in development, they are not well represented in parliament because the PWDs in parliament were elected through the political party, and are not necessarily the focal persons for PWDs.

Youth

1249. Agenda 2025 states that the youth is 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 the youth were involved in development processes in the country. The country has a National Youth Council that has representation at province and district levels. The youth participate through this mechanism at national and lower levels. Youth

forms various associations that are used to access funds for different projects and to discuss ways of addressing development issues including employment, HIV/AIDS. Unemployment and limited access to credit are still major challenges to many youth. The CRM learnt that the country has established a youth fund targeted at youth to develop self-help projects and income generating projects.

Internally displaced persons

1250. The CRM visited one site of IDPs in the Murumballa district of Zambezia. The site has 615 households who were displaced from flooded lowland areas of the Shire river valley in 2006. The CRM found that the government was providing most of their social needs including: building materials; health services; primary education up to standard 8; clean water; bigger plots of land, agricultural extension services, and food in the form of maize every month. The IDPs had the flexibility of visiting their old homes/plots and were also allowed to resettle in any other community if they so preferred.
1251. The CRM also learnt that the IDPs were participating in development activities in their communities, and in district development processes through the community consulting councils. The major challenges noted in the discussions were the large percentage of young mothers indicating that they dropped out of school at lower primary level and the shortage of food that they were experiencing because of drought. The CRM interviewed a young mother of less than 20 years old who already had two children a seven and three year old. The CRM recommends that the government find ways of reinforcing the sources of livelihood of the displaced communities particularly by strengthening their agricultural potential through irrigation facilities and addressing the problem of early marriage girl children.

Orphans and vulnerable children

1252. In 2006, approximately 1.6 million children of less than 18 years of age were orphaned (12 percent to 16 percent of the total population) (GoM, 2008). The number of orphans is highest in areas with high HIV prevalence. OVCs are more likely to live in poor households headed by women, elderly people and/or by an uneducated person. The CRM learnt that some households are headed by a child, or the children have to act as the main provider 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 health, education, food, legal, financial and psychosocial services. In addition to these challenges, children orphaned as a result of AIDS are often living with social stigma and discrimination, and potentially face exclusion from their communities.

Older persons

1253. Older people in Mozambique were noted to lack full access to earn income, livelihood opportunities because of their age; and limited access to social services, social security. Most of them were reported to be poor. As a result of the HIV/AIDS epidemic many older persons especially women have found themselves losing support from their own children, who are either sick due to the illness or have died from it, and subsequently are now taking on roles as income earners and active care givers to their own children and grandchildren. Government is providing a food subsidy of 100 MT that was reported in consultation meetings to be inadequate, especially for older women caring for dependants affected by HIV and AIDS. The CRM also noted that older Mozambican women who were branded as witches were subjected to violence.

Country initiatives

1254. The country has approved and is implementing the following plans that relate to the vulnerable groups:
- National Plan of Action for Children (2006-2010);
 - National Plan of Action for Orphans and Vulnerable Children (2006-2010);
 - National Plan for Older People (2006-2011);
 - National Plan for Disability (2006-2010); and,

- Second Plan for Women and Gender (2006-2010).

1255. The country has put in place an institutional framework which includes a Ministry of Women and Social Action that has officers in the provinces and an Institute of Social Welfare.

Challenges

1256. The CRM noted that the country has a number of challenges with regards to addressing the socio-economic development of the vulnerable groups that include the following:
- The country has very good plans in place, but inadequate human and financial resources hamper their implementation;
 - Disaggregated statistics on the vulnerable and those living in poverty by locality is not available and up to date. This is important for targeting social welfare and for monitoring and evaluation; and,
 - Mozambique is prone to recurrent natural disasters, including chronic drought situation in southern provinces, floods in the Zambezi basin and cyclones in the coastal regions. The calamities lead to the destruction of homes, hospitals, schools and crops and make the vulnerable populations more vulnerable.⁷⁸

III. Recommendations

IV. The APR Panel recommends that Mozambique:

- Accelerate and intensify implementation of strategies to retain the girl child in primary and secondary schools and to encourage them to undertake training in vocational skills as a strategic tool for empowering Mozambican women [*Ministry of Education*];
- Speed up the enactment of the Domestic Violence Law, which addresses gender- based violence [*Parliament*];
- Develop a nationwide programme to train and sensitise the law enforcement agencies as well as the communities on issues of gender-based violence [*MWSW*];
- Accelerate implementation of the National Plan for the Advancement of Women and of gender budgeting [*MWSW*];
- Strengthen the effective role of women's participation at local levels through training programmes that strengthen 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 [*MWSW*; *CSOs*]; and,
- Accelerate the implementation of the national plans developed for the vulnerable persons by improving the resources allocated for social welfare [*MWSW*].

Objective 6: To Encourage Broad-based Participation in Development by All Stakeholders at All Levels

I. Summary of the CSAR

1257. Although Mozambique is a young democracy, the country has scored a number of gains in the democratisation process. The CSAR indicates that there is a law (8/91, of 8th June 1991) that provides the legal frame for participation of all in the development. The Constitution also provides for the rights of participation of all in development including freedom of speech and the right to information.
1258. The GoM is promoting decentralization at local government level. In this regard, the CSAR notes that the country has adopted a number of measures to assure that the district becomes the 'development pole'. The

⁷⁸ For example following the floods of 2007, four of the provinces which were affected were also provinces with high HIV prevalence (Tete-16.6%, Sofala -26.5%, Zambezia-18.4%, Manica-19.7%), causing a double emergency of HIV and floods. It is important that the country is able and is prepared to deal with the drought in a timely manner in order to minimize vulnerability.

CSAR notes that there is active participation of stakeholders and other institutions in the planning and decision making processes.

1259. The CSAR further notes that CSOs are the major means by which the citizenry is represented in development planning, programme implementation and monitoring and evaluation. The Civil Society has participated actively in the design process of Agenda 2025, Land Law, the recently approved Law 8/2003 on the Local Boards, PARPA II which was approved in May 2006 and in the development observatories regulation (OPP/D2007). The CSAR, however, cautions that CSOs are inequitably distributed across the provinces.

II. Findings of the CRM

1260. The CRM is impressed that, since the General Peace Accord of 1992, Mozambique has embarked on a protracted process of democratic decentralisation and civil-society building, with provision for elected local governments in certain urban municipalities that has greatly facilitated participation of citizens in the development process. The country has since 1992 held three presidential and parliamentary elections, including two council elections in 33 municipalities.
1261. In different consultation meetings with different groups in the country the CRM learnt that the country has allowed for greater participation of the citizens in the monitoring of the implementation of PARPA II through the Poverty Observatory (PO). As previously noted, the PO is a consultative forum for the Government, the CSOs and international partners to follow-up the implementation of the PARPA.
1262. Its main function is to bring to the attention of decision makers the views of those whom the political system cannot adequately integrate. The Poverty Observatories have become part of the Joint Annual Review process. The CRM learnt from consultation meetings that the participation of CSOs through the PO was a major step forward and a good achievement for CSOs, because before that the civil society was not listened to and taken into consideration.
1263. However the PO has a shortcoming, although it formalises the inclusion of the Civil Society in the design of poverty alleviation measures. It has no legal basis and has been restricted to a consultative body with no channels for feedback and social accountability. As it is set up now, the PO provides no assurance that citizens' concerns and ideas are seriously taken into account. Representatives of CSOs may criticise the measures, but they have no legally guaranteed way of asserting themselves. It is important that Mozambique upgrades the role of the Poverty Observatory, so as to strengthen accountability on poverty reduction.
1264. The CRM noted that there are other mechanisms in place at district and provincial levels for consultation in the form of sector specific committees such as water, irrigation and school committees that are composed of elected members of the community who represent the interests of the communities in development, use and maintenance of the different infrastructure. The CRM was informed that at community level participation was inclusive of youth, men, women, internally displaced persons, and persons with disability. However, it was observed that in Zambezia Province women's participation in the community consulting councils was limited due to cultural reasons. On the contrary, participants in Sofala, Manica and Tete provinces indicated that women' participation had greatly improved.
1265. Commendably, Mozambique has developed National Councils for specific groups, namely, for youth (in 1996) and one for the advancement of progress of women in order to provide a structured way of consulting on issues related to the group 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 was preparing to establish National Councils for Children; Older persons; and Persons with disability in the near future.

1266. In consultation meetings with stakeholders, the CRM learnt that in order to foster the voice of the National Councils, it is important to have their representation in parliament. However the CRM noted that representation of the existing councils in parliament is closely linked with the two major political parties. The current Constitution only allows seats in parliament through political parties. The political parties do not necessarily select the democratically elected representatives of the National Council.
1267. The CRM noted the following challenges that were affecting effective participation at community level:
- Illiteracy at community level negatively impacts on the level of participation;
 - Inadequate information available for the local population to effectively monitor delivery of services;
 - The CSOs do not have adequate technical capacity especially in rural areas. Participants noted that the CSOs are not very well organised in the rural areas and they are not able to create a strong one voice on certain issues; and,
 - Limited participation of vulnerable groups for example persons with disability, youth in parliament. The laws do not allow persons with disability to participate and be represented in the parliament its only through political parties.
1268. The CRM was further informed that there was some participation by local people in financial management of the district resources through the community consulting councils. The government has earmarked 7Million MT for direct use by districts on the basis of locally taken decisions. The fund is earmarked for investment projects that can generate income that can be injected back into the fund. District councils make decisions on behalf of the community on the allocation and utilisation of the 7Million MT development fund. 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 this fund is playing a major role in the socio-economic development of their communities and through their consulting council, they were able to participate in the management of the fund.
1269. However, CRM consultations with stakeholders in some provinces revealed that the major challenges to effective community participation in managing these resources included:
- Lack of capacity to manage this money. There is need to undertake training programs to community members on 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. They indicated that those who were selected were part of the trust buddies of the government or were affiliated to some political party;
 - Participants were not fully aware of the aim of the Development Fund and the difference with the regular provincial or budgetary resources; and,
 - Participants noted that the 7Million was not adequate to fund the priority areas in their communities.
1270. The CRM further found out that, as stated in the CSAR, development of sector-based plans, for example, in education, health, agriculture, and social action, adopt participatory approaches. The CRM was informed that the 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 discuss with him impending development issues such as corruption, poverty, international relations and others.
1271. 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 there is need for country to strengthen accountability to its own people and institutions.

Diminished Space for Policy Initiative in Mozambique

1272. The CRM observed a wide awareness of the need for local ownership of the development process among Mozambicans. In plenary sessions, many stakeholders across the country informed the CRM that development should not depend heavily on the donors. Without doubt, ordinary people viewed dependence as undesirable in the long term.
1273. As noted previously, donors and lenders seem to have penetrated in each area and level of policy debate and decision-making in Mozambique given the country's heavy dependence on aid. This raises questions about the extent to which participation in the decision-making process at lower levels is effective compared to that of donors. From this perspective, it appears that heavy dependence on aid creates policy rigidities and reduces policy space in Mozambique.
1274. The CRM believes that Mozambique can lay a firm foundation for development if it follows the example of the aid graduates – known as International Development Assistance (IDA) graduates – which succeeded by ceasing aid dependence. The IDAs vigorously pursued broad-based and diverse macroeconomic policies, which 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. Mozambique can learn from the experience of other countries to reduce its heavy dependence on donors. But the Government of Mozambique should become more ambitious. It needs to begin working on changing the structure and dynamics of public expenditure 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. Part of it requires consistent and adequate investment in education and human resource development.

III. Recommendations

1275. The APR Panel recommends that Mozambique:
- Initiate capacity building programmes for local communities and CSOs to enable them to effectively participate in planning, implementation and M&E processes for improved service delivery [*Ministry of Planning and Development; Ministry of Local Government; CSOs*];
 - Ensure representation and participation of all the marginalised groups in the development processes [*Ministry of Planning and Development; Ministry of Local Government; CSOs*];
 - Strengthen the role of the Poverty Observatory so that it guarantees that citizens' views are adequately addressed and feedback is provided [*Ministry of Planning and Development*]; and,
 - Strengthen information dissemination and sensitisation on the laws that promote broad-based participation [*Ministry of Planning and Development; Ministry of Local Government*].

CHAPTER SEVEN

7. CROSS-CUTTING AND SPECIAL ISSUES

7.1 Overview

1276. As has now become the APRM tradition, the preceding four chapters appraised Mozambique within the framework of the four thematic areas of the African Peer Review Mechanism (APRM), namely democracy and political governance; economic governance and management; corporate governance, and socio-economic development.
1277. This appraisal is in line with the African Union's current governance agenda which has at its epicentre the deepening of democratic practices, the strengthening of achievements, dissemination of best practices and the rectification of underlying deficiencies in governance and socio-economic 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.
1278. In line with APRM requirements, the assessment of governance in Mozambique was informed by the 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 where the country has made considerable progress and where more still needs to be done.
1279. It is obvious from the preceding four Chapters in this report that Mozambique has made remarkable progress in all the 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 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 a UN Peacekeeping force mission, UNOMOZ, until 1995, Mozambique has come into its own. This turnaround represents a major example of post-conflict transition success which offers valuable lessons to other countries.
1280. 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

1281. The following are the major thirteen crosscutting issues emerging from this report:
- Poverty and Inequality;
 - Party/government/business dichotomy;
 - 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 challenge;

- Elections; and,
- Corruption.

7.2.1 Poverty and Inequality

1282. The global poverty 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). It is presently estimated that 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 been so urgent - and compelling attention of the international community to transform economic priorities and guarantee the universal securing of basic human needs.
1283. 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. In addition, a recent report by the World Bank provides evidence of a 'nutritional paradox'.⁷⁹ While real consumption levels have risen across the country, chronic malnutrition has not declined apace, and has even worsened in some areas (Zambezia, Sofala, Inhambane, Gaza, Maputo province).
1284. Household survey data that would permit an updating of poverty rates since 2003 are not available. However, a poverty and vulnerability survey (PVS) carried out by the *Universidade Eduardo Mondlane* 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 by the PVS 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 an across-the-board alleviation of poverty, 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.
1285. Mozambique has also not escaped the impact of soaring food prices that has engulfed several countries in recent years. In a country where 54 percent of the population lives below the national poverty line, 34 percent of households are food insecure and face perpetual hunger. It is having 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 fertilizers, 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, Mozambique annually imports about 890,000 tons of cereals, leaving it susceptible to global food price increases.
1286. A modelling exercise conducted by the Mozambique Ministry of Planning and Development to estimate the impact of soaring food and fuel prices on the poverty situation indicated that these combined effects could result in an overall increase in the poverty headcount from 51.5 percent to over 58 percent, thus reversing recent gains in poverty reduction and threatening the achievement of the second poverty reduction strategy (PARPA II) target of reducing the poverty headcount to 45 percent in 2009. The plans developed and under implementation by the Government and its development partners seek to mitigate the impact of rising food prices and ultimately continue to reduce poverty in Mozambique.

⁷⁹ The World Bank, *Beating the Odds: Sustaining Inclusion in a Growing Economy. A Mozambique Poverty, Gender and Social Assessment*. Africa Region, Poverty Reduction and Economic Management, Report No. 40048-MZ, 2007.

1287. In response to this challenge, in April 2008, the Government of Mozambique established an inter-ministerial committee, chaired by the Ministry of Agriculture. The committee presented an ambitious 3-year Food Production Action Plan that was approved by the Council of Ministers in June 2009. The plan has two key objectives: to eliminate the deficit of a group of major food commodities in three years; and to reduce the national dependency on food imports. The plan covers three agricultural seasons (2008/09 to 2010/11) and is budgeted at approximately USD 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 external resource mobilisation and re-allocation of existing resources.
1288. Related to the challenge of poverty in Mozambique is the issue of inequality – the gap between the rich and the poor. Inequality is a fundamental issue for human development. Extreme inequalities in opportunity and life chance have a direct bearing on what people can be and what they can do – that is, on human capabilities.
1289. In particular, a growing body of evidence from around the world shows that⁸⁰:
- Inequality wastes talent, especially if certain social groups, including women, are excluded from top jobs or economic activity;
 - Inequality 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;
 - Inequality 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 in society;
 - Inequality limits the impact of economic growth on poverty, with the benefits of growth unevenly spread in society⁸¹; and,
 - Inequality transmits poverty from one generation to the next.
1290. 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, bad for democracy and bad for social cohesion.
1291. 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 the 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 achievement of the MDGs, failure to address inequalities means that communities, countries and regions remain vulnerable to social, political and economic upheavals. Inequality also reinforces the spread of diseases like HIV/AIDS, especially among women.
1292. In Mozambique, inequality is multi-faceted, but is especially linked to the ethno-regional dominance of the south. This dominance 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 Province, Inhambane).
1293. The danger is that the current economic divisions may harden into permanent social divisions, setting in motion a self-perpetuating cycle of social disadvantages. The other concern is that increase of inequalities in

⁸⁰ Duncan Green (2009), **From poverty to Power: How Active Citizens and Effective States can Change the World**. Oxfam International (pp. 2-10).

⁸¹ Duncan Green (2009) notes that “a one percentage point increase in growth will benefit poor people more in an equal society than in an unequal one” (p. 6).

the distribution of resources can lead to social conflicts. Moreover, inequalities in health, education and income are key components of human development which matter deeply to social well-being.

1294. Persistent inequalities in human resource development and access to essential infrastructure within various regions in 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.
1295. 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, 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.
1296. 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 GoM 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; and,
 - Welfare-in-work policies can help hard-pressed working families to have a decent standard of living by supplementing their incomes.
1297. 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 Party- Government- Business Interpenetration: The Moral Conundrum

1298. 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 the capitalist through African Socialism 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.
1299. The adoption of NEPAD at the dawn of the new millennium opened the vista of renewed commitment of African leaders to the fight against poverty with a well mapped out design to achieve sustainable economic development, rebuild and strengthen institutions, minimise conflict and promote good governance. The APRM, established to implement the decision of acceding countries to subject themselves to a self-assessment which reviews progress in the achievement of mutually agreed targets and compliance with mutually agreed standards, as noted in Chapter One, 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 as well in Corporate Governance and Socio-economic Development thematic areas.
1300. The commitment of African states to collectively and severally fight corruption is demonstrated by their endorsement 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*. It

signed the Convention on 15 December 2003 and ratified it on 2 August 2006. Similarly, it has signed 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. For example, Article 4 of the *AU Convention* defines as corrupt the following acts, among others:

- The solicitation or acceptance of, 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.

1301. Defining corruption so broadly makes the giver, the receiver or the self-serving public official equally guilty of corruption. Recommendations for fighting corruption range from strengthening the national integrity system such as establishing an anti-corruption agency, revamping audit, assets declaration, specification and monitoring of a national code of conduct, and transparent public procurement system to creating ample scope for civil society participation in fighting corruption.
1302. Missing critically 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 African national integrity systems. In Mozambique, the problem is more acute because at the time of independence, as 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 economic elite especially as virtually all economic infrastructures were ruined during the war.
1303. When the Government embarked upon structural adjustment of the economy in the 1990s and privatised many public companies, it was inevitable that Government officials saw it as part of the rewards of their tenacious struggles against colonialism and internal rebellion to buy off privatised public companies and take over the reins of the economy. Senior government and party officials and their families have over the years, through strong equity participation, management consultancies and partnerships and fronts, held the economy in their stranglehold such that it is difficult to imagine the State can autonomously regulate 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.
1304. During the Mission, some participants at the workshops disclosed that 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 for 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 effectively, if ever applied, because public servants are the contractors. Also, since the General Assembly members sit part-time, many ruling party members are engaged in businesses with the very departments and agencies that they have oversight responsibility for.
1305. Businessmen are far from complaining, however, because in the prevailing environment of party/government stranglehold over the economy, half of a loaf as a partner or front of senior party/government official is better

than none. Some of them argue that the situation is not only tolerable but welcome compared to the era of one-party rule and nationalised economy.

1306. 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 to avert the corrosive impact of unbridled economic activities on public morality.

7.2.3 HIV/ AID

1307. Since its discovery in the early 1980s, HIV/AIDS has become a global pandemic that has consumed the world, with sub-Saharan Africa bearing the heaviest brunt. UNAIDS and WHO estimate that by December 2004, the pandemic had killed more than 20 million people and a total of between 35.9 million and 44.3 million people worldwide were living with the virus. Of these, 25.4 million (57 percent) are in SSA, although this region accounts for little more than 10 percent of the world's population.⁸²
1308. The southern African (SADC) region is the most affected by the HIV/AIDS pandemic. Although this sub-region accounts for less than two percent of the global population, it has the highest HIV infection rates in the world, with approximately 14.9 million or 39 percent of the global population living with HIV/AIDS (at the end of 2006).⁸³
1309. The HIV/AIDS pandemic has caused immense human suffering in SSA. The most obvious effect of this has been the high morbidity and mortality rates, but the impact of the epidemic has certainly not been confined to the health sector; households, schools, workplaces and economies have also been badly affected. In the worst affected countries, especially those in southern Africa, average life expectancy have fallen by twenty years because of the epidemic. This has transformed the pandemic from a mere health issue to a major development challenge.
1310. The economic and social impact of HIV and AIDS on households can be very severe. HIV/AIDS is taking the lives of the major income earners, forcing those left behind (widows, widowers, children, adolescents, and the elderly) to find ways to support themselves, often in a tough economic environment. Taking care of a person sick 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 bread winner gradually loses the ability to earn an income for the household. At the same time, the household resources are severely strained by the expense of providing health care, medicines, food and other necessities for the patient.
1311. 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, the reduced ability of caregivers 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.
1312. In the corporate sector, AIDS damages businesses by squeezing productivity, adding costs, diverting productive resources, and depleting skills. Company costs for health-care, funeral benefits and pension fund commitments are likely to rise as the number of people taking early retirement or dying increases. Also, as the impact of the epidemic on households grows more severe, market demand for products and services can fall. The epidemic hits productivity through increased absenteeism. Comparative studies of East African businesses have shown that absenteeism can account for as much as 25-54 percent of company costs. Through its impacts on the labour force, households and enterprises, AIDS has played a more significant

⁸² UNAIDS/WHO Global Reports (2002 - 2006)

⁸³ Kondwani Chirambo (ed.) (2008), *The Political Cost of AIDS in Africa*. Idasa, p.17.

role in the reversal of human development than any other single factor. In many countries of sub-Saharan Africa, AIDS is erasing decades of progress in extending life expectancy.

1313. HIV/AIDS also has a significant political impact. Recent research by IDASA (2008) indicates that SADC countries using electoral systems that constitutionally demand a by-election in the event of a Member of Parliament dying or vacating the seat are highly vulnerable to HIV/AIDS.⁸⁴ According to IDASA, these countries have experienced an unusually large proportion of costly by-elections caused by MPs dying of AIDS-related ailments.
1314. Mozambique has not been spared from the adverse impact of the HIV/AIDS pandemic. With an estimated HIV prevalence among adults (15 – 49 years) of 16.3 percent in 2005, Mozambique ranks among the 10 most affected countries in the world. An estimated 500 people are infected every day. Of adults living with HIV/AIDS, the impact is not uniformly distributed. An estimated 57 percent are women. They are generally infected at much earlier ages than men, with consequential effects in terms of impact since women lose more years of life than men. This gendered pattern of HIV infection is typical of the sub-region 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.
1315. The national rate of HIV prevalence masks considerable regional differences in Mozambique, with adult prevalence rates being estimated at 13.2 percent for the south; 16.5 percent for the centre; and, 5.7 percent 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.
1316. 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 HIV/AIDS programmes and more people are reached with prevention, treatment and care services, it is vital to strengthen the capacity of Mozambican individuals and institutions to manage and deliver these services. According to the 2006 Human Development Report, Mozambique has approximately three physicians for every 100,000 people. Shortages of other health providers (such as nurses, pharmacists and lab technicians) are comparable. Outside of the health system, where the multi-sectoral HIV/AIDS response depends fundamentally on community-based initiatives and volunteers, Mozambique also is severely disadvantaged, with an adult literacy rate of only 46.5 percent (31.4 percent among women) and high levels of stigma and discrimination.
1317. 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 must take these realities into account, and look at ways in which the general development of Mozambique can progress. In particular, economic strengthening interventions can help AIDS-affected individuals and their households to survive the shocks caused by HIV/AIDS, 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 to support themselves.

7.2.4 Land Ownership

1318. 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 post-independence policy. There is increasing recognition 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 an important part of sustainable development. Land

⁸⁴ Kondwani Chirambo (ed.) (2008), *The Political Cost of AIDS in Africa*.

tenure problems are often an important contributor to food insecurity, to restricted livelihood opportunities, and therefore to poverty. Secure access to land should, thus, be considered when designing solutions to specific rural development or food insecurity situations. In the case of Mozambique, this requires recognising and tackling land tenure related problems.

1319. The regime of rights to land in Mozambique has undergone radical changes in the last few years. There has been a successive and rapid amendment to legislative instruments dealing with land issues culminating in a new Land Policy that was adopted in 1995.
1320. In 1979 the state promulgated a land law which vested land in itself, earmarked areas for socialist-oriented enterprise and restricted rural families to certain areas to encourage agricultural co-operative 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 they established that titles issued by Government, is the only mechanism for foreign access to land. Demand for land accelerated in the late 1980s as a result of the successful negotiation between RENAMO and the Government and the introduction of the economic reconstruction programme.
1321. By the early 1990s, it became 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 and the development of registration mechanisms to record and manage these new rights.
1322. The rapidly changing social and economic context following the peace accord prompted a new land policy (*Política 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, and 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 farm, which they occupied during the war, and which were later taken over by foreign companies.
1323. 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 out of process widely described as one of the most participatory and democratic in recent Mozambican history.
1324. While the policy-making process revealed a wide range of divergent interests around the question of property rights, substantial consensus was achieved around three core issues: continued state ownership of land, 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 counties in the region to extend legal protection to the rights of communal land users.
1325. Pursuant to the mode of Portuguese law, the new Land Law, 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 ambiguities and lacunae, concerns 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 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 the different actors and interests' than a strategy of reform.

1326. A key legal tenure change provided by the law is the requirement that communities participate in the administration of natural resources and the resolution of conflicts [Articles 10 & 21]. This does not extend however 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 in land. Application of the law is proving less satisfactory than these clauses suggest however, partly through the absence of clear community organisation and representation and partly through the retention of complex and expensive titling procedures, unfavourable to the poor majority.
1327. There is a clear need to improve the way land rights can be used to foster development. The CRM noted that the present land tenure system is 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 obtaining economic situation.

7.2.5 High levels of illiteracy

1328. The traditional definition of literacy is considered to be the ability to read, write, and the ability 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 that lets one understand and communicate ideas in a literate society, so as to take part in productive activities in that society. Literacy involves a continuum of learning to enable an individual achieve his or her goals, to develop his or her knowledge and potential, and to participate fully in the wider society.
1329. There are different forms of illiteracy. But common in many countries is functional illiteracy which is a term used to describe reading and writing skills that are inadequate to cope 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.
1330. 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 which limit the education of females in some countries. In modern times, illiteracy is seen as a social problem to be solved through education.
1331. A casual comparison of adult literacy rates in four Southern African countries shows that Mozambique has the lowest adult literacy rate. While adult literacy rate was well over 80 percent in South Africa, about 80 percent in Zambia and slightly below 80 percent in Botswana, Mozambique's literacy rate is just slightly above 40 percent. Despite some recent improvements in recent years, the gender disparities in adult literacy is still very strong in Mozambique, with just over 30 percent of women aged 15 years and above being literate compared to over 60 percent of all men aged 15 years and above.
1332. The government has made notable progress in access to schooling. Access to primary education increased from 2 million in 2001 to almost 4 million in 2006, the period of PARPA I. Nonetheless, significant challenges remain. For example, the primary completion rate is still below 50 percent. Girls' enrolment, especially at the post-primary levels, lags significantly behind that of boys. Mozambique is thus at 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 programs, and 30,000 in tertiary programs. 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, making it ever more difficult for government education policies to be effectively pro-poor.

1333. The quality and relevance of education continues to be a concern. Of the seven million people active in the labour market, more than 90 percent 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 sixteen higher education institutions, less than one-third major in natural sciences, agriculture, engineering and health sciences, and fewer eventually graduate. Nationwide, less than 300 people have Ph.D. degrees.
1334. 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. Diversion of funds ensures that less money than intended reaches intended beneficiaries. The CRM was informed at several provincial fora that corruption occurs mainly at the level of individual teachers, with children and their parents subjected to varying illegal practices including: unauthorized charges levied on school admission forms; bribes to obtain good grades or examination scores, or to buy exam 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.
1335. Based on the evidence presented in this report, it may take several years before Mozambique is able to close this gap unless drastic measures and adequate incentives are put in place to motivate adults to improve their reading and writing abilities. This may be very crucial as the development of an economy is a function of the quantum and quality of its educated population. More significantly, high literacy levels have high economic and social costs.
1336. In political terms, uninformed citizenry or voters that are illiterate in a democratic society are not likely to appreciate the importance of the vote in improving their welfare. But, as the middle class or more wealthy sectors of the population become more and more aware, the tolerance rate for extreme poverty and other social problems are likely to drop considerably.
1337. 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, generally have a higher socio-economic status and enjoy better health and employment prospects. Policy makers also argue that literacy increases job opportunities and access to higher education.
1338. 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.
1339. Socially, illiteracy entails a high cost social life, family life and human costs. It brings about shame and damages confidence. They may negatively impact the development of social capital in communities. It may also seriously undermine upward social mobility.
1340. 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 remains a serious challenge for policy makers, especially in the light of the impact of gender and education on employment and poverty.
1341. High illiteracy levels also mean that many victims of GBV, especially women, are often reluctant to report incidences of violence against them, often because of fear of the consequences, or the fact that not speaking Portuguese and being illiterate prevents them from being able to negotiate the system.
1342. Notwithstanding notable progress achieved in promoting adult literacy in Mozambique and encouraging projections about the continued positive trends due to the development and expansion of the literacy campaign, the high rate of illiteracy as it stands now, 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.

1343. Illiteracy undermines the possibility of the Mozambican public to take advantages of education and information opportunities in order to fully contribute 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.
1344. The important role of education in advancing economic and social development and in reducing poverty cannot, therefore, be overemphasized. Mozambicans who are functionally illiterate may be subject to social intimidation, health risks, stress, low income, and other pitfalls associated with their reading and writing deficits. Their inability to function normally in society because of their functional illiteracy may increase the friction they experience with the mainstream of society, and thereby increase 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 through strengthening of the education system and adult literacy programmes.

7.2.6 High Aid Dependency

1345. 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. Among others, the arguments in favour of aid were that it supplements savings and enhances investment, which makes possible the expansion of productive capacity; it furnishes foreign exchange for essential imports like machinery and, in many cases, fuel and food; and, it finances infrastructural projects.
1346. 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. Its achievements were questioned by many shades of opinion.
1347. There is today a strong view 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 that include the 2005 Paris Declaration on Aid Effectiveness and the Accra Agenda for Action (AAA), among others, empirical evidence continue to point to a number of obstacles associated with aid modality, management, donor accountability and harmonization.
1348. 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 in various angles has made it a major destination of ODA. A group of 18⁸⁵ donors, known as 'G-18', currently provide budget support to Mozambique. During this period the country has seen the volume of ODA it receives steadily grow, with aid inflows into Mozambique increasing from around an annual average of just over USD 900 million during the 1990s to an annual average of over USD 1.3 billion between 2000 and 2005 (OECD, 2007). Despite their magnitude, the degree of aid dependency in Mozambique is likely to be larger than these figures suggest, since in addition to its strong dependence on the funds made available by the international donor and financial community (the financial gap constraint) Mozambique has a strong dependence on foreign expertise in all areas of the economy (a capacity gap constraint), which within government is usually provided in the form of technical assistance programmes.
1349. Interactions with stakeholders, especially government officials, and a review of evidence availed to the CRM from various government ministries and departments, suggest that Mozambique has become heavily dependent on international aid in a multidimensional, structural and dynamic manner, namely, with respect to finance, policy choices, institutional building, the culture of civil service and civil society organisations, and

⁸⁵ The 18 key donors include 3 multilaterals (The World Bank, the AfDB and the EU) and 15 bilaterals (Denmark, Norway, Finland, Sweden, Switzerland, The Netherlands, Belgium, Germany, France, Spain, Portugal, The UK, Republic of Ireland, Italy and Canada).

even the development and dynamics of political institutions and of the economy. Admittedly, Mozambique has been a pioneer in the establishment of coordination mechanisms between 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 the governments have been left with little choice but to accept them. Ministers and officials spend so much time in dealing with donors and they have insufficient time left for their responsibilities. And combined with the fragmentation of the planning and budgeting system, it makes very difficult for the GoM side to develop alternative strategies due to lack of capacity and brain drain. Thus, the fundamental question in the case of Mozambique is not about how to manage aid dependency, but how to reduce it considerably. Critical to this is how aid can be used to help achieve this goal.

1350. Admittedly, for a country emerging from the destabilisation of a long civil war like Mozambique, an interim phase of managing aid properly as a development resource may be required. But, as Castel-Branco (2008) observes, managing aid for the development of endogenous capacities is one thing and managing aid for the sake of keeping it flowing in and seeking more of it is another.
1351. At present, the extent to which Mozambique is trying to use aid to create endogenous development is not clear. 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.
1352. In the context of negotiation of influence and agendas between agents with unequal capacities and bargaining power and seeking different goals in a contested, dynamic and asymmetric environment, donors usually take the upper hand. Inevitably, the space for policy initiative and innovation in an aid-dependent country is considerably diminished.
1353. Mozambique should begin to seriously address the issue of using aid to build strong and dynamic productive capacities. The country should also seriously begin working on changing the structure and dynamics of its public expenditure to support and crowd in private investment and the development of viable, sustainable and competitive productive and trade capacities.

7.2.7 Information Flow and Paucity of Data

1354. The role of accurate and reliable data in policy formulation is crucial. Information forms a crucial part of any governance system, especially information that is readily available to citizens. Just as important as information is in its crude form is also the quality and reliability of the information.
1355. One problem with the quality of information in Mozambique is deeply tied to the nature of the governance system. This is a highly centralised system which operates on the basis of highly aggregated data which does not allow for detailed views of the situation. While the country has made significant progress in this area, particularly as far as internet presence is concerned, there are still many gaps in information which need to be addressed, also as part of Mozambique’s development of its own governance structures.
1356. In this respect, it is important to capacitate the *National Statistics Institute (Instituto Nacional de Estatística-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 the President of the Republic appoints its senior management.
1357. 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 is conducted in principle every ten years, and from the

national statistics yearbook (produced in July, with a summary appearing in February/March), and the price index.

1358. Economically, lack of quality, reliable and up-to-date data makes it difficult to do proper forecasting and projections. This tends to create difficulties for policing and programming not just for government officials but also for commercial enterprises. The country is yet to apply all of the standards stipulated by the IMF's General Data Dissemination System (GDDS).
1359. 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 realm, lack of recent data tends to complicate policy-making and programming.

7.2.8 Political Inclusivity

1360. The need for political inclusivity in a post-conflict society is critical for reconciliation and reconstruction. In Mozambique, there is a disturbing trend in the emerging pattern of plural politics. While there are many indications that the country is moving in the right direction, there is some concern about Mozambique's political evolution. In particular, there is much concern that Mozambique is sliding into a one-party state. Many stakeholder express concern that the ruling FRELIMO party appears to dominate the public sphere, blurring the distinction between state and party.
1361. The 1998 elections 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 with the FRELIMO party organisation. There is a strong feeling among many in Mozambique 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 of colonial liberation, made public pronouncements contemptuous of democracy and opposition parties.
1362. 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 ruled recently 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 made a devastating review of public accounts, pointing to criminal irregularities and, most importantly, found the decision by the Eduardo Mondlane University, which is a public institution, 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. Given the widespread belief that the country is in the tight grip of FRELIMO this obvious show of resistance from two institutions which 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 good will, but structurally ingrained.

7.2.9 Crime, Safety and Security

1363. 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. It generates and sustains an environment and feeling of insecurity among citizens, and sows pain, mourning and trauma in society. Crime also destroys public trust and undermines the basic social functions that are essential for healthy societies.

1364. 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 one thing, foreign and domestic businesses, and wealthy individuals, need to spend considerable resources on providing security for valuable machinery and inventories, and for their employees. It may contribute to the emigration of skilled labour.
1365. Crime rarely occurs in isolation. 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 youth in the population 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 catch criminals or prevent crimes. Acceptable standards of behaviour by officials and others also tend to decline when crime is common.
1366. In a country with a still-fledgling independent media and a lack of reliable crime statistics, it is difficult to pinpoint just how bad crime 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. Carjacking is increasingly common.
1367. Official statistics indicate that the levels of crime in Mozambique remain relatively low in comparison to other Southern Africa countries. Just one per cent of all the crime recorded in the SADC (Southern African Development Community) region occurred in Mozambique. The number of recorded crimes in Mozambique declined slightly 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. But the number of crimes in which firearms were used rose from 703 to 740.
1368. 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 (a fall from the figure of 42 per cent in 2007). But 635 of the firearms-related offences - 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 lynching and attempted lynching in 2008, in which 54 people were murdered, and 26 were injured. Fifty-two people have been 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.
1369. There is also an international dimension to crime in Mozambique. The country is increasingly afflicted by transnational organised crime. Due to its porous border, Mozambique is fast becoming a major transit point for illegal narcotics coming 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 labs 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. This new crime wave is no longer confined to the capital Maputo, but the provinces of Manica, Zambezia, and Sofala in the centre and north of the country are equally witnessing a sharp increase in crime rates since early 2006. The growing number of foreigners involved in crime has given Mozambique's war on crime a potentially xenophobic component, a situation further exacerbated by the anti-foreign riots in neighbouring South Africa in which many Mozambicans were victims.
1370. 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 PIC have been regularly accused of summary executions and torture of alleged criminals.

1371. More investment in intelligence and community policing will likely prove more effective than the use of brute force. Although there is no “ideal” approach to deal with crime and violence prevention, interventions such as slum-upgrading projects, youth development initiatives and reforming the criminal justice system can contribute to reducing crime and violence. Creating mechanisms to increase parliamentary oversight over the security services and establishing an effective unit to deal with police corruption might improve the effectiveness of PRM. The international community and INTERPOL should continue to play a vital role in supporting the Mozambican government in such efforts.

7.2.8 Gender-based Violence

1372. ‘Gender-based violence’ (GBV) is still an emerging and developing term. 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. Those developing the term ‘GBV’ wanted to emphasise that violence against women is a phenomenon that is related to the gender of both victim and perpetrator. Many definitions continue to focus solely on the fact that women are victims of violence: for example, the UNHCHR’s CEDAW (Convention to Eliminate All Forms of Discrimination Against Women) committee states that GBV is “...violence that is directed against a woman because she is a woman or that affects women disproportionately”.
1373. However, there is a development towards extending this definition to all forms of violence that are related to (a) social expectations and social positions based on gender and (b) not conforming to a socially accepted gender-role. In this way, gender-based violence is increasingly a term that connects all acts of violence rooted in some form of ‘patriarchal ideology’, and can, thus, be committed against both women and men by women and men with the purpose of maintaining social power for (heterosexual) men.⁸⁶
1374. In Mozambique, CRM consultations revealed that the forms of gender based violence most prevalent in the country include: domestic violence (e.g. childhood 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 son preference; and trafficking in women and forced prostitution. In Inhambane and Zambezia provinces, it was reported that childhood sexual abuse when committed by the fathers to their 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.⁹⁶ The factors contributing to violence against women include economic factors related to poverty; socio-cultural factors; and conflict and insecurity.
1375. Poverty and marginalisation is wide spread among women and is a causal factor leading to violence against women, and also 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 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 the consultations held in the provinces, the CRM learnt that violence against men is mainly a result of women trying to protect themselves.

⁸⁶ 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 physical or psychological health, development, and identity of the person; 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, GBV principally affects them across all cultures. Violence may be physical, sexual, psychological, economic, or socio-cultural. 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.

1376. 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 impacts. Violence against women has several health, human rights and socio economic 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. Women who have been sexually abused as children are at greater risk of having unprotected sex as adolescents and adults and therefore at risk for contracting HIV/AIDS. Affected women may suffer from different reproductive health problems such as STDs, including HIV/AIDS, gynaecological problems and unplanned pregnancies. Consequences such as HIV/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, severe injury or suicide. Many rape victims suffer severe injuries and/or unconsciousness including mental illness and death following the rape and rape victims are nine times more likely than non-victims to have attempted suicide (UNFPA, 2001).
1377. Limited linkage of gender based violence with other themes such as economic empowerment of women; 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 risks of rattling the cage that is their safety nets. This is why harmful traditional practices such as early marriages are still prevalent in the poorest communities. Poverty reduction strategies should include programmes to address the special needs of all women to economically empower them.

7.2.9 Capacity Constraints and Implementation Challenges

1378. At the heart of development is capacity building with a view to developing not only a capable state, but a capable nation and society. The essence of capacity and a capable state and society is the ability 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.
1379. 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.
1380. For understandable reasons, capacity weaknesses are inherent in Mozambique. These are manifest in institutional weaknesses, low human resource development, problems of coordination and management, lack of comprehensiveness, and challenges of knowledge generation and information management and weaknesses of ownership and donor coordination. The lack of human resource and institutional capacity are a significant constraint to development in Mozambique, regardless of the sector, region, or issue.
1381. 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 was 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 soldiers. While they have had some success, they have also created frustration and unfulfilled expectations. While there has been a boost in school enrolment over time, the educational system, especially at the tertiary level, has not been able to meet the critical skill demands.
1382. 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 mechanism 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 energetic, comprehensive and effective implementation of these measures and how to make the system work in the manner in which it was intended to function.

1383. The CRM notes that often legislation and policies exist to promote governance in all the four thematic areas but are not implemented. While institutions have been established, they function ineffectively, and well-intentioned and clearly articulated goals are set aside. Although there are often a number of reasons for the gap between plans and implementation, the principal reason, if often not the lack of political will, appear 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 effectively and efficiently implement policies and programmes;
1384. At the level of the state, capacity building is required at the local level. In the case of Mozambique, the evidence shows that, invariably, the capacity gaps are stronger at the provincial and district levels as compared with the national level. For this reason, capacity building should be a central feature of the decentralisation process. The goal should be to fully empower local communities so that they become increasingly responsible for their own destinies, within the framework of a common national vision.
1385. Equally important is the need to recognize that capacity building is a goal not only for the state, but 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. 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 rely all or most of the time on the government or donors to solve these problems for them.
1386. There is also 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.
1387. Related to strengthened capacity in economic management, is the need to enhance capacity building in corporate governance. Institutions like the Centre for Investment Promotion need strengthening. Measures should also be taken to strengthen the capital market.
1388. In the delivery of social services, a large pool of well-trained and 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 held accountable for their stewardship. Flexibility, adaptability and a process of continuous learning should also be built into these arrangements.
1389. 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 and 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 stake holders would be required to monitor and evaluate progress in this area.

7.2.10 Elections

1390. 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 sub-Saharan Africa appear 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 sub-Saharan Africa since multiparty democracy was introduced in 42 African nations in the early 1990s.

1391. The litmus test of the electoral process is the possibility of a peaceful change in government. Beyond formal party pluralism, the opposition must 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 so far from the sub-Saharan African experiences with multiparty democracy is that it is possible to have elections but no democracy. While many African citizens are now, in principle, free to choose their own leaders, in a substantial number of cases incumbent leaders have found ways to win electoral mandates without opening for extensive political liberties and participation. Furthermore, political freedoms and civil rights may be formally recognised, but are imperfectly observed in practice - particularly in between electoral exercises.
1392. Other disturbing trends witnessed are the qualitative decline in the conduct of elections from the first to the second elections and the fact that the level of participation is low and declining. The gloomy picture has fed, partly on the quality of the electoral process, but perhaps most of all on the lack of significant political change emanating from the electoral process.
1393. Despite these challenges, some denote the notion that these elections constitute meaningful political exercises in terms of giving citizens meaningful choices over the distribution of resources as the 'fallacy of electoralism' (Buccus and Hicks, 2008⁸⁷). As several observers stress, 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 others, includes the possibility of fair representation and holding politicians accountable for their decisions.⁸⁸
1394. Mozambique is not immune to accusations about electoral malpractices. Admirably, while all elections since the introduction of multi-party democracy have been marred by fraud accusations, 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 as they document the country's willingness to uphold international standards. But more still needs to be done to strengthen the electoral system and processes, and in particular to promote accountability of the elected representatives to the electorate.
1395. Mozambique's parliamentary system, which lacks direct representation, has left citizens without the levers 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 by the current conflation of government and party (FRELIMO).
1396. This point to the existence of the 'democratic deficit' in one form or other in Mozambique. The notion of 'democratic deficit' refers to the failure of established, liberal notions of representative or participatory democracy to link citizens with the institutions and processes of the state, impacting on the quality and vibrancy of democracy which results in reduced accountability. This tends to promote a sense of disappointment as to how little elections have improved government 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 the state are weak. The result may be 'weak democracy' marked by poor representation.
1397. It is important that citizens are the guardians of democracy and hold whatever government comes to power to account. The conflation between state and party must be replaced by the promotion of accountable politics.

⁸⁷ Buccus, I. and Hicks, J., "Crafting New Democratic Spaces: participatory Policy-making in KwaZulu-Natal, South Africa", In J. Pretorius (ed.) (2008), **African Politics: Beyond the Third Wave of Democratisation**.Juta, Cape Town.

⁸⁸ Cowen, M. and Laakso, L. (2002, "Elections and Election Studies in Africa". In M. Cowen and L. Laakso (eds.), *Multi-party Elections in Africa*. James Currey, Oxford.

1398. Ultimately, the people of Mozambique must 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 on how best to engage its citizens in the process of deepening democracy – focusing on governance institutions, the capacity of civil society and the interface between the two.

7.2.11 Corruption

1399. The scourge of corruption is a serious governance challenge in many countries. Public opinion research 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.⁸⁹
1400. 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.
1401. 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” (World Bank, 2000, p.xv).⁹⁰ This is seen as possibly the most subtle and venal form of corruption.
1402. Patronage and its close relation – nepotism – refer to favouritism shown to narrowly targeted interests by those in power in return for political support. The granting of personal favours, awarding ‘sole-source’ contracts, or making (unmerited) appointments to public office are examples of patronage and nepotism.
1403. 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” (World Bank, 2000, p.xvii).
1404. Corruption has an adverse impact on all the 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 policymaking 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.
1405. 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. This undermines the development efforts of a country.
1406. 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.
1407. 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 of addressing its root causes. They have also provided the much needed impetus for policy makers to view the problem more seriously and take action.

⁸⁹ The World Bank (2007), **The Many Faces of Corruption: Tracking Vulnerabilities at the Sectoral Level**.

⁹⁰ The World Bank (2000), *Anti-corruption in Transition: A Contribution to Policy Debate*.

1408. Corruption occupies a prominent place in Mozambique's political and economic landscape. Transparency International's 2008 Corruption Perceptions Index (CPI) ranked Mozambique 126th out of 180 countries surveyed, which is a downgrade in both relative and absolute terms. Mozambique ranked number 111 out of 180 countries in both 2006 and 2007.
1409. As indicated in the CSAR, Corruption continues to flourish in Mozambique, not only at the highest political levels, through rent-seeking practices and manipulation of procurement, but also in the shape of so called "petty corruption", through small bribes demanded by traffic police and hospital staff. Despite government commitments to solve the problems, progress remains slow due to bureaucratic inefficiency and a lack of judicial capacity.
1410. Legal provisions in Mozambique concerning the governance and integrity of public institutions are still weak. The Anti-Corruption Act which was established in 2004, does not give full prosecution powers to the Gabinete Central de Combate à Corrupção (GCCC), thus impacting negatively on its general performance.
1411. While the introduction of the Anti-Corruption 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, raising doubt over the applicability and efficiency of the Act.

7.3 Special Issues

1412. The findings from this report also show that, besides the cross-cutting issues, Mozambique needs to address special issues emerging from broad consultations with stakeholders across the country.
1413. The special issues identified in this report are:
- Climate change and natural disasters in Mozambique;
 - Beira; and,
 - Land mines.

7.3.1 Climate Change and Natural Disasters in Mozambique

1414. The emerging global scientific and political consensus is that rising concentrations of greenhouse gases (GHGs) in the atmosphere, which are largely induced by anthropogenic activities, are having a significant impact on global climate. The increasingly more definite scientific evidence on climate change and its current and future impact on sustainable human development have helped to make concerns about climate change a leading global environmental and development issue in recent years.
1415. Although African countries contribute the least to global warming, they are the most vulnerable and bear the highest risks on 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 its overdependence on rain-fed agriculture, 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 that cause stress on water resources and reduce food security; sea level rise and flooding that threaten human settlements, agriculture, human health, and infrastructure, especially in coastal cities and areas.
1416. The CRM notes 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.⁹¹

Natural disasters

1417. Mozambique is vulnerable to climate change due to its geographical location at the downstream of many international rivers flowing into Indian Ocean. Other factors for the country's vulnerability include a high population growth rate, high levels of poverty and a high dependence on natural resources for livelihood.⁹² According to MICOA (2007), and confirmed by CRM at its meeting with the National Council on 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 the Republic of South Africa, Zimbabwe, Zambia, Malawi and Tanzania.⁹³ Generally, floods, drought and hurricanes are cyclical in nature, while earthquake occurs occasionally in the country.
1418. The cyclone season in Mozambique is from October to April, peaking between February and April. The cyclones are caused by the tropical depressions originating from the India Ocean with effects normally limited to the coastal regions, characterised by strong wind and torrential rains. The latest cyclone in the country occurred on 22 February, 2007, when a tropical cyclone named "Favio" hit the Vilankulo district of Inhambane Province, killing nine people and affecting 160 inhabitants of Inhambane, Sofala and Manica provinces by destroying food crops and thus threatening local food security (Box 7.1 (a) in Annex I)

River basins

1419. Mozambique has an estimated 103 river basins out 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. It is the shared basins that in most cases cause flooding in Mozambique, making all the eleven provinces in the country vulnerable to flooding (Annex I), with additional burdens of disease outbreaks, displacement of people, as well as loss of biodiversity and source of livelihoods.
1420. As noted by INGC, the devastating floods of 2000 and 2001 resulted in the loss of more than 800 human lives and the destruction of an estimated \$ US750 million worth of properties. In 2007, weeks of heavy rain starting December 2006 triggered flooding in the Zambeze River basin and its tributaries, washing away homes, bridges and livestock in the provinces of Tete, Manica, Sofala and Zambezia Provinces, all of which are located in the central region of the country.⁹⁴ The flood of 2007 was less devastating due to the relatively effective Early Warning System and the re-settlement centres put in place by the government as well as local and international relief agencies. Nevertheless, the CRM notes that in Pinda the centres could be improved upon through the provision of better infrastructural facilities and allocation of larger plots of lands to the environmentally displaced people.
1421. As indicated in Annex I, the major drought prone areas are the central and southern provinces, with occasional occurrence in the northern region. Droughts in Mozambique are generally associated with El Nino or El Nino Southern Oscillation (ENSO). However, human activities such as overuse of farming lands and overgrazing are other contributing factors. In addition, significant water abstractions upstream from neighbouring countries reduce the availability of water in Mozambique during a drought period. This

⁹¹ The policy was implemented through two legislative instruments: the National Environmental Management Program and the National Conservation Strategy, within which an institutional and legal framework has been built for most relevant sectors and subsectors of national development.

⁹² 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 due to the fact that the tropical cyclones and depressions formed in the Indian Ocean cross the Mozambique Channel inland affecting landmasses along the coastal zone.

⁹³ For example, in 2007, out of an average total flow of about 216 km³/yr, only 100km³/yr or 46 percent was generated within Mozambique while the remaining 116km³/yr (54 percent) originated from the neighbouring countries.

⁹⁴ According to INGC, about 183,000 people were affected and displaced. The displaced people were sheltered in the re-settlement centres created for such purpose as in Pinda in the Quelimane province.

increases the country's water vulnerability, especially for irrigation purposes and 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.

1422. Mozambique is also susceptible to earthquakes. On February 22, 2006, an earthquake measuring 7.0 magnitude on the Richter scale affected Machaze and its environs, resulting in the death of four people and another 1,444 people displaced. As shown in Annex I, areas prone to earthquakes include Lake Niassa, Tete, Sofala and North of Gaza provinces.

Government's response

1423. The GoM has devoted considerable attention to mitigating the adverse impacts of natural disasters. The CRM was informed that in order to reduce the negative impacts of natural disasters in Mozambique, the Council of Ministers at its 32nd session on 04 December, 2007, approved the following four action plans and objectives:
- Strengthening of the Early Warning System (EWS) so that information could reach affected communities with minimum delay. The action will involve the installation and/or rehabilitation of 15 synoptic stations to be evenly distributed all over the country. It is expected to cost 2,700,000 US\$;
 - Strengthening capacities of agricultural producers to cope with climatic change through the provision of drought resistant seeds for cultivation; and,
 - Reduction of climate change impacts in Coastal Zones; and management of water resources under climate change.

CRM observations

1424. While the Government's efforts so far are commendable, the CRM suggests that Mozambique:
- 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/ Scientific Unit to carry out studies on the use of the basins to alleviate poverty in addition to protection of biodiversity and prevention/reduction of flooding incidence; and,
 - Strengthen the Natural Resource Information System by enhancing institutional capacity building for officials at the community, district, provincial and national levels in to ensure effective management of the country's environmental resources as well as reduce to a minimum the negative impacts of climate change and implement environmental regulations.

7.3.2 Land mines

1425. 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).
1426. These weapons remain long after the conflicts have ended and continue to indiscriminately maim and kill every year, 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.

1427. Land mines also have a paralysing effect on poor communities. They cut off access to markets, schools, water and farmland. Invariably, the net effect of multiple and frequent accidents are to inflict societal trauma, via infrastructure and economic damage, on the country at large. They not only terrorise, but 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.
1428. Mozambique is affected by landmines and explosive remnants of war (ERW), 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 anti-personnel mines and killed by anti-tank mines. Since the signing of the peace agreement in October 1992, demining has been under way, but Mozambique has not yet met its targets, partly because of difficult access to mined areas.
1429. Clearly, Mozambique has advanced in dealing with its mine and UXO problem. 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 programs for children. In the process, Mozambique is taking bold steps down the road to greater security and prosperity.
1430. Recently, four of Mozambique's provinces - Cabo Delgado, Niassa and Nampula in the north and central Zambezia – were declared free of landmines. However, tens of thousands of land mines remain in the rest of the country and they are a gruesome threat to civilian safety and rural economic recovery.
1431. 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 land mines, requesting for an extension of the time granted under the Ottawa Convention for it to be declared a country free of land mines. The Mozambican request was accepted, and the deadline for land mine clearance has been extended by five years, from 2009 to 2014.
1432. 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 government budget.
1433. 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 land mines by 2014.

7.3.3 Beira

1434. 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 as well as the land-locked nations of Zimbabwe, Zambia and Malawi. Beira is also a major railway terminus, with links extending to Zimbabwe, South Africa, Zambia, the Democratic Republic of Congo and Malawi.
1435. 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.
1436. 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, tourism, fishing and

trade. The city prospered as a cosmopolitan port with different ethnic communities (Portuguese, Indian, Chinese, indigenous Africans) employed in administration, commerce, and industry.

- 1437. 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.
- 1438. After independence from Portugal in 1975, many white ethnic Portuguese left the city. The city was also at the epicentre of the civil war that ravaged Mozambique from 1977 to 1992. 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 later in the early 1980s by the Mozambique National Resistance Movement (MNRM). At a point, its famous Grande Hotel was occupied by around 1,000 homeless people, and by the end of the civil war it was in near-ruins.
- 1439. The 2000 Mozambique flood 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.
- 1440. 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 environmental challenges, the GoM needs to channel considerable attention towards rebuilding the city.

7.4 The Way Forward

- 1441. The remarkable recovery that Mozambique has made since the end of the civil war in 1992 should make the people proud of their accomplishments. Mozambique presents a resilient society that has moved from deep crisis to regenerate and sustain itself, with the help of other countries. Over the last two decades, Mozambicans have made considerable progress in rebuilding its political, economic and social institutions, with noticeable socio-economic progress.
- 1442. However, this report has identified numerous overarching and special issues. The African Peer Review Mechanism seeks to assist Mozambicans in addressing these issues. 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 rapidly move forward.
- 1443. With its abundant natural resources, Mozambicans can exploit these resources for the benefit of the majority of its people. But 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

- 1444. The NPOA helps Mozambique to identify priorities and how the country seeks to address the challenges identified in both its CSAR and the Country Review Report. The country can use the NPOA to implement the necessary changes to improve its state of governance and socio-economic development.
- 1445. 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 the four thematic areas. Where there has been failure or little effort to do this, little progress has been achieved.
- 1446. Mozambique should make a concerted effort to operationalise its NPOA estimated at 3, 909, 97 million USD over a five-year period, 2010 - 2014. This programme is a demonstration of the collective resolve of Mozambicans for a better future. The implementation of the NPOA can help the country to strengthen the democratic process and promote rapid and sustainable development. The challenges which the country

faces are real and huge. Any complacency in implementing the NPOA is likely to comprise the ability of the country to promote rapid development for its people.



APRM NATIONAL PROGRAMME OF ACTION

REPUBLIC OF MOZAMBIQUE

MAY 2009

DRAFT # 2

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1. Introduction

This chapter gives an overview of the Mozambique National Plan of Action for the operationalisation of recommendations contained in the chapters concerning the four focus areas of the Country Self-Assessment Report: Democracy and Good Political Governance, Economic Governance and Management, Corporate Governance and Socio-economic Development.

In budgeting this Plan of Action, due consideration was given to the all set of political measures adopted by the Government of Mozambique. It should be pointed out, for example, that the availability of resources for the implementation of activities that will lead to materialisation of recommendations set forth to attain APRM Core Areas objectives, and being implemented by the Government of Mozambique, will in the coming years be conditioned to the macro-economic context evolution.

It is expected that the level of fiscal revenue collection will continue to increase as a result of efforts being made in terms of the macro-economic management, the real economic growth rate which is expected to average by 7% in the next triennium and the gradual increase domestic exports competitiveness.

Considering the total required budget for each Focus Areas it is concluded that there is more budgetary weight for the ones that to a certain extent are more related to social aspects, thus reinforcing the adopted Government policy of considering the social sectors as areas priority focus.

The proposed budget amounts are to be used as reference base; they may be corrected in accordance with the availability of resources throughout the time this plan will be implemented. There are some activities which have been included in this plan, but which are also foreseen in concerned sectoral plans. In such cases, there will be a need to establish major liaison between this two tools so as to update the amounts established in these plans and harmonise financial resources mobilisation efforts.

1.1 Thematic framework of the Focus Areas of the APRM Plan of Action

Within the framework of the African Peer Review Mechanism, African Governments have committed themselves to foster the adoption of policies, codes, standards and practices that lead to political stability, high economic growth, sustainable development and accelerated sub-regional and continental economic integration, through sharing of experiences and reinforcement of successful and best practices, including identifying deficiencies and assessing the needs of capacity building, highlighting efforts in four focus areas: Democracy and Political Governance, Economic Governance and Management, Corporate Governance, Socio-economic Development.

1.1.1 Focus Area 1: Democracy and Political Governance

The Focus Area on Democracy and Political Governance aims to assess aspects related to prevention and reduction of intra and inter-state conflicts; exercise of constitutional democracy; promotion and protection of the rights of citizens; uphold the separation of powers; ensure accountable, efficient and effective public office holders and civil servants in the exercise of their duties; the current situation of corruption and measures aimed at fighting against it; promotion and defence of the rights of women; promotion of the rights of children and youth; and promotion of the rights of vulnerable groups.

The process of peace building in Mozambique, which continues to be an obligatory reference when dealing with peaceful resolution of conflicts, is regarded as one of the major achievements that the country has been able to offer to its people. Nevertheless, it is also found that there are still difficulties in practicing of concrete actions for inclusion in the political governance process. In terms of constitutional democracy, including periodic political competition, which is materialised through the opportunity for choice, the self-assessment is that in Mozambique the electoral system is governed by ordinary laws, and the electoral process is managed by a National Election Commission (CNE) and is supported by the Technical Secretariat for Electoral Administration (STAE). Electoral processes facilitate the participation of the citizen in the governance function of the State. However, its implementation has not been effective due to certain conflicts, mainly because, electoral processes due to the legal obligation are conducted by institutions established based on political parties' orientation.

The current corruption stage and the measures directed to fight it require particular attention among other problems highlighted as to be addressed under this focus area.

The Plan of Action for this Focus Area presents a number of activities that aim at dealing with some of the problems raised by the self-assessment study.

1.1.2 Focus Area 2: Economic Governance and Management

The Focus Area on Economic Governance and Management makes an assessment which is aimed at dealing with some issues to implement sound, transparent and predictable government economic policies; promote sound public finance management, fight corruption and money laundering and accelerate regional integration.

In this regard, it was found that in terms of Standards and Regulations, Mozambique has made and is making major efforts so as to adhere to most of them. There is political will in establishing pertinent legislation, and its approval/ratification by the Parliament is being done at a relative good pace.

The comprehensive analysis done under this Focus Area in the self assessment indicates that it is recognised that although a lot of efforts were made by the Government in the area of Economic Governance and Management, there are still fundamental macroeconomic policy and public finance management problems which, to some extent, prevent the good functioning of the macroeconomic structure and does not facilitate regional integration.

1.1.3 Focus Area 3: Corporate Governance

The Focus Area on Corporate Governance is mainly based on five objectives, notably: (i) promote an enabling environment and effective regulatory framework for economic activities; (ii) ensure that corporations act as good corporate citizens with regard to human rights, social responsibility and environmental sustainability; (iii) promote adoption of codes of good business ethics in achieving the objectives of the corporation; (iv) ensure that corporations treat all their stakeholders in a fair and just manner; (v) and provide for accountability of corporations, directors and officers.

The self-assessment study highlights that great efforts were made to achieve these objectives, pinpointing the existence of a recommended legislation and other tools and initiatives that enhance the business environment.

The Country Self-Assessment indicates that a great effort is being made in order to achieve the objectives set under this Focus Area, mainly in what concerns the existence of recommended legislation and other tools and initiatives that enhance the business environment regulatory framework. Therefore, economic reforms should continue, taking into account the following challenges: (i) improvement of inter-sectoral coordination; (ii) performance monitoring; (iii) strengthening consultative mechanisms between the GoM, the private sector and the civil society in the process of policy formulation; and (iv) establishment of consultative mechanisms between the government and the private sector and communities at provincial and district levels, with the purpose of decentralising competencies.

It is on the basis of these challenges and taking into account specific problems raised by the self-assessment exercise that a Plan of Action was designed for this focus area and it is aimed at giving an orientation in dealing with them and respond to the fundamental problems raised by the Self-Assessment Report.

It is taking into account the specific problems raised by the self-assessment study, that a Plan of Action was designed for this pillar and it is aimed at giving orientation in dealing with them and respond to the fundamental problems raised by the Self-Assessment Report.

1.1.4 Focus Area 4: Socio-economic Development

This Focus Area consists of six socio-economic objectives, notably (i) promote self-reliance in the development and build the capacity for sustainable development; (ii) accelerate socio-economic development to achieve sustainable development and poverty eradication; (iii) strengthen policies, delivery mechanisms and outcomes in key social areas including education and combating of HIV/AIDS and other contagious diseases; (iv) ensuring affordable access to water, sanitation, energy, finance (including micro-finance), markets, ITC, shelter and land for all citizens specially the poor people; (v) progress towards gender equality, particularly with regard to access to education for girls at all levels; (vi) encourage broad-based participation in development by all stakeholders at all levels.

Most of policies for the socio-economic development reflect the code and standards to which Mozambique has adhered to within NEPAD framework. However, these have not yet had a visible impact on the day-to-day life of the citizen, requiring dissemination.

A major effort is being made so as to respond to the multiple challenges raised for the achievement of the six objectives set forth for this Focus Area. Nevertheless, problems remain which requires concrete solution. Therefore the Plan of Action includes some measures/actions aiming at dealing with such problems.

1.2 Macroeconomic Framework

1.2.1 Evolution of the Macroeconomic Conjecture and Budgetary (2003-2007)

It should be highlighted in this chapter that the macroeconomic policy followed by the Government of Mozambique in the last years aimed at ensuring among various objectives macroeconomic stability and at the establishment of conditions for promoting economic growth and development.

Within the framework of the budgetary policy implementation, efforts were made in order to:

- Increase the efficiency and effectiveness levels of fiscal and customs administration, through the adoption of measures aimed at expanding the tax basis, promote fiscal equity and justice and modernise the fiscal administration;
- Increase the standards of efficiency, effectiveness and economy in the use of public resources, 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 GDP percentage) has improved substantially, and has changed from 13, 1% in 2003 to 13, 8% in 2005, and to 15% in 2007. The total revenues have changed from 583.1 million USD in 2003, to 837.7 million USD in 2005, and to 1,290.9 million USD in 2007, which is translated into a real medium growth of 9,3% during the five-year period 2003-2007 (Table 1).

On the other hand, the total expenditure including net loans has changed from 1,156.8 million UDS in 2003, to 1,599.5 million USD in 2005, and to 2,098.1 million USD in 2007, which is translated into a real annual growth of 1,3% during the period 2003-2007. In terms of GDP percentage, the total expenditure has reduced in 1,7pp between 2003 and 2007

Table 1: Evolution of Budget Indicators (2003-2007)

	2003	2004	2005	2006	2007	2003	2005	2007
USD millions	CGE	CGE	CGE	CGE	Rev			Rev
						% of 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 expenditures (interest)	52.7	52.9	49.9	55.6	53.1	1.2%	0.8%	0.6%
Transf. and Other Current Expenditures	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 Expenditures	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%

As shown on the Table 7.1 above, the coverage capacity of current expenditures with domestic revenues has improved as of 2005, and the current balance in GDP percentage has changed to -1% in 2003, to 0,1% in 2005 and to 0,05% in 2007.

The deceleration of the public expenditure growth rate as a percentage of GDP, together with the improvement of the efficiency levels of tax and customs administration has contributed to State reserves accumulation, which is translated into the increase of the net internal funding - from -516.8 million USD in 2003, to -551.0 million USD in 2005.

In the last five-year period, the macroeconomic policy implementation was also conditioned by the evolution of the international macroeconomic context and by the occurrence of adverse cyclical shocks. The last years have been marked by a tendency of aggravating price of petrol in the international market, the occurrence of climatic shocks and deteriorating terms of change. These adverse events, combined with the recent continuous accelerating rise of food prices at global level contribute to the dis-acceleration of the economic growth pace and the potential

reduction of tax income collection. In order to minimise the impact of cyclical shocks, efforts have been made by monetary authorities so as to control the acceleration of the General Price Index, increase the competitiveness of domestic exports and the capacity of external shocks cushioning through stock accumulation of net international reserves.

1.2.2 Macroeconomic Assumptions and Macro Fiscal Framework

The exercise was undertaken based on the assumption that the Mozambican economy would register in the period 2009-2011 a real average growth rate of about 7%. The annual average inflation rate would be maintained within the one digit case in result of maintaining a regular growth of currency offer and of the credit to the economy levels.

Table 2 Macroeconomic Assumptions

	2007	2008	2009	2010	2011
Nominal GDP (million USD)	7.878,4	9.397,3	10.026,0	11.041,9	12.181,3
Nominal GDP (million MT)	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
Annual average inflation(%)	8,2	7,3	5,5	5,3	5,1
Average Exchange Rate (MT/USD)	25.568	24.133	25.466	26.033	26.568

The following will contribute for the sustaining of the economic growth pace in the period 2009-2011: the increase of agrarian productivity levels and production as a result of the expansion of provision of extension and agriculture research services; the increase of public investment aimed at expanding the basic socio-economic infra-structure (roads, bridges, rural electrification, expansion of the landline and mobile telephone networks to more districts, among others), which will contribute for the reduction of transaction costs and improvement of the business environment in the country; the increase of investment in the development of human capital; the growth of the transforming industry in result of the net value added increase in the primary sector; and the increase of gross value added generated by the transport and communications sector within SADC Trade Protocol implementation framework.

1.2.3 Evolution of Macro fiscal Indicators (2009-2011)

Table 3 below shows the Fiscal features with the volume of resources and levels of public expenditure projected for the period 2009-2011.

The total expenditure including net loans will change from 3,560.1 million USD in 2008, to 3,938.5 million USD in 2010, and 4,451.4 million USD in 2011, corresponding to 27.5%, 30.4% and 34,4% of the GDP, respectively. This scenario suggests the deceleration of the public expenditure growth rate in GDP percentage. Nevertheless, the contention in government expenditures expansion, the gains in the fiscalisation rate are still limited at ensuring

public accounts sustainability. A fact which is highlighted in the projections is the substantial increase of the current balance as a GDP percentage from 0.5pp in 2009 as compared to 2008, and 0.6pp in 2011 as compared to 2010. This situation contributes to the improvement of the funding capacity of investment expenditures from internal resources.

The increase of investment expenditures in GDP percentage is a very important factor in sustaining the economic growth pace that Mozambique has been experiencing. Many countries that were able to substantially increase the living standards in the last decades have dedicated about one third of GDP for investment expenditures, as it is the well known case of the so-called *Asian Tigers*.

Table 3 Fiscal features (2008-2011)

USD millions	2008 OE	2009 Proj	2010 Proj	2011 Proj	2008 OE	2009 Proj	2010 Proj	2011 Proj
						% of GDP		
TOTAL REVENUE	1552.64	1762.44	2057.48	2373.72	15.9%	17.3%	17.9%	18.3%
Current Revenues (1+2+3+4)	1526.36	1733.4	2026.16	2337.52	11.8%	13.4%	15.7%	18.1%
1 Tax Revenues	1232.04	1436.96	1733.92	2000.4	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 & Service Tax	754.44	834.76	934.2	1077.76	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	3560.12	3616.36	3938.48	4451.44	27.5%	27.9%	30.4%	34.4%
Current Expenditure	1523.24	1678.4	1892.64	2107.32	11.8%	13.0%	14.6%	16.3%
Personnel Costs	723.72	823.52	926.44	1060.48	5.6%	6.4%	7.2%	8.2%
Goods & Services	326.68	356.88	401.44	448.44	2.5%	2.8%	3.1%	3.5%
Debt Amount (interests)	66.04	87.48	80.56	80.4	0.5%	0.7%	0.6%	0.6%
Transf. and Other Expenditures	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 Expenditures	1756.08	1732.68	1831	2045.24	13.6%	13.4%	14.1%	15.8%
External Funding	1291.92	1224.56	1249.52	1605.28	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	-2007.48	-1853.92	-1880.96	-2077.72	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%

The Post-donations overall balance as a GDP percentage will change from - 5,1% in 2008 to -4,4% in 2009, maintaining at around - 4,4% and -3.3% in 2009 and 2010, respectively. This situation will lead to an increase of the State funding requirements in the internal market, which may reduce the availability of resources for the private investment funding. As a result of this, the net internal funding as a GDP percentage will change from 0,5% in

2008 to 2.2% in 2011, which is translated into a massive use of public revenues in the banking system and the use of internal credit to finance the public deficit.

3. Methodology

The methodology approach adopted for this Plan of Action budgeting was the collection and analysis of basic documentation (reports) produced by the research institutions and comparing the main problems raised with the proposed recommendations for respective reduction and/or elimination and in particular reviewing the activates defined under the Plan of Action for each Focus Area; reading and making a comparative analysis of some other African countries' APRM Plans of Action. And, because many of the actions proposed in this Plan of Action are part of a set of policy measures implementation process foreseen in the main guiding and planning tools in use in the country, also a comparison and analysis of activities of this Plan of Action was made with actions described in PARPA, CFMP (2008-2010) and PES for 2008. In what refers to the objectives and results to be attained and the activities to be undertaken.

For the budgeting of planned activities, required basic inputs were determined (identified as necessary inputs for the execution of each task) with which the current resources and investment are associated, in order to naturally cover expenditures that will result in the functioning and investment costs, in accordance with the nature and type of activity.

On the basis of the analysis made of the activities included in the Plan of Action, it is found that not all of them are translated into a need for a specific budget for respective implementation. Activities reflecting this are those that are very little tangible and which will result in the strengthening of management of macroeconomic and sectoral policy, in the improvement of the legal framework and of the safety environment allowing the development of economic activities. In other words, the budget does not include those activities whose results will be achieved in result of the strengthening of the role of the State (regulator).

4. Analysis of the budgetary charges for the Implementation of APRM Plan of Action

This section presents the budgetary charges for the operationalisation of a number of activities that are part of each objective of the four Focus Areas of the Plan of Action.

4.1 National Plan of Action Global Cost per Focus Area

The total cost of APRM PoA for 2010 is 667,302.8 thousand USD, growing from 796,664.6 thousand USD in 2012 to 926,660.4 thousand USD in 2014. These figures are translated into a global cumulative cost for the five year period of 2010-2014 estimated in 3,939,883.0 thousand USD, of which 2,9% is related to current expenditures and 97,1% is for absorption under investment expenditures required for the Plan implementation.

Table 4: Costs per Focus Area as a Percentage of PoA Global Cost

USD millions	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
Socio-economic 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 % 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%
Socio-economic Development	85,7%	86,3%	87,7%	88,7%	87,3%

It is concluded from the table above that global costs increase throughout the period in review. This tendency is justified by the increase on resources demand for investment purposes. It is noted that regarding ongoing activities, that is, those that are currently being implemented within the framework of the operationalisation of the socio-economic policy, the assumption is that the volume of domestic resources for investment will grow in real terms at 3%, while the volume of external resources will register a real growth of 2% throughout the next five-year period.

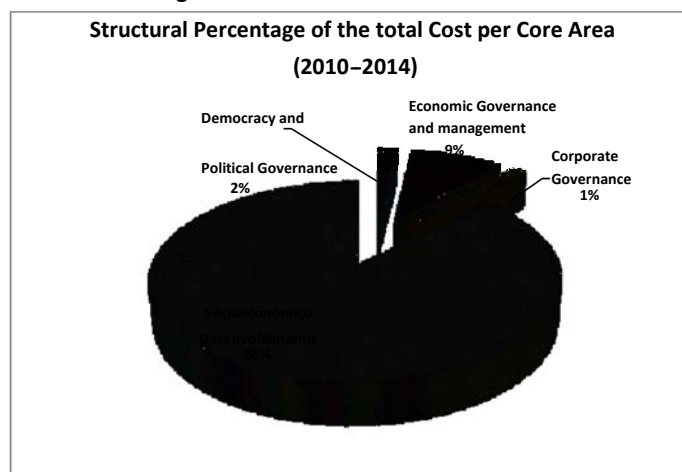
Figure 1

Figure 1 show a structural percentage of the global cost per Focus Area during the five-year period of 2010-2014. The Socio-economic Development Focus Area integrates a set of actions which are aimed at strengthening achievements in the sustainable socio-economic development and in the fight against poverty during the last years. This Focus Area consists of six objectives and will use about 87% of the budget for the five-year Plan of Action for the period 2010-2014. The Economic Governance and Management Focus Area will absorb about 9% of the budget, followed by Democracy and Good Political Governance Focus Area with about 2%, and lastly Corporate

Governance Focus Area with about 1% of the Plan of Action total budget. These levels of absorption are co-related to the evidence and findings derived from the evaluation exercise carried out for each one of the Focus Areas.

Table 5: Costs per Focus Area in Percentage of the 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%
Socio-economic Development	5,60%	5,42%	5,40%	5,03%	4,83%
TOTAL COST	6,53%	6,28%	6,15%	5,67%	5,53%
PIB (Million USD)	10.213,0	11.490,2	12.945,2	14.757,5	16.749,8
PIB (Thousand Usd)	10.213.008,4	11.498.236,2	12.945.199,9	14.757.527,9	16.749.794,1

Budgetary resources for the operationalisation of the Plan of Action of APRM Self-Assessment Report in Mozambique as a GDP percentage will be estimated at 6,53% in 2010, reducing by 0,25 % in 2011 and by 0,13 % 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 a major absorption during the first years. It is underlined that in average the total public expenditure including net loans will be around at 32% of the GDP on the triennial 2010-2012. A notorious aspect in Table 7.2 and on the graph above (percentage structure of global expenditure per Focus Area), is the high level of expenditures to incur with the Socio-economic Development Focus Area on the GDP. This scenario results from the fact that a significant proportion of budgetary resources spent by the Government of Mozambique in the framework of the implementation of the Economic and Social Policy Objectives are essentially concentrated on social sectors and on other sectors with a direct impact on the socio-economic development. During the next triennium, PARPA priority sectors will absorb an average of 65% of the total public resources volume.

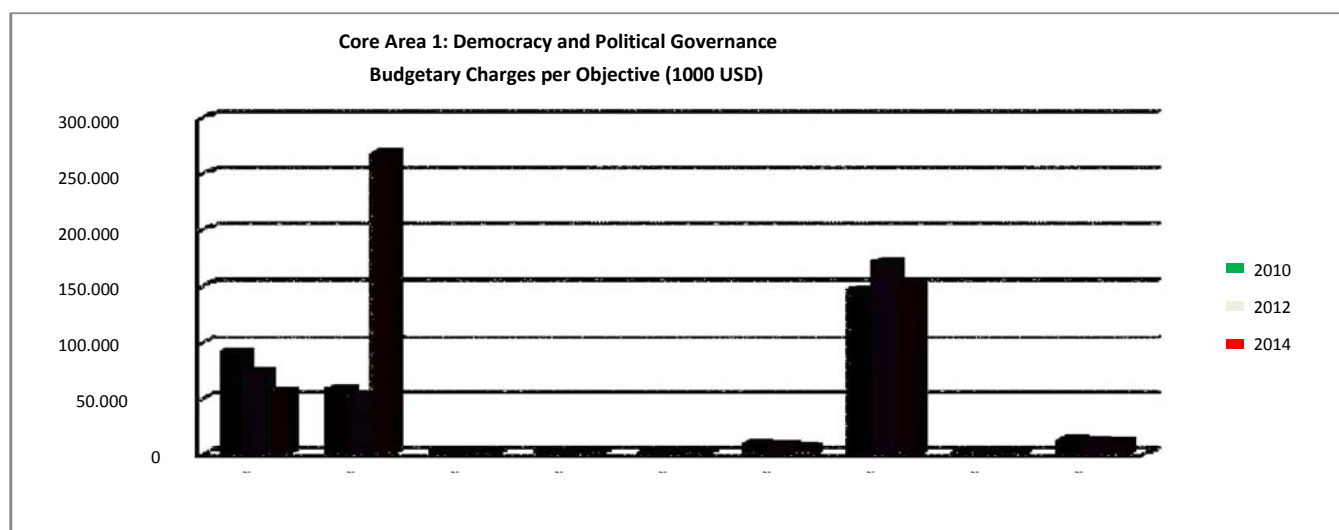
The APRM Plan of Action is an instrument that will complement efforts currently being undertaken by the State in order to increase the level of revenue collection and its allocation to the different priority areas of development in the country, thus ensuring that the principles of the economy, effectiveness and efficiency, are observed in the realisation of public expenditure.

4.2 Budgetary Charges per Objectives and per Focus Area

4.2.1 Budgetary Charges for Democracy and Good Political Governance Focus Area⁹⁵

Figure 2 deals with the relative importance of objectives which characterise Democracy and Good Political Governance Focus Area in terms of absorption level of total resources budgeted for this Focus Area in the five-year period of 2010-2014.

Figure 2: Budgetary Charges: Democracy and Good Governance Focus Area



The objectives with the most representative levels of absorption are: objective 7 (Promotion and protection of women rights), objective 1 (Prevention and reduction of intra-and inter-state conflicts) and objective 2 (Constitutional democracy, including periodic political competition and opportunity for choice, the rule of law, citizen rights and supremacy of the Constitution). In 2010, of about 132,367 thousand UDS that are to be spent on the Focus Area 45,874.7 thousand USD will be absorbed by objective 7; 3,652.1 thousand USD by objective 1; 2,332.1 thousand by objective 2 and the remaining amount will be absorbed by the other objectives. Altogether, the objectives 7, 2 and 1 will absorb about 90% of the total budget directed to this Focus Area in 2010. In 2012 and 2014, these objectives will maintain the same absorption standard in global terms.

Figure 3: Percentage Structure of the Budget

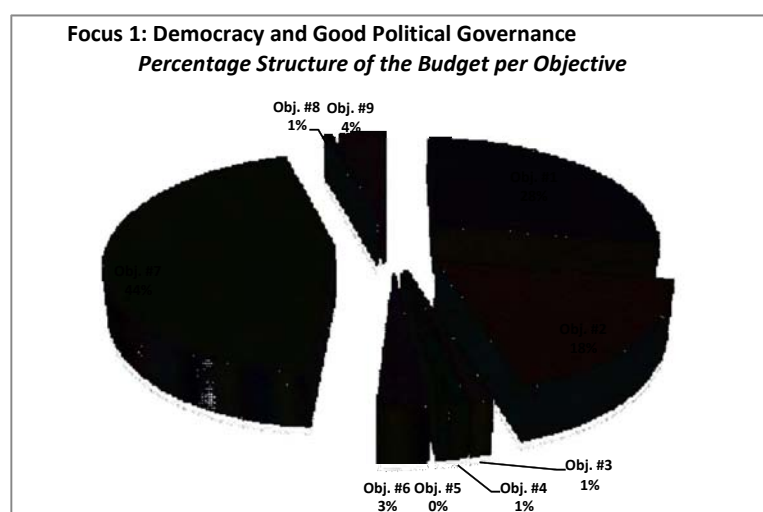


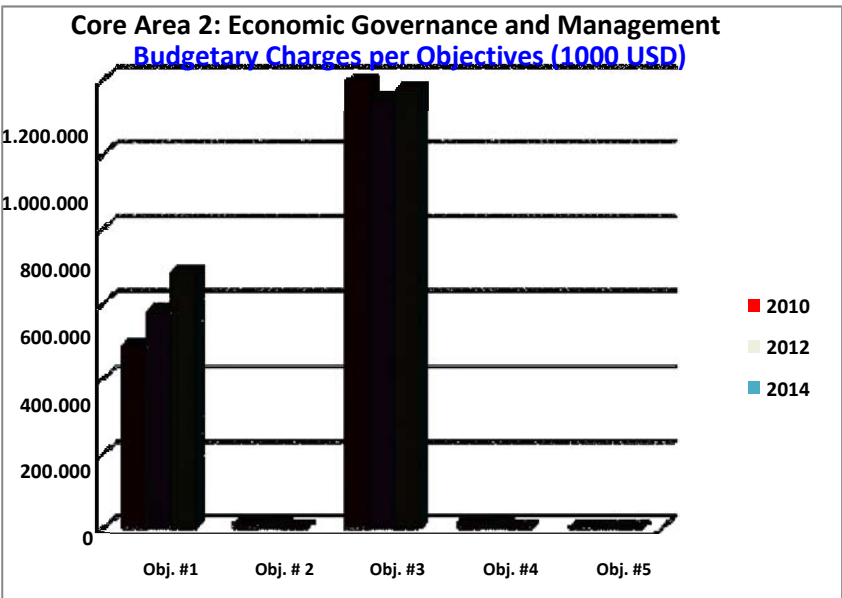
Figure 3 shows a percentage structure of the budget for Focus Area 1 per objective in 2010. There is an absorption level which is not uniform resulting from the concentration of resources in the three objectives mentioned above (7,

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% of the total resources for Focus Area 1, in 2010, followed by objective 6 (Fighting corruption in the political sphere) with 3% and the residual percentage for the remaining objectives.

7.4.2.2 Budgetary charges for Economic Governance and Management Focus Area

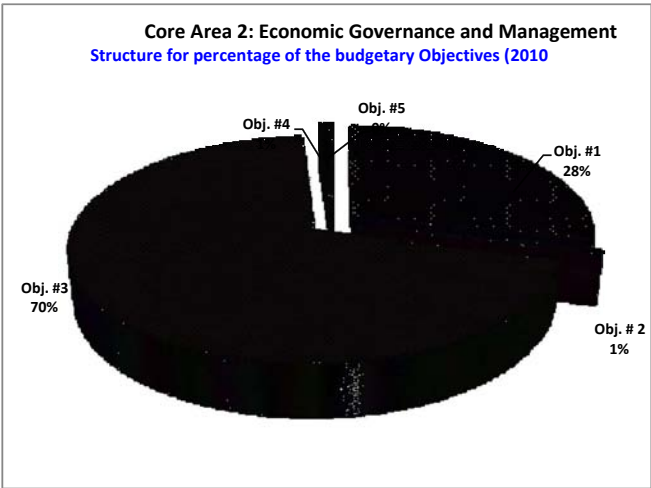
The Economic Governance and Management Focus Area integrates activities which are aimed at improving Mozambique’s performance in terms of transparency and credibility in the implementation of macro-economic policies, fighting economic crimes and speed up integration in SADC region.

Figure 4: Budgetary charges for Economic Governance and Management



As illustrated in Figure 4, the activities which characterise objective 3 (Promote sound public finance management) will absorb more than two thirds of the budget directed to this Core Area in the next three years. This objective is fundamental to ensure the reduction of the levels of dependence on the State Budget in relation to external aid, which is currently estimated at 50%.

Figure 5: Budget Percentage Structure



Mozambique has been able to sustain, during the last five-year period, the levels of economic growth in real terms estimated at about 7 % per year.

The strengthening of public finance management will enable the increase of fiscal and customs administration efficiency levels, which is translated into an increasing collection of fiscal revenue and in the optimisation of the intrinsic results of the exercise of public expenditure execution, ensuring that there is a reduction of the current

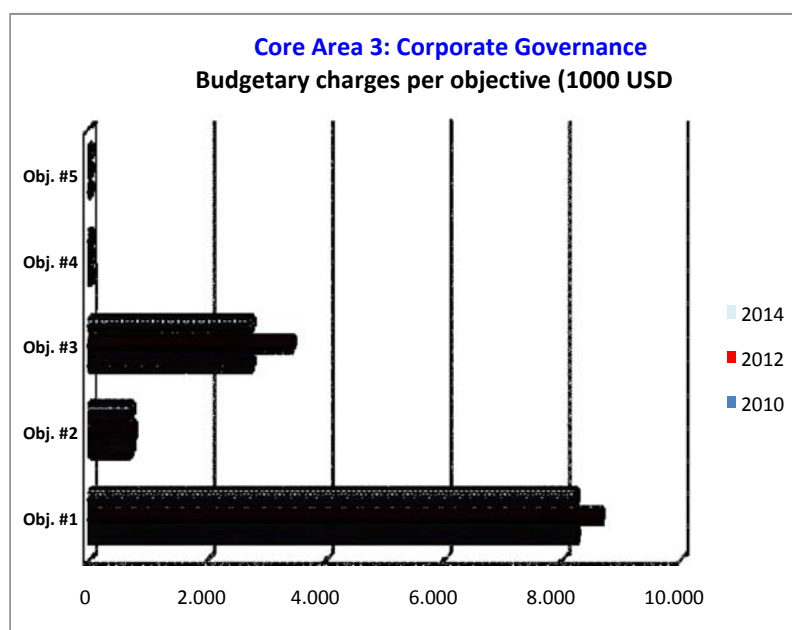
balance, improvement in the structural composition of public expenditure through an increasing allocation proportion of the budget for investment and minimising the need to seek resources in the internal market so as to finance deficits on the State treasury. At a medium and longer term, the on-going reforms in the framework of public finance will contribute for the alignment between public savings and investment and promote economic growth.

From the analysis of Graph 7.5, it is concluded that there is a massive concentration of resources for activities aimed at improving management of public finance in 2010 (70%). This is followed by objective: **1** (Promote macroeconomic policies that support sustainable development) with 28% and; **2** (Implement sound, transparent and predictable government economic policies), **4** (Fight corruption and money laundering) and **5** (Accelerate regional integration by participating in the harmonisation of monetary, trade and investment policies) which will absorb in 2010, 2% of the budget for the Core Area.

7.4.2.3 Budgetary charges for Corporate Governance Focus Area

The Corporate Governance Focus Area is characterised by a set of five objectives that consist of a range of activities which will contribute to the promotion of an enabling environment and effective regulatory framework for economic activities.

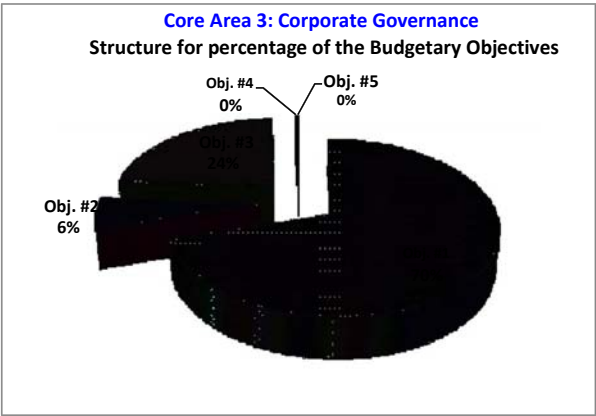
Figure 6 Budgetary Charges on Corporate Governance



As illustrated in Figure 6, objectives 1, 2 and 3 are those which absorb a major proportion of resources of the Focus Area. For example, for 2010 activities aimed at promoting an enabling environment and effective regulatory framework to stir up economic activities by corporations are provided with 8,244 thousand USD, and it is expected that this amount will be increased to 8,667.5 thousand UDS in 2012 and to 8,233.3 thousand USD 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 corporation objectives), which will be estimated at 2,746.1 thousand USD in 2010, at 3,435.9 thousand USD in 2012 and at 2,744 thousand USD in 2014. The slight reduction of expenditure in nominal terms in 2003 in relation to 2010 is in both cases reflected on the incidence of execution of activities foreseen in the first years.

Figure 7 Budget Percentage Structure

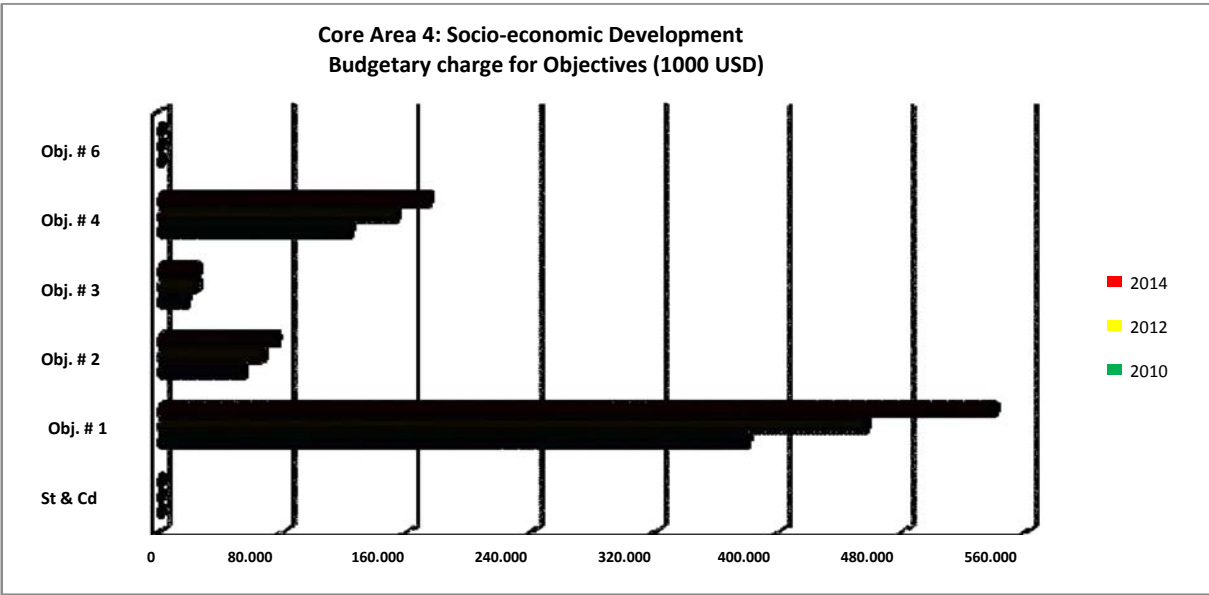


Activities representing objective 1 will have significant absorption levels in this Focus Area, and it is expected that it absorbs two thirds of the resources at mid global level in the five-year period of 2010-2014. It should also be noted that Objective 3 has an average demand of about 24% of the total resources, followed by objective 2 with 6%.

7.4.2.4 Budgetary charges of Socio-economic Development Focus Area

Lastly, Socio-economic Development Focus Area is reflected in the APRM framework “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 socio-economic development that Mozambique has adhered to in the framework of the New Partnership for Africa Development.

Figure 8: Budgetary charges, Socio-economic Development



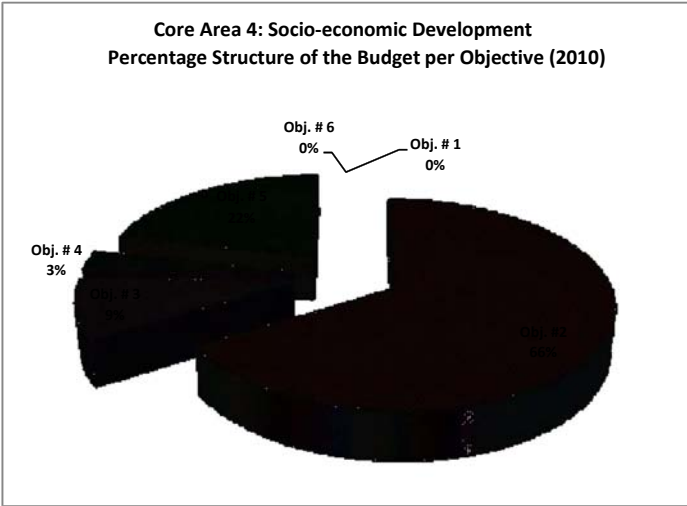
As illustrated in Figure 8, there is a massive concentration of resources on the activities aimed at promoting self-confidence in development and to build on the capacity of sustainable development. In 2010 these activities will

absorb about 66% of the budget allocated to this Core Area. This is followed by a hierarchy of activities represented on objective 4 (Ensuring affordable access to water, sanitation, energy, finance (including micro – finance), markets, information and communications technology, shelter and land to all citizens, especially the rural poor) and the activities which make up for objective 3 (Strengthen policies, delivery mechanisms and outcomes in key social areas including education and combating of HIV/AIDS and other transmissible diseases) with about 122,552.2 thousand USD and 53,449.4 thousand USD which correspond to about 22% and 9% of the total budget for 2010, respectively.

Although efforts are being undertaken in order to influence access to basic services, Mozambique still has a long way to go to achieve socio-economic development indicators which will position the country in the upper levels of human development. These efforts are conditioned by limitations imposed by internal resources, hence the need to make an effort towards improving productivity of public expenditures.

Figure 9 shows the division of the 2010 budget per objective as allocated to Socio-economic Development Core Area.

Figure 9: Percentage Structure



5. Source of funding of the Plan of Action

Considering the budgetary as well as fiscal and macro economic assumptions (2003-2007) it is assumed that funding will originate from both internal state funds for investment as well as from external financing including donors, financial institutions and or direct investors.

No allocation funds have been made so far and at this stage it is very difficult to determine who exactly will finance what and when.

THEMATIC AREA: DEMOCRACY AND POLITICAL GOVERNANCE	
Issues to be addressed	Results to be achieved
PRINCIPLES, CODES AND STANDARDS	
Sign, ratify and adopt international codes and standards	International Codes and standards, applied in Mozambique
Objective 1: Prevention and reduction of intra and interstate conflicts	
To reduce social exclusion and eliminate social exclusion that is practiced deliberately	Reduced social exclusion
To eliminate elements that may be interpreted as threat of war	All elements that may endanger peace in Mozambique removed
<i>Eliminate sale of weapons and fight against circulation and consumption of drugs</i>	Illegal sale of weapons and drugs reduced
Strengthen control systems of entry of foreign citizens in the country	A control and functioning system for the control of the entry of foreign citizens in the country established
To eliminate usurpation practices of land from the peasants	Land Law strictly observed
Objective 2: Constitutional democracy, including political periodic competition and opportunity for choice, Rule of law, the rights of the citizens and supremacy of the Constitution.	
Strengthen the State of Law and the respect for citizens rights	The citizen access to justice attained
Separation of party actions/activities from State institutions	Real separation of activities between parties and state institutions
To develop capacity of Independent National Electoral Commission	National Electoral Commission acting really as an independent electoral commission as expected
To audit voters registration process	All potentials electors registered and Voters registration process audited
To guarantee that Members of Parliament know the needs of their constituency	Members of Parliament well known and chosen by its constituency members
Provide technical capacity building to the Administrative Court (AC)	An AC technically strengthened
Review instruments that govern the establishment of District Consultative Councils	Consultative Councils established on representative basis
Technical capacity building of the Community Policing Councils	Policing Council members and Public educated about National Constitution and others basic laws
Capacity building of private security agencies so that they can collaborate with the State Police	Crime reduced in the country particularly in the urban area
Objective 3: Promotion and protection of Economic, Social and Cultural rights and of Civil and Political rights as enshrined in African and other international human rights instruments	
To improve the quality of public care/service	Good quality of services provided to public services users
Educate Mozambican citizens about their fundamental rights and duties as established in the constitution	Citizens sensitized and acting on their civic rights and duties
To consolidate the process for the involvement of communities in the selection of new members for police force, and establishment of clear requirements for the selection of citizens for the police force, including the academic level	Well trained police force, adequately equipped and servicing the public
Objective 4: Uphold the separation of powers, including the protection of the independence of the judiciary and of an effective legislature	
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 but preserving institutional relation

To improve performance of the Parliament	Parliament performing better
Capacity building of the judiciary system	Administration of justice in provinces and districts improved
Objective 5: Ensure accountable, efficient and effective public service offices and civil servants	
To intensify assessment of the public servant independently (separately) of their own political party	Public servant systematically evaluated and placed according to his/her professional aptitudes

1.5 Matrix of the National Plan of Action per Focus Area

Objective 6: Corruption	
To improve legislation on fight against corruption	Anti-corruption Law and strategy revised.
Strengthened and effective legal instruments for the fight against corruption	Existence of legal instruments and technical/ professional capacity to deal with corruption acts. The private Sector provided with appropriate legislation for corruption acts. Public awareness created.
To eliminate "impunity" of the corruption acts	Corruption acts prevented and punished under the existing legislation and Mozambican society educated to fight against corruption.
To introduce radical changes on the corruption approaches	An approach of corruption acts more oriented for the reduction of this bad attitude and existence of more adequate legal instruments.
Objective 7: Promotion and defence of women rights	
To consolidate the role of women's cabinet in the promotion of gender equity within the juridical and judiciary environment	More equitable treatment of women and men in legal terms. Process of gender equity in the judiciary consolidated
Review decree that penalizes only the pregnant girl sending her to night classes	Existing legal instrument that regulates the equitable treatment between pregnant student and the pupil who got her pregnant
To Institutionalize and expand the Office for the Protection of Women in the Provinces	Institutionalize and expand Cabinets for the Protection of Women in the Provinces
Objective 8: Promotion of rights of children and youth	
To Provide the Mozambican households/families with deep knowledge on the children rights	Mozambican families with knowledge of legislation on children rights. Orphan and on the street children protected under children rights. Living as normal children.
To pass a legal instrument that regulates the sale/hire/ projection of videos in public places without taking into account the principle of content/age	Violation of good costumes thought video projection reduced and children and youth education strengthened
To Draft and pass a legal instrument that regulates TV broadcasting on the basis of hour/age principle.	Violation of good costumes thought TV programs reduced.
Objective 9: Promotion and defence of the rights of the vulnerable groups including displaced and refugees.	
To ensure the distribution of antiretroviral for AIDS infected persons	Distribution of antiretroviral ensured to all infected HIV/AIDS patients in need.

To guarantee the distribution of Basic food basket for those taking antiretroviral and for those infected by HIV and AIDS	Basic food basket distribution to persons infected by HIV and AIDS provided according to nutritional rules, increased.
To guarantee necessary support (monetary) to families headed by elderly who are taking care of orphan children	Elderly taking care of orphan children receiving monetary support
Subtotal for the thematic area: million USD 82,45	

7.5.1 NATIONAL PLAN OF ACTION: DEMOCRACY AND POLITICAL GOVERNANCE

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
PRINCIPLES, CODES AND STANDARDS										
Sign, ratify and adopt international codes and standards	Sign, ratify and publish codes and standards adopted, related to democracy and political governance issues	Number of protocols, conventions signed, ratified and diffused	Codes and standards ratified and considered in Mozambican law system	Parliament. Ministry of Foreign Affairs Ministry of justice Other implementing ministries.	Government, private sector, CSO's citizens	2010 - 2014	Codes and standards signed, ratified and included in Mozambican law system	International Codes and standards, applied in Mozambique	0,02	Cabinet NGC
Objective 1: Prevention and reduction of intra and interstate conflicts										
	Carry out an in-depth									Ministry of

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
To reduce social exclusion and eliminate social exclusion that is practiced deliberately	study on social exclusion (origin, causes, etc.). Submit recommendations and proposal of a Plan of Action	Study plan of action completed and appropriate measures adopted	The Government and other stakeholders carrying out several actions aiming at reducing social exclusion	All Socioeconomic ministries, CSO's	Mozambican political forces and society in general	2010	Inclusive and participatory governance consolidated	Reduced social exclusion	0,07	Planning and Development CSO's
	Submit study results, including recommendations and proposals of a plan of action to the Poverty Observatory for discussion and finding of consensual solutions			Ministry of Planning and Development CSO's		2010 - 20012			0,02	Cabinet CSO's
	Design strategies of dialogue with	Report of achieved			The Citizen	2010 - 2012	Former ex-guerrillas of Rebel Movement		0,18	Presidency

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
To eliminate elements that may be interpreted as threat of war	RENAMO to disarm the former guerrillas	progresses		Ministries of National Defence / Home Affairs			RENAMO disarmed	All elements that may endanger peace in Mozambique removed		Parliament Presidency
	Engage in negotiations to end armed presence of former ex- guerrillas of Rebel Movement RENAMO			RENAMO					0,03	

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Eliminate sale of weapons and fight against circulation and consumption of drugs	Development of efforts undertaken at the internal, regional and international contexts aimed at controlling sale of weapons and drugs	Internal and external Reports and studies	Regular meetings between joint defence and security committees are held at the regional level (SADC) in order to deal with these and other issues.	Ministries of Foreign Affairs / National Defence / Home Affairs Community Policing Unit ' CSO's	All SADC countries and their communities	2010- 2014	Weapons and drugs circulation kept under control	Illegal sale of weapons and drugs reduced	0,11	Public Ministry (Attorney General Office of the Republic)

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Strengthen control systems of entry of foreign citizens in the country	Strengthening of control mechanisms, registration and referral of illegal immigrants in the country, in coordination with neighbouring countries	Annual Reports on the illegal immigrants in the country and their treatment	Ongoing work of registration of illegal immigrants and repatriation to their country of origin. The introduction of a new control system of migratory movement of people is in process along border posts	Ministry of Defence and Ministry of Home Affairs	Communities in Villages along border posts, Provincial, Local and Regional Governments (SADC)	2010 - 2013	Presence of illegal immigrants under control	A control and effective functioning system for the control of the entry of foreign citizens in the country established	3,35	Public Ministry CSO's on Human Rights

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Strengthen instruments that favour shared management of resources	Establishment of agreements which enable the good management of resources shared by various countries in the region	National, Regional and joint reports	On-going consultation and liaison actions between regional countries sharing same resources	Ministries of Public Works and Housing / Coordination and Environmental Issues	National citizens, All SADC countries and their communities	2010 - 2011	Shared resources well managed		0,12	Cabinet Relevant civil society organisations
To eliminate land usurpation practices to peasants	Create mobile brigades for the monitoring of land law obedience, in particular the land allocated but not yet explored.	Monitoring reports on the obedience of the Land Law and of the agrarian policy	Communities are		Mozambican population in particular peasants	2010 - 2013	Land Law strictly observed	Land Law strictly observed	0,08	Cabinet, Human Rights Organizations

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	Create units to deal with cases of violation of the land law on conflict resolution	Number of cases solved	organized in committees for their natural resources management including land.	Ministry of Agriculture, relevant CSO's, Local Communities	Ministry of Agriculture, Provincial and local governments, Peasants				10,77	Cabinet, Others relevant CSO's
Objective 2: Constitutional democracy, including political periodic competition and opportunity for choice, Rule of law, the rights of the citizens and supremacy of the Constitution										

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Strengthen the State of Law and the respect for citizens rights	Strengthen the State of Law and the respect of citizens rights through the appointment of the Justice Provider (ombudsman)	Nomination Act		Ministry of Justice	National citizen	2010-2012	Chances of access to Justice extended	The citizen access to justice attained	9,90	Presidency CSO's
Separation of party actions/activities from State institutions	Prohibit the holding of partisan activities in State and public institutions	Appropriate measures adopted and all parties symbols removed from state institutions and public corporations		All ministries, other public institutions and parastatals	State institutions and public corporations, Civil Servants, Citizens	2010 - 2011	State and public institutions free from political parties cells	Real separation of activities between parties and state institutions	0.14	Parliament Prime Minister Office Registered

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	Development of actions to eliminate existence of political party cells in state and public institutions	All advertising material related to parties removed from state and public institutions			State institutions Civil Servants	2010 - 2012			0.3	parties CSO's
To develop capacity of Independent National Electoral Commission	Capacity building to CNE and training of technical staff of STAE (acts as Secretariat of Electoral Commission)	CNE capacity building actions, high quality of STAE staff, number and quality of course administrated		Ministry of State Administration, CNE, STAE	Political Parties CSO's Citizens	2011 - 2012	Better technical capacity and guarantee of independent election process that all participants accept.	National Electoral Commission act really as an independent electoral commission as expected.	1.5	Parliament and CNE NGC

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
To audit voters registration process	Audit the electoral process in order to monitor the execution of law, revisiting voters' registration through sampling in the provinces	audit electoral process report produced and published.		CNE, STAE, Political parties, Citizens	Institutions running the electoral process in Mozambique	2010 - 2013	Electoral process at an acceptable level for the holding of free, fair and transparent elections	Voters registration process audited	0,04	Parliament , CC, Specialized CSO's
To audit voters registration process	Review electoral books in a systematic manner	Published minutes of the electoral process review	CNE updates registration books in a systematic manner	CNE, STAE, Political parties, Citizens	Institutions running the electoral process in Mozambique. All national citizens	2010 - 2014	Potentials electors registered every year in a transparent manner and gossip about electoral fraud reduced.	All potentials electors registered	9,00	Parliament, CC, Political parties
To guarantee that Members of Parliament know the needs of their constituency	Review electoral legislation and create non-nominal electoral assemblies	Electoral Law reviewed and published		Parliament, CNE, political parties	National citizens	2010 - 2014	Parliament Members in fact do defend interests of their constituencies	Members of Parliament well known and chosen by its constituency members	0.1	Parliament , Electoral Observatory

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
							and of the State			
Provide technical capacity building to the Administrative Court (AC)	Strengthen the mechanisms for clarification and explanation of deviations registered in the public institutions accounts	General State Accounts reports	Actions aimed at building capacity of AC to accomplish its supervisory/ control role over expenditures	Administrative Court	State Institutions and national citizens	2011 - 2012	The Administrative Court undertaking its functions in an effective manner	An AC technically strengthened	1.0	Parliament, CSO's

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Review instruments that govern the establishment of District Consultative Councils	Review mechanisms which establish the legal rules and regulations for the establishment of District Consultative Councils	Legal rules and regulations approved published and broadly disseminated	and actions are being carried out by the State	Ministry of State Administration and Ministry of Planning and Development, Local Government	Local Governments, Local communities	210	Regulations reviewed, published and disseminated	Consultative Councils established on representative basis	0,01	Cabinet Relevant CSO'S
Technical capacity building of the Community Policing Councils	Training of policing council members with basic knowledge on the Constitution of Mozambique, human rights and criminal law	Number of members trained		Ministry of Internal Affairs, Local Government, Policing Units	Communities and public in general	2010 - 2013	Community Policing Councils well prepared.	Policing Council members and Public educated about National Constitution and others basic laws.	0.45	Ministry of Home Affairs; Human Rights Organizations

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Capacity building 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 number of participating agencies		General Command of Police Office, Private Security agencies	Private security agencies and guards, Citizens	2011 - 2013	More security agents prepared to fight crime.	Crime reduced in the country particularly in the urban area.	0.25	Ministry of Home Affairs, CTA, CSO

Objective 3: Promotion and protection of Economic, Social and Cultural rights and of Civil and Political rights as enshrined in African and other international human rights instruments

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
To improve the quality of public care/service	Broad disclosure of public servant statutes (policies, rules and regulation) and monitor the quality of servicing of the public in observance of what is established in 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 underway	Ministry of Public Service	All ministries, Citizens, Public service users	2010 - 2014	Citizen satisfied with services provided by public institutions	Good quality of services provided to citizens	0,45	Prime Minister office, Human Rights Organizations
Educate citizens about their fundamental rights and duties as established in the constitution	Organize civic rights education and campaigns at national and local levels about fundamental rights and duties as enshrined in the constitution	Citizens sensitized about their civic rights and duties as enshrined in the constitution		Ministry of Justice Relevant CSO's National Citizens	Citizens NGOs CSO's	2010 – 2012	Public awareness Mastering of all constitutional rights and duties	Citizens sensitized and acting on their civic rights and duties	1.1	Prime Minister Office NGC Representative CSO's NGOs

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
To consolidate the process for the involvement of communities in selection of new members for police force, and establishment of clear requirements for selection of citizens for the police force, including the academic level	To generate and disseminate the requirements for the selection of citizens for the police force. Involvement of 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 Ministry of Home Affairs, through the PRM, has been conducting the pre – selection activity of police members with community involvement and neighbourhood in different cities, villages and localities,	Ministry of Home Affairs and Police Officers	Ministry of Home Affairs, Police Officers, Communities	2010 - 2011	Diligent and efficient Police force with due capacity to better service people expectations	Well trained police force, adequately equipped and servicing the public	0,13	Presidency CSO's NGC

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Objective 4: Uphold the separation of powers, including the protection of the independence of the judiciary and of an effective legislature										

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
To guarantee and ensure the observance of the principle of separation of	To create informative material about separation of powers. Organize in a regularly basis (every six month or annually) sessions for deepening the knowledge of principles of separation of powers in its theory and practice	Informative material produced and discussed. Number of discussion sessions for deepening the knowledge on the matter, and of reports of such sessions		Ministry of Justice Political parties	Parliament and Justice administration	2010 - 2013	Respected	Non interference in competencies and functions of each sovereign	0,07	Parliament

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
powers and National Unity	Monitor the application of separation of powers principle	Findings contained in the monitoring reports as drafted by the executive, legislative, and judicial organs of power either in actions or due to omissions of exercise.			bodies in place	2010 - 2013	separation of powers principle	organ but preserving institutional relation.	0,27	CC NGC Relevant CSO's
To improve performance of the Parliament	Recruit advisers for each Parliament Commission, per each bench, so as to make legislative power more apt 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 benches, political parties	2010 - 2013	Parliament more able to oversee actions of the government	Parliament performing better	1.0	Parliament NGC CSO's

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Capacity building of the judiciary system	Provide the judiciary system with adequate infrastructure, equipment and human resources	Number of prosecutor and justice offices building, equipment provided, and technical professionals trained.		Supreme Court Offices Public Ministry (Attorney General's Office of the Republic), Ministry of Justice	National, Provincial and Districts judiciary institution levels and respective civil servants; Citizens/ Communities	2010 - 2014	All Provinces and districts provided with adequate system of justice.	Administration of justice in provinces and districts improved.	2.0	CSMJ – Superior Council of Magistrate's Court. NGC CSO's
Objective 5: Ensure accountable, efficient and effective public service offices and civil servants										

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
To intensify assessment of the public servants independently (separately) of their own political party	Revision and actualization of the system to prevent dysfunctional situations in public services provision and establishment of adequate strategies	Revised system and adequate strategy established. Progress reports with growth percentages of results of officers assessment system		Ministry of Public	Civil servants	2010 - 2011	Qualified public servant according to	Public servant systematically evaluated and	0,08	Cabinet Civil servants

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	Evaluation exercise and review of processes for better re-definition of professional abilities of public servants	Evaluation reports and revised qualification system		Service and others sectors ministries	Citizens	2010- 2013	their training and professional capacities	placed according to his/her professional aptitudes	0,34	Trade Union Other civil servants organizations
Objective 6: Corruption										
To improve legislation on fight against corruption	Revise anti corruption Law and strategy implement	Anti Corruption Law approved and published in the Official Gazette	The existing strategy to fight corruption is under implementation	Ministry of Justice Public Ministry		2010	Strengthened and effective legal mechanisms for fighting against corruption in place	Anti-corruption Law and strategy revised	0,01	Parliament Human Rights organizations, and others relevant CSO's NGC

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Strengthened and effective legal instruments for the fight against corruption	Introduction of legislation on corruption acts in the private sector. Dissemination and debate of proposed Act with private sector. Approval of the Act	Act approved, published in Official Gazette and disseminated among private sector		Parliament, Ministry of Justice, Institute of Directors of Mozambique CTA	All Mozambican society, private sector in particular	2010	Reduction of corruption levels in public and private sectors	The private Sector provided with appropriate legislation for corruption acts. Public awareness created	0,300	Presidency NGC RELEVANT CSO's
	Professionalize instruments for the corruption prevention and fight Training of Technical officials	Anti- Corruption Instrument created. Technical officials capacitated. Increased number of investigators		Ministry of Home Affairs, Public Ministry	All Mozambican society	2010 – 2011	Reduction of levels of corruption in the public and private institutions	Existence of legal instruments and technical/ professional capacity to deal with corruption acts	0,08	Parliament CSMJ NGC Relevant CSO's

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Strengthened and effective legal instruments for the fight against corruption	Signed and ratified international norms and codes related to corruption adopted as part of national legislation	Legislation acts ensured as part of the implementation of signed and ratified international norms and codes		Parliament Ministries of Foreign Affairs and Justice.	All ministries	2010 - 2011	Reduction of corruption levels in public and private institutions	Existing legal instruments and technical/professional capacity reinforced to deal with corruption acts.	0,01	Parliament Public Ministry (PGR), Human Rights organizations Others CSO's
To eliminate "impunity" of the corruption acts	Strengthening of actions for the prevention and fight against corruption in the public sector. Production and dissemination of brochures	Regular reports on measures and actions undertaken	Different ongoing campaigns/ actions under the orientation of the Ministry of Public Services	Ministry of Justice Ministry of Public Service Public Ministry (PGR)	All Mozambican	2010 - 2011	Improvement of confidence on public institutions in	Corruption acts prevented and punished under the existing legislation	0,20	Parliament CSO's

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	Promote civic education against corruption at all levels including family and schools	Number of campaigns carried out; people and other people and target institution		All ministries and High Education institutions	society	2010 – 2012	the fight against corruption	Mozambican society educated to fight against corruption	0,97	Public Ministry CSO's
To eliminate "impunity" of the corruption acts	Strengthening of corruption prevention measures in particular institutions with higher number of cases (such police, education, health and customs) Produce appropriate brochures/booklets for free distribution	Legal instruments which strengthens prevention measures. Registered number of cases. Information and educative booklets/brochures distributed		All ministries in particular, Ministries of Public Service, Home Affairs, Finance, Education and Culture	All users of public services and in particular of institutions more prone to corruption	– 2010 -2012			0,11	Prime Minister Office PGR CSO

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
To introduce radical changes on the corruption approaches	Create a body for the prevention and fight against corruption involving the State and civil society	Regulation on the State and civil society corruption body created and published in the Official Gazette. Corruption body operational		Ministries of Justice, Home Affairs, Local Government including municipalities	State Institutions, private sector and general citizens	– 2011	significantly reduced cases of corruption in the public service and society	An approach of corruption acts more oriented to reduction of bad attitude and existence of more adequate legal instruments	0,01	Cabinet Parliament Human Rights and other civil society organizations
To introduce radical changes to the corruption approach	Approval of legal instruments for GCCC to act upon reported cases. Place in the GCCC agents from the Public Ministry and other legal instruments that are brought forward	GCCC with powers to judge corrupts	Actions being carried out for the institutional strengthening of GCCC	Ministry of Justice Public Ministry		2010			0,32	Parliament Prime Minister Office Public Ministry

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	them to judge									
Objective 7: Promotion and defence of women rights										
To consolidate the role of women's Legal Cabinets in the promotion of gender equity within the judiciary environment	Expand the implementation of Legal Cabinets for Women Protection at local level. To promote training seminars	Women cabinet delegations created in all provinces. Number of delegations operating	Actions are being carried out within the framework of the National Plan of Action for women Advancement (2007-2009)	Ministry of Woman and Social Affairs, Provincial and district Governments	Communities in general and in particular women	2010- 2014	Women Cabinet created and equipped	More equitable treatment of women and men in legal terms. Process of gender equity in the judiciary consolidated	24,58	Cabinet CSO NGC

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Review decree that penalizes only the pregnant girl sending her to night classes	Review the legislation to introduce gender equity issues.	Legislation reviewed and published in the Official Gazette	There are campaigns being carried out for the sensitization of parents and other guardians/tutors of students in order to give priority to girls enrolment in schools	Parliament Ministry of Woman and Social Affairs,, Provincial and district governments	Student community particularly, female students	2010	Legislation reviewed and implemented	Existing legal instrument that regulates the equitable treatment between pregnant student and the pupil who got her pregnant	0,03	NGC Women Society organizations,
	Promote activities in order to provide equal opportunities to women and men in education	Review/Adjust punishments to gender equity		Ministry of Education and Culture Provincial and district government		2010 - 20114			0,82	Children Civil Society Organizations

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
To Institutionalize and expand the Office for the Protection of Women in the Provinces	Expansion and implementation of Cabinets for Women Protection	Number of Cabinets created		Ministry of Home Affairs, Ministry of Woman and Social Affairs, Provincial and District Governments.	Communities in general, particularly women	2010 - 2012	Women's protected against domestic violence	Institutionalize and expand Cabinets for the Protection of Women in the Provinces	7,81	Cabinet Woman Civil Society organisations
Objective 8: Promotion of rights of children and youth										
To Provide the Mozambican families with deep knowledge on children rights	Disseminate as widely as possible all legislation on the children rights. To produce and distribute booklets up to primary education	Number of campaigns held on. Booklets/ brochures produced and broadly distributed.	Campaigns being carried out using different means. Basic school books already	Ministry of Education and Culture, Ministry	All Mozambican citizens particularly children	2010 – 2014	Elimination of violations of children rights	Mozambican families with knowledge of legislation on children rights	0,11	Cabinet NGC

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	school levels.	Number of surveys and of street and orphan children living in education centre granted with scholarships	contain information on children rights	of Woman and Social Affairs, Children and civil society Network Organisations						Children Civil society Organizations
	Direct action to promote education of the street and orphan children				Orphan and on street children	2010 - 2014	Children vulnerable groups identified and protected	Orphan and on street children protected under children rights. Living as normal children	1.2	
To pass a legal instrument that regulates the sale/hire/ projection of videos in public places without taking into account the principle of content/age	Sensitization of families and communities on the need for protection of children against video projections with inadequate contents Approve legal instrument and production of brochures to disseminate to rural area.	Number of sensitization campaigns. Legislation, published, brochures produced and distributed.		Ministries of Justice, Home Affairs, Education and Culture	Communities in general and families, youth	2010 - 2012	Ensured and disseminated legal instrument that regulates the sale/hire/	Violation of good costumes thought video projection	0,25	Cabinet Youth and

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
To Draft and pass a legal instrument that regulates TV broadcasting on the basis of hour/age principle	Legal system for video classification and its control in place and controlled through regular inspection visits.	System of video classification and control in place and widely published.		Youth and Sports. Youth and civil society organizations.	and children in particular	2011	projection of videos in public places taking into account contents/age, place	reduced and children and youth education strengthened	0,02	children Civil society organizations
	Carry out studies on contents of TV programs based on the age of television viewers	Study/ programme of studies, rating system in place and working with and between TV stations		Ministries of Education and Culture , Youth and Sports	Children Urban and rural communities	2010	Legal instrument ensured and distributed regulating TV contents in Mozambique	Violation of good costumes thought TV programs reduced	0.100	
Objective 9: Promotion and defence of the rights of the vulnerable groups including displaced and refugees.										

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
To ensure the distribution of antiretroviral medicine for AIDS infected persons	Review rules and regulations in a systematic manner for the treatment of all those infected with HIV/AIDS	Antiretroviral distribution reports by each health unit	Actions underway centred in the Health centres and some NGO's. It was planned that in 2008 about 132.280 people would be targeted by the TARV system and paediatric treatment.	Ministry of Health	People infected by HIV / AIDS and citizens in particular	2010	Increase of the number of infected patients with access to the treatment according to established norms	Distribution of antiretroviral ensured to all infected HIV/AIDS patients in need	0.200	Cabinet Specialized HIV/AIDS issues and other relevant organizations

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
To guarantee the distribution of Basic food basket for those taking antiretroviral treatment and for those infected with HIV/ AIDS	To guarantee the distribution of Basic food basket for those taking antiretroviral and for those infected by HIV and AIDS	Reports on distribution of basic food basket per health centre. Number of people benefiting	Antiretroviral treatment actions are being carried out in all provinces but only for a selected number of districts	National Council Fighting against AIDS Specialized CSO's	People infected with HIV and AIDS	2010 - 2014	. People infected with HIV and AIDS are assisted and receiving treatment	Basic food basket distribution to persons infected by HIV and AIDS provided according to nutritional rules, increased	2,30	Ministry of Health CSO's
To guarantee necessary support (monetary) to families headed by elderly who are taking care of orphan children	Draft an identification/registration plan for households headed by elderly and children	Drafted Plans Law passed Approved budget Ongoing support progress reports	Actions are being carried out through the elderly support programme	Ministry of Woman and Social Affairs Relevant CSO's	Families headed by elderly who are taking care of orphan children. Rural and urban communities	–	Families headed by elderly and children live in harmony and with guaranty support for their needs.	Elderly taking care of orphan children receiving monetary support	0,14	Administrative Court Ministries of Finance Relevant CSO's
TOTAL CORE AREA									82,45	

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies

1.5.2 PLAN OF ACTION: ECONOMIC GOVERNANCE AND MANAGEMENT

THEMATIC AREA: ECONOMIC GOVERNANCE AND MANAGEMENT	
Issues to be addressed	Results to be achieved
PRINCIPLES, STANDARDS AND CODES	
Ratify , publish and disseminated norms, codes and standards	Norms, codes and standards signed, ratified. and considered to the ordinary law of Mozambique
OBJECTIVE 1: PROMOTE MACROECONOMIC POLICIES THAT SUPPORT SUSTAINABLE DEVELOPMENT	
To promote macroeconomic policies that support sustainable development	Enhanced 7% of nominal and real GDP; Level of inflation below 5%; Exchange rate float around +/- 2.5%; Interest rates below 15%; Public debt as a percentage of GDP fixed at 45%; Budget deficits percentage of expenditure to GDP set at 2.5%; Government expenditure to priority sectors set at 70% of Total Expenditure; 80% of districts with banking and micro finance facilities; Private investment as percentage of GDP set at 20%; Data published on time and with a good accuracy standard level.
OBJECTIVE 2: IMPLEMENT SOUND, TRANSPARENT AND PREDICTABLE GOVERNMENT ECONOMIC POLICIES	
Ensure implementation of consistent, transparent and predictable macroeconomic policies	Availability of reports at local level; Public awareness and participation in decision making process; Improved transparency and performance in the accounting and auditing procedures of the Government; All economic activities coordinated.
OBJECTIVE 3: PROMOTE SOUND PUBLIC FINANCE MANAGEMENT	
To promote sound public finance management	More predictable fiscal structure; functional payment systems in all districts ; Local institutions filled with trained staff; Local staff highly motivated; Well disseminated Public Finance Management practices and results; Procedures on planning, execution, control and evaluation; State reports on disbursement and use of funds managed and printed via e-SISTAFE.
OBJECTIVE 4: FIGHT CORRUPTION AND MONEY LAUNDERING	
Fight corruption and money laundering	Raised awareness nationwide; MTFF published and disseminated nationwide; Transparency on public fund management; Procurement procedures applicable to all transactions done by the State; Leadership disclosed assets annual basis; Improved management of Local Initiative Fund.
OBJECTIVE 5: ACCELERATE REGIONAL INTEGRATION BY PARTICIPATING IN THE HARMONIZATION OF MONETARY, TRADE, AND INVESTMENT POLICIES	
Promoting regional integration	Regional integration expectations prospects & challenges widely known by the people; Increased investment, production and export in the country and strengthen regional integration; Industry, trade, investment, tax and other policies full harmonized with regional

	standards.
Subtotal for the thematic area: million USD 351,0	

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
PRINCIPLES, CODES AND STANDARDS										
Ratify , publish and disseminated principles, standards and codes	Sign, ratify and disseminate publish SADC and AU conventions, international codes and standards.	Number of treaties, standards and codes ratified and popularized. Listed treaties and codes at the Govnet and in books	Ongoing signing and ratification of norms, codes and standards, with respective publication done	Parliament. Ministry of Foreign Affairs Ministry of justice Other implementing ministries.	Government, Private sector, CSO's , citizens	2010-2014	Norms, codes and standards signed and ratified Documents published and available to the public	Norms, codes and standards signed and ratified. and considered to the ordinary law of Mozambique.	0,041	Cabinet NGC
OBJECTIVE 1: PROMOTE MACROECONOMIC POLICIES THAT SUPPORT SUSTAINABLE DEVELOPMENT										
To promote macroeconomic policies that support sustainable	Enhance prudent management of monetary and fiscal policies to maintain economic stability	Nominal and Real GDP 7% Overall underlying	Ongoing reforms in order to increase the level of efficiency of Fiscal and	Ministries of Planning and Development, Finance., Bank of Mozambique	Government Private sector, All citizens	2010 -2014	Level of economic growth maintained	Enhanced 7% of nominal and real GDP	0,050	Prime Minister Office Poverty

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
development		inflation rates 5%	Customs Administration management and Reforms in State Financial	Economic operators			Lower levels of inflations achieved	Level of inflation below 5%		Observatory
To promote macroeconomic policies that support sustainable	Enhance prudent management of monetary and fiscal policies to maintain economic stability	The exchange rate to the dollar, euro, rand, and currencies of major trading partners fluctuations around +/- 2.5%		Bank of Mozambique and Commercial banks Economic operators	Government Private sector, All citizens CSO's	2010 - 2012	exchange rate stabilized,	Exchange rate fluctuations around +/- 2.5%	0.042	Cabinet/ Prime Minister Office Poverty Observatory

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
development		MAIBOR and Commercial Bank rates 12% -15%	In progress reforms to increase levels of efficiency of Fiscal and Customs Administration and reforms in State Financial management	Ministry of Finance, Bank of Mozambique, Commercial banks Economic operators			Low and stable interest rates for all sectors of the economy	Interest rates fixed below 15%		
To promote macroeconomic	Enhance prudent management of monetary and fiscal policies to maintain economic stability	Public debt as a percentage of GDP 45%		Ministry of Planning and Development			Public debt maintained at sustainable level	Public debt as a percentage of GDP fixed at 45%	0.010	Prime Minister

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
policies that support sustainable development		Budget deficits percentage of expenditure to GDP 2.5%		Ministry of Finance Economic operators	Government Private sector, All citizens	2010 - 2012	Low levels of fiscal deficit attained	Budget deficits percentage of expenditure to GDP set at 2.5%		Office Poverty Observatory
	Increase revenue collection to sustain budget financing and increase allocation to agriculture and rural development	Government expenditure to priority sectors as % of Total Expenditure 70%		Ministry of Finance Economic operators		2010 2012	Budget share allocated to priority sectors of PARPA increased	Government expenditure to priority sectors set at 70% of Total Expenditure	66,236	
	((1) Create incentives for commercial banks to expand activities into districts (2) Create facilities (water, electricity and communications coverage) at the district level	Number of districts with banking and micro finance facilities as a % of total number of districts - 80%		Bank of Mozambique Relevant sectors ministries Micro finance institutions	Government	2010-2014	Banking and micro finance services' extended to more districts.	80% of districts with banking and micro finance facilities	49,395	Prime Minister

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
To promote macroeconomic policies that support sustainable development	(1) Expand banking and financial services; (2) lower interest rates; (3) encourage private savings and increment public savings	Private investment as percentage of GDP 20%		Ministry of Finance, Bank of Mozambique Commercial banks Micro finance institutions	Private sector, All citizens	2011-2014	Facilitated access to credit. Adequate level of credit to the private sector provided	Private investment as percentage of GDP set at 20%	0,000	Office Poverty Observatory NGC
To promote macroeconomic policies that support sustainable development	(1) increase data collection and sources; (2) standardize data reporting across sectors (3) Publish quarterly data within the following quarter; (4) publish models used to project of the sector and national wide statistics; (5) publish data timely	(1) Comprehensive data of the sector (+quarterly); (2) macroeconomic indicators projections; (3) national accounts and statistics		National Institute of Statistics (INE) Bank of Mozambique All sectors ministries	National provincial and district governments Private sector, CSO's ,citizens	2010-2014	Improved coverage, quality and timeframe for publishable macro economic projections and National Accounts and Statistics	Data published on time and with good standard level of accuracy	0,545	Ministry of Planning and Development, Ministry of Finance Poverty Observatory NGC

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
OBJECTIVE 2: IMPLEMENT SOUND, TRANSPARENT AND PREDICTABLE GOVERNMENT ECONOMIC POLICIES										
Ensure implementation of consistent, transparent and predictable macroeconomic policies	Improve accountability by publishing accounts reports up to the local level	Electronic (e-SISTAFE) generated reports		Ministry of Finance; District and Provincials Governments	Sectors ministries, Local Governments, CSO's	2010 – 2014	Improved public knowledge/ awareness of macroeconomic policies. Improved Investments facilitations.	Availability of reports at local level	0,102	Prime Minister Office NGC
	Dissemination of Laws, Government policies and programs up to the local level (district and locality)	Publications/ Brochures (in Portuguese and local languages). Brief Info on customers/ producers for import & export goods		Ministry of Planning and Development Ministry of Finance	All citizens Foreigner investors			Public awareness and efficient participation in decision making process	0,092	
Ensure implementation of consistent, transparent and predictable macroeconomic	Continuous training on public funds management of public employees in all public agencies, national, provincial, district and local levels	National Plan and Strategy for training and effective employment of human capital		all ministries CSO's	National, Provincial, Districts Governments,	2010 – 2014	Improved performance of accounting and auditing procedures of the Government	Improved performance of accounting and auditing procedures of the Government	0,449	Prime Minister Office NGC

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
policies	Creation of regulatory instrument and training on procurement	All officers in charge of procurement of the ministries trained		Ministry of Finance	Local communities, CSO's		Better coordination between sectors ministries and CSO's	All economic activities coordinated and more transparent	0,000	
	Coordination of activities, definition of plans of action and establishment of priorities of communities serving as focal points with the local authority	Plans of action produced		District and provincial Governments	Districts Governments, locals communities, CSO's	2010 2014	Communities Councils of Community Leaders and Consultative Councils more operational		0,945	
OBJECTIVE 3: PROMOTE SOUND PUBLIC FINANCE MANAGEMENT										

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
To promote sound public finance management	Use e-SISTAFE to make funds available to implementing agencies according to plan	Budget execution progress report	e-SISTAFE under implementation	Ministry of Finance Provincial and District Government Commercial Bank	Government, Local Council Board CSO's, Locals communities	2010-2014	Timely transfer of funds to implementing agencies	More predictable fiscal structure	0,012	Prime Minister Office Poverty Observatory NGC
	Improve coordination and collaboration with Programme Aid Partners (PAP)	Joint progress reports	Ongoing coordination and collaboration	Ministry of Planning and Development and Programme Aid Partners (PAP)					0,092	
	Capacity building at local institutions including establishment of infrastructure facilities and equipment, and human resource training	Functional and decentralized level payment systems at all districts	Ongoing Projects on Public Sector Reform, Support local decentralisation, Road rehabilitation projects	Ministry of Finance			e-SISTAFE functional in all districts	functional payment systems in all districts	111,509	

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	Strategic allocation of human resources at district level	Local institutions structure allocated with trained staff		District Governments	Government, locals communities, citizens	2010-2014	Improved staff capacity and number of employees at district and local levels	Local institutions allocated with trained staff	32,597	Ministry of Public Service Ministry of State Administration CSO's
To promote sound public finance management	Create incentives to stimulate strategic allocation of human resources at district level	Wage and salary and other material incentives		Ministries of Public Service, Finance, State Administration	Government, locals communities, citizens	2010 -2012		Local staff highly motivated	30,669	Prime Minister Office Public Servants organizations
	Broader Civil Society participation as monitoring agents in the process of budget implementation	Number of joint reports (Government and Civil Society, CS) and levels of SC participation		Poverty Observatory and other relevant CSO's	Government, locals	2010 - 2014	Transparency on resource management	Well disseminated Public Finance Management practices and results	0,306	Parliament Ministry of State Administration NGC, Specialized CSO's

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	Define and harmonize procedures on planning, execution, control and evaluation of public resource utilization	Judgement ensured by the Administrative Court on State Accounts. Manual which defines rules and procedures		Ministries of Planning and Development, Finance	communities, citizens	2010		Procedures on planning, execution, control and evaluation	0,035	Administrative Court Public Ministry
To promote sound public finance management	Copy of printed reports of Budget Execution ensured by State Accounts using e-SISTAFE	e-SISTAFE reports	Projects to support reforms in State Financial management (UTRAFE)	Ministry of Finance, Central. Provincials Districts Governments	Parliament CSO's Citizens	2010 -2014	Transparency on resource management	State reports on disbursement and use of funds managed and printed via e-SISTAFE	56,040	Parliament, Cabinet Administrative Court.
OBJECTIVE 4: FIGHT CORRUPTION AND MONEY LAUNDERING										

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Fight corruption and money laundering	Undertake a continuous and sustainable dissemination campaign to make anti-corruption Laws known by the people at large	Number of national activists and campaigns (ads, media spots, seminars, etc.)	Development of actions to improve territorial coverage of the methodology to elaborate CFPM	Ministry of Justice, Bank of Mozambique Relevant Civil Society organisations (civic education/ethics organizations) Private sector	Government, CSO's, private sector, investors citizens	2010	Disseminated existing anti-corruption Laws	Raise public awareness nationwide	0,168	Cabinet Parliament CSO's, NGC
	Sustained use of media and other means of communication to raise public awareness	Number of national activists and campaigns (ads, media spots, seminars, etc.)	Development of actions to improve	Ministry of Transport and Communication <i>Media</i> , ONG's Ministry of Justice, Ministry of Home Affair	Government, CSO's, private sector, investors citizens <i>Media</i>	2010 - 2014	Disseminated existing anti-corruption Laws	Raise public awareness nationwide	0,076	Parliament Prime Minister office Public Ministry NGC CSO's,

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Fight corruption and money laundering	Improve planning and definition of medium-term budgeting	Medium Term Fiscal Framework (MTFF)	territorial coverage of the methodology to elaborate CFPM	Ministry of Finance Ministry of Planning and Development	Government, All citizens Private sector	2010-2011	Broader budget transparency	MTFF published and disseminated nationwide	0,489	Prime Minister Office Public Ministry NGC
	Improve budget execution	Judgement review ensured by the Administrative Court on State Accounts		Ministry of Finance Government at District, Provincial and Central levels				Transparency on public funds management	0,127	
	Improve accounting and accountability of public entities			Ministry of Finance		2010 - 201			0,178	Parliament, Administrative Court

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Fight corruption and money laundering	Disseminate the new State strategy on procurement and make transactions known by all via official channels.	Number of procurements as a % of total State transactions. Number of procurement information disseminated. number of corruption cases investigated	Dissemination of Decree that rule purchasing of goods and services by State since 2006	Ministry of Finance	National, provincial and district Governments, private sector, CSO's	2009-2013	Disseminated and implemented sound State procurement procedures	Procurement procedures applicable to all transactions done by the State	0,092	Administrative Court Public Ministry Ministry of justice
	Carry out registration of disclosed assets and enforce the Law that punishes offenders according to the Law	Number of entries in the registrar as a percentage of total public employees occupying leadership roles		Ministry of State Administration		2010	Enforce disclosure of assets by all State employees with leadership roles	Leaders assets disclosed on annual basis	0,012	Parliament Cabinet

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Fight corruption and money laundering	Evaluate the impact of the differentiated allocation of resources to districts based on the current criteria (e.g. Number of population per district)	Application of funds as a percentage of Fund disbursement. Report on economic activities of districts	Development of methodology to allocate sector and territorial public resources	Ministry of State Administration , Ministry of Planning and Development Ministry of Finance	District Governments Local communities	2010-2011	Impact assessment studies on the management of the Local Initiative Fund	Improved management of Local Initiative Fund	0,293	Cabinet NGC Poverty Observatory
	Dissemination of the money laundering activities of GIFM to guarantee that people recognize illicit practices so that ordinary people are capable of denouncing such practices	Media coverage and seminars brochures ensured		Bank of Mozambique Commercial Banks Mozambique Financial Information Office (GIFIM) Media	Government, private sector enterprises, CSO's.	2010	Disseminated Law on money laundering and the Law that creates the Financial Information Unit (GIFIM)	Raised public awareness nationwide	0,076	Ministry of Planning and Development, NGC Public Ministry (PGR)
OBJECTIVE 5: ACCELERATE REGIONAL INTEGRATION BY PARTICIPATING IN THE HARMONIZATION OF MONETARY, TRADE, AND INVESTMENT POLICIES										

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Promoting regional integration	Undertake research on advantage and disadvantages of regional integration and disseminate results nationwide through public meetings and seminars	Published reports on Regional Integration and evaluation of degree of dissemination		All sector Ministries Bank of Mozambique Citizens	Government, CSO's, investors, private sector enterprises, Rural and urban communities	2010	An assessment of regional integration Costs and Benefits to the country published and awareness created thereof.	Regional integration expectations prospects & challenges widely known by the people	0,104	Cabinet CSO's CTA
Promoting regional	Define enhanced strategies aimed at reducing the cost of doing business;	Strategies defined , discussed and publicised		All sector Ministries Bank of	Government, CSO's, investors, private sector enterprises, Rural and urban communities	2010 - 2011	Cost- benefits of economic integration widely disseminated.	Increased investment, production and export in the country and strengthen regional integration	0,102	Cabinet CSO's

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
integration	Design a policy and strategy on SMEs that enhance support for R&D for the industry, review t tax trade and investment policies, and other for doing business	Approved SME policies, Consistency between regional and national policies		Mozambique Citizens	Government, CSO's, investors, private sector enterprises,	2011 -2012	Drafted and disseminated policy and strategy on SMEs and harmonized competing policies	Industry, trade, investment, tax and other policies full harmonized with regional standards	0,119	CTA NGC ,
TOTAL CORE AREA									351,003	

1.5.3 PLAN OF ACTION: CORPORATE GOVERNANCE

THEMATIC AREA: CORPORATE GOVERNANCE	
	Results to be achieved
Principles, Standards and Codes	
Compile ratified international codes and standards under Corporate Governance Area and disseminate	International standards and rules on Corporate Governance compiled
Objective 1: Promote an enabling environment and effective regulatory framework for economic activities	
Review all updated legislation which governs the business sector in Mozambique	Laws governing commercial and industrial activities updated; Effective and simplified tax payment Finance equilibrium of companies established
Review government agreements signed with commercial banks for payment of public servants salaries	Improved system and reduced time needed to withdraw money related civil servants' salaries payments. Improved and fair system of application of Bank transaction costs and other charges of deposit accounts in general and of ATMs in particular.
Transform informal sector into formal	Informal sector reduced as minimum as possible; extended formal sector
Disseminate advantages of registration of the informal businessman into the formal sector and capacity building	Majority of informal sector business people and small business people aware and registered in the formal sector
Establish conditions which favour business development	Existence of a favourable environment for business development
Accelerate the establishment of banks and other financial institutions in districts	Good knowledge of each district potential in terms of monetary mass; Bank savings accounts increased and credit stimulated.
Provide the country with adequate infra-structure for communications	Existence of good communication network and roads
Strengthen public institutions to regulate commercial and investment activities	Institutions which are able to regulate commercial and investment activities; Number of settled cases in rural districts increased.
Harmonize the system of fiscal incentives and reduction of free zones	A system of fiscal incentives reviewed and attractive
Capacity building of managers in business management and administration of companies	Fiscal incentive system reviewed and made attractive to non-free zone investors; Management capacity improved and compared with the regional countries.
Objective 2: Ensure that corporations act as good corporate citizens with regard to human rights, social responsibility and environmental sustainability	
Harmonise Labour Law with the Laws in the region and at the ILO. Position the worker as the most important capital in corporations/ companies	Labour conflicts, mainly with foreign companies, eliminated due to deficiencies in the Law, Reduction of outstanding cases; Resolution of cases with less costs.

Promote and expand corporate social responsibility	Corporations / companies more engaged in the settlement of problems of the community
Promote more awareness of environment laws and regulations	Strengthening of environmental laws, corporations knowledge of such laws to sustainable environmental management
Increase awareness of fundamental laws among citizens	Mechanisms for dissemination of existing Basic Laws,
Increase public awareness, education on HIV/AIDS with community participation	Prevalence of HIV/AIDS in communities reduced; The communities understood the message.
Define criteria for the profile of AIDS activist at the community, school, church, workplace, etc.	Against HIV/ AIDS. The infections reduced; level of infection decreased; level of prevalence of HIV \ AIDS in women reduced; Percentage of woman infected with HIV / AIDS decreased, family stabilized.
Objective 3: Promote adoption of codes of good business ethics in achieving the objectives of the corporation	
Adopt a Code of Business Ethics Code and good practice	All managers observing good business ethics and practices
Fight corruption at all levels	Good business ethics applied; Good standards of conduct citizens and corporations. Corruption. Economic crimes and corruption reduced; More cases of corruption prosecuted; Corruption levels reduced to minimal; Existence of Anti-Corruption Offices. More cases of corruption engaged in ordinary law; More corruption cases brought to justice; Increased tax payment and cases of corruption in the exploration of natural resources reduced; transparent management,
OBJECTIVE 4: Ensure that corporations treat all their stakeholders (shareholders, employees, communities, suppliers and customers) in a fair and just manner	
Promote the concept of corporate social responsibility under SMEs	Increased the intervention of Small and Medium Enterprises in the communities. Projects related to social responsibility of company increased.
Strengthen mechanism which give preference to hiring of local labour for new projects	Existence of a mechanism which gives preference to hiring local labour
Ensure that social security contribution deducted in employees' salaries are channelled to INSS	Ensure channelling of amounts deducted from employees' salaries
OBJECTIVE 5: Provide for accountability of corporations, directors and officers	
Establish a Corporate Governance Code in Mozambique	Existence of a Corporate Governance Code; Code and concept of Corporate Governance disseminated and companies developing their activities in the acceptable parameters
Subtotal for the Thematic area: Million USD 60,63	

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
PRINCIPLES, CODES AND STANDARDS										
Compile ratified international codes and standards under Corporate Governance Area and disseminate	Sign, ratify, publish and compile all international codes and standards adopted in Corporate Governance Area	Number of international codes and standards signed ratified, published, compiled and disseminated	Ratification and adoption and signing of international codes and standards	Parliament. Ministry of Foreign Affairs Ministry of justice Other implementing ministries.	Government, , APRM, Private Sector CSO's	2010 - 2014	International standards and rules signed, ratified and disseminated	International standards and rules on Corporate Governance compiled	0,10	Cabinet NGC
OBJECTIVE 1: Promote an enabling environment and effective regulatory framework for economic activities										

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Review all updated legislation which governs the business sector in Mozambique	Compile, review, update and establish rules which facilitate conduct of business such as: Competitiveness Law, Consumer Defence Law, Insolvency / Bankruptcy Law, Mecenat -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	Ministry of Justice, CTA, Ministry of Finance Consumer Defence Association,	Government, Private Sector, consumer, CSO's	2010 - 2012	Laws governing commercial and industrial activities updated	Laws governing commercial and industrial activities updated	0,16	Parliament Cabinet, NGC
Review all updated legislation which governs the business sector in Mozambique	Simplification of all processes of registration of commercial activities, (reducing bureaucratic requirement including the strengthening of One-Stop-shop and establishment of these in the districts level unit	Number of days needed for registration of commercial activities. Requirement reduced	Reduction of time and equipments on the chain of preceding needed in the registration of companies by the Ministry of Industry and Trade	Ministry of Industry and Trade , Ministry of Justice	Government, Private Sector, CSO'S, Consumer	2010 - 2013	All registration process of commercial activities simplified	Laws governing commercial and industrial activities updated	13,08	Parliament Cabinet, NGC CTA

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	Computer registration of business concerns of the tax payers	Number of existing One-Stop-Shops. Number of forms to fill out reduced. And non-existence of waiting queues; VAT refund process more effective	Computer data collection in Tax Authority Departments	Ministry of Finance	Government, Companies, Private Sector going concern, CSO's citizens	2010 2014	Simplification of procedures and requirement for doing business; Waiting period for VAT refund reduced as much as possible	Effective and simplified tax payment Finance equilibrium of companies established	0,30	Prime Minister Office CTA
Review government agreements signed with commercial banks for payment of public servants salaries	Review of agreement with Millennium BIM and other commercial banks/actors which participate in the civil servants salary payment system	Mini survey report for civil servants, Information collected from the users Revised agreement established		Ministry of Finance Commercial banks	Commercial banks Pensioners Civil servants earning their salaries through deposit accounts	2010	Agreements with banks and other paying actors reviewed and adjusted current dynamics	Improved system and reduced time needed to withdraw / pay civil servants' salaries improved	0,02	Prime minister Office Civil servants organizations

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	Review and updating of banking transaction costs and other deposit accounts charges in general and that of ATM's in particular.	Transaction costs of ATM's and bank deposit accounts revised and reduced		Bank of Mozambique Commercial banks	Public servants companies Bank deposit accounts as a whole		Majority of people using Debit Card as principal means of payment better served by banks	Improved bank system of transaction costs and charges in particular of ATM's and deposit accounts. Time needed to withdraw money reduced	0,03	Bank of Mozambique CSO's

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimate d Cost (Million USD)	Monitoring and Evaluation Agencies
Transform informal sector into formal	Establish simplified regulations which attract informal activities into the formal sector (small scale entrepreneurs, family sector, individual producers, informal business people, estate agents)	Publication of simplified and accessible rules for sectors non registered activities	Meetings between Tax Authority and informal business people	Economic sectors ministries Informal sector, Municipalities, CTA CSO's	National, Provincial and District Governments, Banking operators, Municipalities, formal and informal private sectors, CSO's	2010	Informal sector regulated and registered	Informal sector reduced as minimum as possible Extended formal sector	0,50	Prime Minister Office Relevant CSO's

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Disseminate advantages of registration of the informal businessman into the formal sector and capacity building	Promote workshops and short term courses on how to carry out business and disseminate the advantages of being integrated in the formal sector	Number of informal business people integrated into the formal sector Number of workshop participants		Ministry of Trade and Industry Ministry of Finance Ministry of Planning and Development Ministry of Youth and Sports Municipalities, CSO'S. CTA, small micro scale producers, traders, liberal professionals	Government. CSO's, Small scale producers and business people	2009 - 2013	All informal sector business people trained on simplified regulations and advantages of formal business	Majority of informal sector business people and small business people aware and registered in the formal sector	2,00	Prime Minister Office CSO's
Establish conditions which favour business development	Conduct a study aimed at finding out factors determining the high costs of credit in the agricultural sector	Study report		Ministries of Finance / Agriculture / Planning and Development/ Trade and Industry, Bank of Mozambique and Commercial banks	Government, CSO'S,	2010 - 2011	Access to credit facilitated	Existence of a favourable environment for business development	0,20	Cabinet, Bank of Mozambique CTA

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
					agriculture producers					
Accelerate the establishment of banks and other financial institutions in the districts	Inventory of districts with high levels of production/economic activities and saving potential	Inventory and quantification of district financial and economic potential carried out		National Institute of Statistics	Government. CSO's, Small producers and small producers and traders	2010 - 2011	Financial Institutions established in districts.	Good knowledge of each district economic and financial potential and in terms of its monetary mass.	0,60	Prime Minister Office, Bank of Mozambique

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	Disseminate the information obtained through various studies conducted on districts so as to stimulate banks to expand to district level			Bank of Mozambique	Government. CSO's, Small producers and business people	2012 - 2013	Commercial banks branches installed in districts.	Bank savings increased and credit stimulated.	0,20	Prime Minister Office CSO's
Provide the country with adequate infrastructure for communications	Expand and establish communication network, mainly in districts where they are non existent	Number of districts covered by mobile phone network	Ongoing actions within the framework of PARPA implementation	Ministry of Transport and Communications	Government. CSO's, Small producers and small producers and traders	2010 - 2014	Communications network expanded	Existence of good communication network and roads	0,00	Prime Minister Office Finance, CTA
Strengthen public institutions to regulate commercial and investment activities	Construction and rehabilitation of roads which give access to districts, administrative posts and localities	km of roads built and/or rehabilitated	On-going actions in the framework of the economic development	Ministry of Public Works and Housing	Government. CSO'S, Small producers and business people	2010-	Mozambican	Institutions with capacity to regulate	0.00	Prime Minister Office Finance, CTA

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	Expand the Stock Exchange activity into the Centre and North of the Country	More companies subscribed at the Stock Exchange	Review of Stock Exchange rules and regulations	BVM,	Government, CTA, Private Sector, CSO's, BVM, CTA, investors.	2014	Commercial Sector strengthened	commercial and investment activities	0,00	
	Strengthen capacity of Tax and Customs Courts and provide refresher training	Number of fiscal and customs disputes judged. Number of officers trained	Capacity building for tax and customs courts	Ministry of Finance	AT, CTA, investors, CSO's	2010 - 2011	Mozambican Commercial Sector strengthened	Institutions with capacity to regulate commercial and investment activities	0.20	Supreme Court CTA
	Promote and expand settlement of disputes/arbitrage activities throughout the country	Number of cases settled	Training in settlement of disputes/arbitrage	Ministry of Justice, CACM	Government, Private Sector, Labour Unions	2010-2011	All districts with settlement of disputes and arbitration activities.	Number of settled cases in rural districts increased.	0,75	Prime Minister Office CTA
Harmonize the system of fiscal	Review fiscal incentives for national	Number of fiscal incentives		Ministries of Finance,	AT, Private Sector, Trade	2010	Fiscal incentives	A system of fiscal	0,10	Cabinet

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
incentives and reduction of free zones	and foreign investors	reviewed		Planning and Development CTA	Unions		harmonised to all investors	incentives reviewed and attractive		CSO's
Capacity building of managers in business management and administration of companies	Review criteria of definition of free zones	Reduction of territorial space for free zones		Ministries of Finance, Trade and Industry Planning and Development Institute of Directors of Mozambique	CTA, Private Sector, investors, Trade Unions CSO's	2011	Harmonize tax incentive equal treatment to all investors across the board	Fiscal incentive system reviewed and made attractive to non-free zone investors	0.25	Cabinet CTA
	Establish a Training and Capacity Building Centre for business and enterprise management	Managers well trained in business management and high level of self-confidence in corporation management		Government, Universities Mozambique Institute of Directors, CTA, Professional Organisations	Public and private Managers, high ranking officials in public and private institutions, CSO's.	2011-2012	Well trained managers and professionals occupying high ranking positions in organisations	Management capacity improved and comparing to regional countries legislation	2,50	Ministry of Planning and Development CTA

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
OBJECTIVE 2: Ensure that corporations act as good corporate citizens with regard to human rights, social responsibility and environmental sustainability										
Harmonise Labour Law with those of the region and ILO principles and standards. Position	Analyse labour laws of the region as well as international codes and standards harmonising the Labour Law with them	Production of a new Labour Law harmonised with adopted international principles	Judgement of labour conflicts in	Ministry of Labour, CTA, Trade Unions	Corporations/ companies, Labour Unions and trade organizations, Government, CSO's	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 CSO's concerned with human rights

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
the worker as the most important resource in corporations/ <i>companies</i>	Establish a Labour Court Extend labour arbitration centres to all provinces	Labour Court established Arbitration centres extended	common sections	Supreme Court and Ministry of Justice	Government, CTA, Labour Unions, Trade organisations companies, CSO's	2011 - 2014	Labour rights ensured	Reduction of outstanding cases	3,00	Judicial Magistrate Supreme Council
Promote and expand corporate social responsibility	Establishment of rules and procedures which govern and encourage greater corporation/ companies social responsibility and conduct awareness campaigns	Number and level of corporations / companies involved in promotion of corporate social responsibility projects		All sector ministries CTA, CSO's,	Government, Local Communities, CSO's	2011 2012	Major and effective involvement of corporations in promotion of local communities welfare	Corporations / companies more engaged in the settlement of problems of the community	0,20	Institute of Directors of Mozambique (IoD) CSO's concerned with human rights environment

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Promote more awareness of environment laws and regulations	Prepare explanatory brochures on environmental dangers, Massive dissemination of legislation Law and its regulation, mainly in corporations / companies	Number of companies participating in the workshops, number of explanatory articles published placed in the market. Number of companies adopted real environmental protection measures		Environmental Fund, Environment specialized agencies/associations.	Government, Urban and rural Communities, CSO's, corporations / companies, the society in general All citizens	2010 - 2012	Reduced / eliminated environmental degradation Better environment performance by corporations.	Strengthening of environmental laws. corporations , knowledge of such laws to sustainable environmental management	0,75	Ministry of Coordination for Environmental Issues. NGC Relevant CSO's
Promote more awareness of environment laws and regulations	Establishment of adequate mechanisms for dissemination and publication of laws (Constitution of the Republic, Labour Law, HIV/AIDS Law at the Workplace, Exploitation of Natural Resources Law and	Number of dissemination campaigns undertaken	At the level of the State institutions, collective study sessions activities on main laws and regulations	All sectors ministries,	Government, Urban and rural Communities,	2010 - 2011		Mechanisms	0,60	Cabinet NGC

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	Environmental Protection Law, etc)		are carried out		CSO's, corporations / companies, the society in general All citizens		Basic Laws known by the citizens	for dissemination of existing Basic Laws established		
Increase knowledge on the fundamental laws among citizens	Strengthening of labour inspection on companies	Quantity of inspections carried out	On-going regular inspection activities in all Provinces and districts	Ministry of Labour Ministry of Health		2010 - 2014			0,20	Prime Minister Office CSO's

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Increase public awareness and education on HIV/AIDS with community	Design the profile of the activist with the involvement of the civil society and respective dissemination among participating entities in the fight against HIV/AIDS	Existence of an instrument which establishes the profile of the Anti-AIDS activist	In certain areas, communities are involved in the selection process	CNCS Civil society organisations working in the HIV/AIDS NGO's CTA (ECOSIDA)	Government, Urban and rural Communities, CSO's, corporations / companies, The society in general All citizens	2010	Role of activist well defined and known by communities. HIV/AIDS Protection mechanisms and fighting strengthened	Prevalence of HIV/AIDS in communities reduced.	0,10	Ministry of Health
	Involvement of communities and civil society organizations in the activists selection process	Reports on the selection of activists process				2011 - 2014	Well trained activists working with communities	The communities understood the message against HIV/AIDS. Infections reduced.	0,05	

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
participation	Design and implementation of a specific training programme for Anti-AIDS activists, including ethic, moral and civic education	Number of activists trained. Reports on HIV/AIDS Programmes implementation	Training of activists led by different CSO's	Public sector private sector companies CNCS Civil society organisations working in the HIV/AIDS area CTA (ECOSIDA)		2011-2012	Prevention measures strengthen and HIV/AIDS infections reduced	Level of HIV infections decreased	1,20	
Increase public awareness, education on HIV/AIDS with community participation	Conduct an awareness campaign to disseminate female condoms just like for male condoms	Number of institutions/people covered	Facilitation of access to female condoms	CNCS NGO's, CSO's CTA (ECOSIDA)	Government, Urban and rural Communities, CSO's, corporations / companies, the society in general	2010-2011	Woman less vulnerable to HIV \ AIDS	Level of prevalence of HIV \ AIDS in woman reduced	2,00	Ministry of Health
	Provision of female condoms to public institutions free of charge same way as for male condoms	Quantity of female condoms distributed				2010-2014	Fewer women dependent on men's sexual behaviour in regard to male condoms.	Percentage of woman infected with HIV / AIDS decreased, families stabilized.	5,00	

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
OBJECTIVE 3: Promote adoption of codes of good business ethics in achieving the objectives of the corporation										
Adopt Code of Good Business Ethics and apply best practices	Establishment of a Code of Good Business Ethics			Ministry of Education and Culture, Ministry of Trade and Industry Mozambique Institute of Directors, Professional Training Centres, Universities, Consumers Association Corporations	Government, Corporations / CSO's, NGOs, CTA and other professional organisations	2010	Increase the responsibility of the corporations / companies for fair and just competitiveness	All managers working in observation of good business ethics and practices	0,10	Cabinet NGC CTA Economic Sectors of CSOs

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimate d Cost (Million USD)	Monitoring and Evaluation Agencies
Fight corruption at all levels	Dissemination of the Anti-corruption Law	Number of institutions/ people covered		Human Rights organizations , Central Cabinet for Fighting Corruption CSO's driving adoption and implementation of good business ethics	Ministry of Finance Corporations CSO's, NGOs, CTA and other economic and entrepreneurs hip associations	2010	The Anti-corruption law is known by citizens and good business ethics applied	Good business ethics applied	1,5	Cabinet Public Ministry NGC CSO's
	Training of teachers in issues related to Civic, Moral and Ethical Education	Number of Teachers trained		Ministry of Education and Culture, Universities CSO's	Government, Urban and rural communities, CSO'S, NGOs	2010 2014	Children and youth will grow 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

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Fight corruption at all levels	Protection of whistle blowers (reporters) on/of corruption cases	Report of active institutions involved and of the public opinion.		Central Cabinet for Fighting Corruption (GCCC)	Government, Communities, CSO's, NGOs	2010 - 2014	To increase cases of corruption prosecuted	More cases of corruption prosecuted	0.50	Attorney General Office's of the Republic (PGR) CSO's
	Involvement of the civil society in the process of civic, moral and ethical education	Success in corruption cases prosecuted		Ethic Mozambique GCCC IoD CTA CSO's NGO's	Government, All communities, CSO's, NGOs Private sector	2010 - 2014	Civic, moral and ethical education introduced in services which are more prone to corruption.	Corruption levels reduced to minimal	0,18	Ministry of public Service Attorney General's Office of the Republic (PGR)

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	Review of the Penal Code and other pertinent legislation, making them compatible with the current stage of corruption and of other crimes which are not typified in this code	Penal Code reviewed	Reform of the Penal Code underway, and it is expected that it will be completed by 2008	Ministry of Justice	Government, Corporations / companies, CSO's, NGOs, Economic and Entrepreneurship Associations	–2010 - 2012	Legislation adequate and effective in fighting corruption	Existence of Anti-Corruption Offices. More cases of corruption engaged in ordinary law.	1,00	Parliament CSO's Human Rights organizations,
	Establishment of Anti-Corruption Offices at provincial, district and administrative post levels	Number of offices established	Institutional capacity building of the Central Anti-Corruption Office (GCCC)	GCCC	Government, Corporations / companies, CSO's, NGOs, Economic and Entrepreneurship Associations	2010 - 2013	Anti-Corruption Offices established at the provincial and district levels	More corruption cases brought to justice.	20,00	Attorney General's Office of the Republic (PGR) CSO's

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Fight corruption at all levels	Increase fiscal transparency in Mozambique, through publication of gains/profits attained in the exploitation of natural resources in Mozambique and publication of public contracts on the Official Gazette	Number of accounts published Number of contracts published		All economic sectors ministries corporations	Government, Corporations / companies, CSO's, NGOs, Economic and Entrepreneurship Associations	2010 – 2014	Tax evasion and corrupt exploitation of mineral resources reduced. Effective regulatory oversight and supervision	Increased tax payment and cases of corruption in the exploration of natural resources reduced.	0,0	Cabinet CSO's
Fight corruption at all levels	Introduction of a systematic criteria for the management of Funds for the support of local initiatives at district level, the so-called "7 million"	Financial Reports	Capacity building of District Consultative Councils	Ministry of Finance Ministry of State Administration Provincial and District Governments		2011 – 2014		Transparent Management	0,90	Prime Minister Office Administrative Court.
OBJECTIVE 4: Ensure that corporations treat all their stakeholders (shareholders, employees, communities, suppliers and customers) in a fair and just manner										

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Promote the concept of corporate social responsibility under SMEs	Dissemination of the concept of corporate social responsibility and of its legal framework	%/Number of companies covered		Institute of Directors of Mozambique (IoDmz) CTA Media		2010	Social responsibility of SME's increased and understood by such companies	Increased the intervention of Small and Medium Enterprises in the communities.	0,05	Ministries of Trade and Industry, Planning and Development NGC CSO's
	Undertake awareness campaigns among professionals within companies so to ensure that they fulfil their corporate social responsibilities	Number of companies/ professionals covered by the awareness campaign		Ministry of Trade and Industry Institute of Directors of Mozambique (IoDmz) CTA Media All citizens	Government, Corporations / companies, CSO'S, NGO's, Economic and Entrepreneurship Associations	2011	More enterprise realizing their social responsibilities	Projects related to social responsibility of company increased.	0,45	Prime Minister Office NGC CSO's
Strengthen mechanism which give preference to hiring of local labour for new projects	Encourage companies to hire employees living in the area where the project is established	Company Reports Number of employees locally recruited		Ministry of Labour, CTA,	Communities living in the surrounding areas where projects are located	2011	Local communities benefiting more from local projects	Existence of a mechanism which gives preference to hiring local labour	0,01	Cabinet CSO's

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Ensure that social security contribution deducted in employees' salaries are channelled to INSS	Strengthen companies' control mechanisms so as to ensure that amount of contributions deducted from employees' salaries for social security are channelled to the INSS	Progress Reports. Specific rules produced.		Ministry of Labour Corporations	Universe employees	2010 - 2014	Corporations/ companies channel the amounts deducted from employees' salaries to INSS	Ensure channelling of amounts deducted from employees' salaries	0,20	Prime Minister Office Trade unions
OBJECTIVE 5: Provide for accountability of corporations, directors and officers										
Establish a Corporate Governance Code in Mozambique	Designing and approval of a Corporate Governance Code in Mozambique.	Existence of a Corporate Governance Code		Ministry of Justice Ministry of Trade and Industry Institute of Directors of Mozambique	Government, Corporations / companies,	2010 - 2011	A Governance Corporate Code	Existence of a Governance Corporate Code	0,25	Cabinet CTA

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Establish a Corporate Governance Code in Mozambique	Dissemination of the content of the new code through workshops and other training actions in Corporate Governance	Regional and provincial workshops		Ministry of Justice Ministry of Trade and Industry Institute of Directors of Mozambique	Government, Corporations / companies,	–2011 2012	Contents of Code disseminated	Code and concept of Governance Corporate disseminated and companies developing their activities in the acceptable parameters	0,750	Cabinet CTA
TOTAL OF CORE AREA									60,63	

1.5.4 PLAN OF ACTION: SOCIO-ECONOMIC DEVELOPMENT

THEMATIC AREA: SOCIO-ECONOMIC DEVELOPMENT	
	Results to be achieved
Principles, Standards and Codes	
Strengthen efforts to sign, ratify and adopt international codes and standards	100% of ratifications and reflected in the Mozambican legislation
To establish linkages between public and private institutions for adopting codes and standards	Improved systems and reduced time for the process of ratification and adoption of codes and standards
Objective 1: Promote self-reliance in development and build the capacity for self-sustainable development	
Reduce the strong financial, technical and programmatic external dependency	Reduce external dependence to levels below 50% of public expenditures: External dependence for levels below 50% of public expenditures; Increase welfare of national citizens.
Reduce regional and intra-regional asymmetries (rural/urban), in its multiple dimensions	Social welfare promoted and increased ; level of poverty reduced, infra-structure created and more jobs available
Improve the system of permanent dialogue, transparency and information sharing among the development process stakeholders	Articulation between the partners of development more transparent and known to all
Objective 2: Accelerate socio-economic development to achieve sustainable development and poverty eradication	
To make sector strategies endogenous and to carry out their own implementation	Sector strategies used as a base to promote sustainable development
Increase the share of agriculture/rural development and industry so as to reflect their importance in development	10 % of the state budget allocated to agriculture and rural development
Increase the degree of financial and administrative decentralization and deconcentration	7 % of the state budget allocated to districts and 40% to provinces
Increment the establishment of infra-structures in rural areas	Number of people benefiting from rural infra-structure increased
Establishment of associations in the rural areas	Associations established and that are influential in the local development decision making process
Promote self-employment among the youth	Entrepreneurial activities established and employment created
Increase agricultural production in the country	More productive family sector and farmers
Establishment of a Development Bank	One more financial development instrument established
Stimulate the establishment of female teachers in rural areas	Reduction of student girls school drop –outs
Technical-professional training of youth at the district level	Technical and Professional Education established in the districts
Establish complementarity and synergies between the modern and traditional medicine	Demand for traditional medicine during day time
Objective 3: Strengthen policies, delivery mechanisms and outcomes in key social areas including education and combating of HIV/SIDA and other contagious diseases.	
Increase rates of access to secondary education level and technical professional education/vocational training	Increased number of qualified and specialised workers in Mozambique

Increase the coverage of birth delivery in hospitals	Coverage rate of birth delivery close to 100%
Reduce HIV/AIDS seroprevalency rate	Shortcoming eliminated achieving a Lower National seroprevalency average rate
Objective 4: Ensuring affordable Access to water, sanitation, energy, finance (including micro-finance), markets, ITC, shelter and land for all citizens specially the poor people	
Promote a more productive and balanced land use	New policies to the agriculture sector approved; Productivity per hectare of the familiar sector main cultures (ex: maize, sorghum cassava) doubled.
Increase the access to water and reduce existing imbalances thereof	M3 water price reduced; Increase by 75% the population drinking potable canalised water*
Increase the access to sanitation services and reduce imbalances thereof	Increase by 75%* of the family with access to sanitation services; Majority of households with the possibility of using improved latrines and benefiting from drainage systems. Improved waste system
Increase the access to finance and micro-finance	Savings and credit in rural area increased; Increased allocation of credit to agriculture and industry sectors
Improve the access to markets, particularly in agriculture	The system of agriculture commercialization improved; Transportation of agricultural produce facilitated; Food security granted
Increase the access to TIC and reduce imbalances of access to it	More districts provided with TIC's
Increase the access to Housing in rural and urban areas	The number of youth with own housing increased
Objective 5: Progress toward gender equality in all critical areas of concern, including equal access to education for girls at all levels	
Increase the impact of gender policies up to the micro level	Current gap rate reduced to half
Objective 6: Encourage broad-based participation in development by all stakeholders at all levels	
Strengthen the technical capacity of civil society organizations for effective participation in the development process	Broader and effective CSO's intervention in the development process
Strengthen the institutional structure of CSO's and reduce resource imbalances between large and small CSO's	Annual evaluation with improvements year after year in a consistent manner
Subtotal for the thematic area: million USD 3 445,80	

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
PRINCIPLES, CODES AND STANDARDS										
Strengthen efforts to sign, ratify and adopt international codes and standards	Ratification process agreed between Ministry of Foreign Affairs and Parliament with well <i>defined</i> responsibilities and timeframe	Publication in the Official Gazette; Incorporation of ratified Treaties in National Development Plans		Parliament. Ministry of Foreign Affairs Ministry of justice Other implementing ministries.	All ministries , Communities	2010-2014	Documents containing Principles, codes and standards signed, ratified and domesticated	100% of ratifications and reflected in the Mozambican legislation.	0,0	Cabinet NGC
To establish linkages between public and private institutions for the adoption of principles, codes and standards	Establishment of a technical team to review basic problems existing in the current domestication process and redefinition of clear mechanisms for processing of ratified codes and standards	Time for adoption/ processing reduced.		Parliament All ministries	Public and private Sector, Communities Citizens	2011	Flexible procedure systems established	Improved systems and reduced time for the process of ratification and adoption of codes and standards	0,2	Presidency NGC

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
OBJECTIVE 1: Promote self-reliance in development and build the capacity for self-sustainable development										
Reduce the strong financial, technical and programmatic external dependency	Formulate and adopt endogenous economic reform package	Enhanced internal savings rate (public and private);		All sectors ministries	Government, SME's	2010 - 2011	Reduced external dependency through increment of the internal capacity at various levels, such as: public finance, financial, productive and household sectors; SME's rise	Reduce external dependence to levels below 50% of public expenditures; Increase welfare of national citizens		
	Establish mechanisms for the expansion of the tax base through reinforcement of the productive sector, simplification of the tax system and distribution of fiscal charge/efforts in an equitable manner among the different tax payers.	Consistent reduction of the public deficit, including off-budgets; Increased base of private deposits in the financial system; ensuring positive real interest rates in a consistent	Reforms in the area of public finance management (fiscal and customs administration reforms and of the State financial	Tributary Authority Bank of Mozambique						
										Cabinet NGC

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	Reduce imbalances between fiscal incentives between mega projects and the small entrepreneurial initiatives Undertake studies to improve incentives to cause financial sector investment in agriculture projects.	manner	management)				their contribution to the public finance, which increase the internal contribution to the State Budget		70.4	CSO's NGC

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	Improve the business climate and competitiveness conditions in the market for SME"s.									
Reduce regional and intra-regional asymmetries (rural/urban), in its multiple dimensions	Public investment in terms of social infrastructure and equipment capable of reducing asymmetries, such regional, provincial, urban and rural levels.	% of households with access to basic services in the least favoured areas – in regional and intra regional and rural - urban levels.	Programme of expansion of roads and communication network to all districts	Ministry of Public Works and Housing, Ministry of Women and Social Affairs	Urban and rural communities; business communities	2010 - 2014	Reduction of regional and intra-regional asymmetries	Social welfare promoted and increased.	1 473.0	Parliament Cabinet CSO's NGC
	Establishment of public - private partnerships where there is economic	Number of public-private partnerships established.		All ministries, Corporations CSO's	Public sector Private sector Citizens.	2010 - 2014	To reduce rural and regional socio-economic	Level of poverty reduced, infrastructure created and	735.2	Cabinet CTA NGC

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	justification			NGO's			development imbalances	more jobs available		
Improve the system of permanent dialogue, transparency and information sharing among the development process stakeholders	Evaluation of current systems of interaction between the different partners; Elaboration of 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.		Ministry of Planning and Development CTA Cooperation Partners CSO'S NGO's		2011 2012	Improvement of the current system of articulation between various development process of stakeholders	Articulation between the partners of development more transparent and known to all	0,3	Prime Minister Office, Actual coordinator of cooperation partners NGC
OBJECTIVE 2: Accelerate socio-economic development to achieve sustainable development and poverty eradication										

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
To make sector strategies endogenous and to carry out their own implementation	Undertake a study aiming at sector policies and strategies	Studies undertaken -Sectoral strategies reviewed and applied	Ongoing project for the strengthen of the sector policies analytical and formulation capacity	All sector ministries	Government, Private sector NGO's	2011-2012	Sector strategies designed and implemented in a more effective manner	Sector strategies used as a base to promote sustainable development.	8.2	Cabinet NGC
	Ensure timely implementation of sector strategies	Annual reports on the establishment of plans and strategies					Equilibrium in the distribution among the productive and social sectors			

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Increase the share of agriculture/rural development and of the industry in the state budget so as to reflect their relative importance in development	Establishment of agriculture credit institutions; infra-structures, markets and supporting services; Establish an Implementation plan of Industrial policies	Significant increase of the percentage of the Budget allocated to agriculture; The established percentage of the Budget allocated for the implementation of adopted industrial policies		Ministries of Planning and Development, Agriculture, Industry and Trade NGO's	Public and private sectors, farmers, peasants, industries, investors	2010-2014	Improved Agricultural sector investment; Adopted and implemented agriculture and industrial policies	10 % of the state budget allocated to agriculture and to the rural development	1,6	Cabinet CSO's NGC
Increase the degree of financial and administrative decentralization and deconcentration	Operationalise the implementation of the DPPF, SISTAFE, e-SISTAF	Greater % of funds allocation to districts by the State Budget (SB)	Implementation of PPF, state financial administration reforms, expansion of the e-	Ministry of Finance district and provincial governments	Public and private sectors; Local governments Rural Communities/ Farmers Family farmers	2010-2013	Financial decentralisation & deconcentration reflecting the election of districts as	7% of the state budget allocated to districts and 40% to provinces	49,0	Prime Minister Office Administrative Court CSO's

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
			SISTAFE to districts				development poles			
Increment the establishment of infrastructures in the rural areas	Identification of constraints to the establishment of efficient infrastructure and services networks in the rural areas	Percentage of people with access to electric power; Reduced distances from the place of residence to roads		Ministry of Public Works and Housing Ministry of Energy Municipalities Provincial and local district governments	Provincial and Local governments Rural communities	2010-2014	Infrastructure network established in the rural areas as well as electricity, access roads and telecommunications networks	Number of people benefiting from rural infrastructure increased	1,0	Cabinet CSO's NGO's
Establishment of associations in the 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 the district level		District governments NGO's CSOs	Local governments and communities	2010 - 2014	Sustainable agrarian and livestock associations	Associations established that are influential in the local development decision making process	0,1	Ministry of Agriculture CSO's

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Promote self-employment among the youth	Develop a training and capacity building programme of the youth for implementation of 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	INEF - National Institute of Teacher's Training; NGO's ; CSO's	Youth, Local Communities, Citizens	2010-2014	Unemployment rates reduced at district level and in the country	Entrepreneurial activities established and employment created	8,3	Ministries of Education and Culture, and of Labour. Youth CSO's NGC
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 rain fed condition.	Number of agricultural activities (ha) in the family sector assisted and producing		Ministry of Agriculture, Provincial and district Governments NGO's, Research and Rural Extension Institutes	Local Communities, Citizens	2010-2014	Increased level of production in the family sector and food security granted	More productive farmers and family sector	49,3	Prime Minister Office CSO's NGC

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Establishment of a Development Bank	Promotion of a study for the establishment of a Development Bank	Study approved by the Cabinet	Debate under way	Ministries of Planning and Development, Finance and Agriculture. CTA	Government, Agriculture Sector Rural communities	2011	Funding for agriculture ensured	One more financial development instrument established	0,1	Cabinet, Bank of Mozambique CSO's NGC
Stimulate the establishment of female teachers in rural areas	Establish attractive logistic and financial conditions so as to be able 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 the rural areas	Discussion s on the female students sexual harassment by teachers and on the school drop-out from girls	Ministries of Education and Culture, and Public Service; Teachers organizations/associations Private sector	Teachers , Teachers organisations CSO's, female students, Local Communities Private sector	2010-2014	More female students continuing with their studies and remaining in schools; promotion of girls and women, gender balance	Reduction of student girls drop –out from school	99,4	Cabinet CSO's

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Technical-professional training of youth at the district level	Construction of technical and professional schools in districts	Number of technical and professional schools built up in districts	National policy of Technical and Professional Education	Ministries of Education and Culture, Public Works and Housing Local governments	Government, CSO's, business sector, investors, Local Communities	2010-2014	Professionally qualified youth	Technical and Professional Education established in districts	105,0	Parliament Prime Minister Office
Establish complementarity and synergies between the modern and traditional medicine	Establishment of a working regulation between the two types of medicine	Regulation approved from the Cabinet and disseminated. Number of spaces allocated for traditional medicine practises	Joint work between the Ministry of Health and Traditional Healers Associations	Ministry of Health AMETRAMO,	Government, AMETRAMO, rural and urban communities.	2009-2013	Public Health care improved	Demand for traditional medicine in the open	0,2	Prime Minister Office CSO's
OBJECTIVE 3: Strengthen policies, delivery mechanisms and outcomes in key social areas including education and combating of HIV/SIDA and other contagious diseases.										

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Increase rates of access to secondary education and to the technical professional education/ vocational training	Carry out studies on policy scenario options to increase access to the secondary education and the technical professional education/ vocational training, taking into account the State Budget	Studies by Cabinet approved, published and disseminated	Investment is being carried out with the view to expand the school infrastructure network including the ones of technical professional schools	National Directorate of Vocational and training School.	Youth and national civil society. Citizens	2011-2012	To Improve access rates to secondary and technical-professional vocational training schools	Increased number of qualified and specialised labour in Mozambique	17.2	Ministries of Education and Culture, and of Labour.
	Increase the number of classrooms and teachers training centres	Gross and net rates of school attendance significantly improved		Ministries of Education and Culture, and of Labour.	Children Youth All citizens	2012 - 2014	To Improve the rates of access to secondary education and to the technical-professional education/ vocational training		85.0	Prime Minister Office

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Increase the coverage of birth delivery in hospitals	Undertake studies with scenario options to improve coverage of assistance to birth delivery, considering hypothesis of establishing specific health centres for such purpose	Studies approved and widely discussed. Coverage rates of assisted birth deliveries		Ministry of Health	Rural and urban communities in particular and children Pregnant women	- 2010 2013	Higher coverage rate of assisted birth delivery	Coverage rate of birth delivery close to 100%	1,6	Prime Minister Office NGC CSO's
	Analysis of the failure/ shortcomings of anti HIV/AIDS policies and strategies	Epidemiologic monitoring and surveillance		CNCS CSO's NGO's working against the disease.	Society as a whole	2010	To eliminate short comes of current anti HIV/AIDS policies.	Short comes eliminated	0.6	Ministry of Health NGC

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Reduce HIV/AIDS seroprevalency rate	Massive dissemination of messages of prevention and voluntary testing, adjusting them to receptors realities and culture	reports; Percentage of HIV/AIDS prudence rates reduced to less than 16%; Epidemiologic monitoring and surveillance reports		Ministry of Health CSO's NGO's	Rural and urban communities	2011	Lower rates of seroprevalency	Shortcomings eliminated achieving a Lower National seroprevalency average rate	0.5	Prime Minister Office CSO's NGO's NGC
OBJECTIVE 4: Ensuring affordable Access to water, sanitation, energy, finance (including micro-finance), markets, ITC, shelter and land for all citizens specially the poor people										

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Promote a more productive and balanced land use	Review of constraints in current policies implementation, concerning: - irrigation systems - agrarian technologies - roads - markets - finance - fair application of the land law among competitive use	Results of analysis discussed, approved, published, and disseminated.		All economic sector ministries (Agriculture, Public Works and Housing, Trade and Industry Mineral Resources) Ministry of Finance, Bank of Mozambique Provincial and District governments Micro finance operators	Agrarian and agrarian commercial Sectors. Rural communities	2011-	Constraints and conflicts eliminated, New approaches proposed.	New policies for the agriculture sector approved	0.6	Cabinet NGC CSO's

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Promote a more productive and balanced land use	More productive use of land and better application of agriculture policies	Ratio tonnage per hectare significantly improved Land conflicts resolved in a balanced and equitable manner		Ministry of Agriculture, Agricultural Commercial Sector actors, Rural and Peasants Associations.	Agricultural and Commercial Sectors, Rural and Peasants Associations. Rural communities.		Greater agricultural production and land conflicts reduced	Productivity per hectare of the familiar sector main cultures (ex: maize, sorghum cassava) duplicated	1.0	Cabinet CTA (Agriculture Directorate) CSO's NGC
Increase the access to water and reduce	Review the strategy to extend the access to water, taking into account its affordability	Cost by m3 for poor consumers reduced		FIPAG	All citizens	2010	Cost by m3 reduced and access extended to more consumers	Price of water per M3 reduced.	0.1	Ministry of Public Works

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
existing imbalances thereof	Study on water resources exploitation for provision of potable water.	Publication of the water's resources study		Provincial and district Governments		2011	Sources of potable water identified		0.2	and Housing
Increase the access to water and reduce existing imbalances thereof	Implementation of recommendations of the studies through redimension of public investments	Percentage of urban and rural population with access to potable water		Aguas de Mocambique (national water distribution company) FIPAG		2012 - 2013	Significant improvement in water access for everybody in all areas (rural and urban)	Increase by 75% of population drinking potable water	1.0	Ministry of Public Works and Housing
Increase the access to sanitation services and reduce existing imbalances thereof	Investments for carrying out sanitation plans in rural and urban areas	Percentage of both urban and rural population with access to sanitation services		Districts Government, and Municipalities		2012 2014	Improved access to sanitation services	Increase by 75% of households with access to sanitation services.	100.0	Ministry of Public Works and Housing,

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	Implementation of drainage works, and improved latrines system. Management of waste and other residues improved	Promotion of low cost latrines models		Provincial Districts Government, and Municipalities Urban / rural communities		2010 -2014	The use of improved latrines extended.	Majority of households with the possibility of using improved latrines and benefiting from drainage systems. Improved waste system	18.5	Municipalities CSO's
Increase access to finance and micro-finance	Identification of barriers that hinder the establishment of banking and micro credit institutions; Adoption of incentives to be provided to these financial institutions so as for them to invest on the under financed sectors and on a longer term period basis	Number of financial institutions in rural areas increased significantly		Ministry of Industry and Trade, Bank of Mozambique	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 CSO's

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	Spread out of postal banks network to all districts simultaneously with the implementation of public investment and incentives	Percentage of rural population with access to financial services		Private sector, Post offices network ; Commercial and postal banks	Agricultural sector, rural communities	2012 2013	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 financial sectors increased	2.0	Bank of Mozambique CSO's

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Improve Access to markets, in particular the agrarian ones	Review of the agricultural commercialization system so as to include the link between smallholders and large farmers, and the linkage with buyers	The study published, disseminated among producers and buyers.	In the operationalisation of the Government Economic and Social Plan and State Budget. The Government is implementing investment projects aiming at expanding the socio economic infrastructure at district level	Ministries of Planning and Development, Trade and Industry, Agriculture	Agricultural commercial sector. Rural communities Private sector	2010	Access to markets improved	Improved The system of agricultural commercialization 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	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Improve Access to markets, particularly in agriculture	Improvement of the Government purchase system to store locally in order to create safety stocks and price stabilization	System stabilized and broadly defused Percentage of commercialization of agricultural surplus increased.		Ministry of Trade and Industry	Agricultural commercial sector. rural communities	2013	Improved commercialization system of agriculture produce	Food security granted.	400.0	Cabinet. National System of Food Security
Increase access to TICs and reduce imbalances of access to it	Undertake a study on the feasibility of the extension of Telecentres in the districts	Study on district TIC access completed, disseminated and broadly discussed; Percentage of districts with telecentres		Ministry of Transport and Communication, Eduardo Mondlane University	Communities living in districts	2011	Improved access to TIC's	More districts provided with TIC's	0.1	Prime Minister Office

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	Implementation of the recommendations of the studies on TICs in districts	Percentage of districts with TIC and Telecentres				2012			1.0	Prime Minister Office
Increase access to Housing in rural and urban areas	Analyse the housing fund policy so as to identify reasons for the low outreach and recommend solutions	The results of analysis published and discussed.		Ministry of Public Works and Housing National Council of Youth	Youth (that has conclude high school or university studies that has started their jobs	2011			0.2	

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
			Government is expanding the existing Promotional Housing Funding to the central and northern regions of the country		recently, young couples).		Access to housing improved in general and in particular for young couples	Increased number of people in particular the youth with own habitation		Prime Minister Office NGC
	Design and implement a policy and strategy for development and financing of housing	The funding policy and strategy for development and financing of housing approved by the Cabinet, published and disseminated		Ministry of Public Works and Housing		2012			0.4	CSO's
	Develop of low cost housing projects and create incentives for creation of a dynamic and growing housing market			Ministry for Women Development and Social Action Housing Fund Provincial and District governments						

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
OBJECTIVE 5: Progress towards gender equality in all critical areas of concern, including equal access to education for girls at all levels										
Increase the impact of gender policies up to the micro level	Studies on factors that hinder the implementation of the current gender policies and strategies in all areas of concern	Percentage of women with access and opportunity to formal education and employment		MMAS CSO's NGO's		2011 -2012	Gender balance	Current gap rate reduced to half		Ministry of Woman and Social Affairs CSO
	Approve an action plan for multi-stakeholders with shared responsibilities so as to eliminate existing constraints									

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
OBJECTIVE 6: Encourage broad-based participation in development by all stakeholders at all levels										
To improve the technical quality and of intervention of the civil society organizations for effective participation in the development process	Training and capacity building of CSO's technical staff	Number of technicians trained and employed in CSO's					Extended and improved technical capacity of intervention of the civil society	Broader and effective CSO's intervention in the development process	0,5	CSO's NGC
	To attract qualified members to CSO's	Indicator of the quality of participation and lobbying of CSO's		CSO's		2011 – 2013				

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
Strengthen the institutional structure of CSO's and reduce resource imbalances between large and small CSO's	Identification of CSO's intervention areas	Discussion Fora between CSO's and between these and the Government		Ministry of Justice CSO's		2009-2011	Greater interaction among CSO's and between CSO's and government	Annual evaluation with improvements year after year in a consistent manner	0,0	CSO's NGC
	Establishment of collaboration mechanisms eliminating overlapping tasks;									

Specific objectives	Required Action	Monitoring Indicators	Ongoing activities	Implementing Agencies	Key Stakeholders	Time Frame	Expected Output	Achievements	Estimated Cost (Million USD)	Monitoring and Evaluation Agencies
	Expand number of registered CSO's									
TOTAL CORE AREA									3,445.80	

1.5. Budgetary Summary of the Plan of Action per Focus Areas for the overall 5 years Period

The Plan of Action shows according to the core focus areas and the main goals, the specific objectives to be achieved, the expected results, activities or actions to be undertaken, control indicators, specific goals, entities responsible for the execution, the execution period or deadline, as well as the respective budget.

In summary the cost per Focus Area for the five years period of 2009-2014 and as a percentage of the total cost and of GDP results is as follows following:

Focus Area	USD millions	in % of Global Cost	Cost per Focus Area in % of 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%
Socio-economic Development	3,445,800.0	87.5%	5.21%
Total Focus Area	3,939,883.0	100.00%	5.95%

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APPENDIX 11

REPÚBLICA DE MOÇAMBIQUE

AFRICAN PEER REVIEW MECHANISM COMMENTS BY THE GOVERNMENT OF MOZAMBIQUE

DEMOCRACY AND POLITICAL GOOD GOVERNANCE - CHAPTER III

Mission Findings	Remarks
ISSUES RELATED TO/ RESIDUAL TO THE GPA Paragraphs n°s 198, 241, 242, 254	In general, a civil war is understood as being an armed conflict between nationals of the same country from different groups, undertaking a dispute of economic or ethnic basis and among others. Civil war is a result of an internal source. The armed conflict in Mozambique has a different profile. Its origin and support was laid externally. In 1975, the proclamation of the National Independence generated violent response of a minority and racist regime group from the Southern Rhodesia and the Apartheid South Africa. These two countries understood the Mozambique Independence as a threat to their survival in the quality of discriminatory regime based on race. Hence, they trained military forces that invaded Mozambique and integrated Mozambican nationals and later on consisted basically of Mozambicans, serving the interests of both countries in different moments. With the fall of the Southern Rhodesia regime the background supporter, training and support basis of RENAMO, continued with the support of South Africa under the Apartheid regime. This armed conflict, was a war of Mozambican liberation values, political and economic independence, defending itself against destabilization promoted initial by the Southern Rhodesia and later on by the RSA under the apartheid regime. With the fall of the apartheid regime, the armed conflict in Mozambique also ceased. We conclude that, in fact it was a destabilization war of which affected the backbone sectors of Mozambique society and economy. Definitely, RENAMO was an instrument established, prepared, equipped and supported for the destabilization purposes

	of the country. The existence of armed forces in the Country, called RENAMO leader personal security is not a real country threat for the State sovereignty. Efforts are in place in order to incorporate such men within the Country's law and order forces. Commitments taken by the Government to incorporate RENAMO demobilised troops in the Armed Forces of Mozambique Defence were taken and 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 exception of sickness cases proved by the Doctor's Certificate and other situations resulting from the FADM organic restructuring. There is no any other RENAMO military incorporation in other State institutions since it was not foreseen in the GPA. Pursuant to the GPA, the Government has fixed invalidity pension to the former RENAMO forces, through Decree No. 21/94 of 21 June and continues to fix and settle the respective payment. Therefore, all RENAMO soldiers were incorporated in line with and on the spirit of the GPA.
ISSUES RELATED TO THE ORGANIZATION WITHIN THE PLATFORM OF THE POLITICAL POWER Paragraph No 203	According to Article 134 of the Constitution of the Republic, sovereign bodies are supported within the context of separation and interdependency of powers. It is a presidential government where the President of the Republic and Government takes a relevant position in relation to other State bodies.
RIGHTS, DUTIES AND FREEDOM Paragraph nº 206	The Mozambican Government, in accordance with Article 48 of the Constitution of the Republic secure the exercise of the right to freedom of expression, freedom of press, as well as the right for information. In this context, a legal framework was passed establishing conditions for exercise of media activity in accordance with the Law No. 18/91 of 10 August including the freedom of association.
ALLEGED POLITICIZATION OF PUBLIC SERVICE AND LEGAL SYSTEM Paragraph No. 209, 250, 360,	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 of the Republic and other legislation in force, judges are independent on exercise of their duties, and work in accordance with the law and enjoy impartiality and irresponsibility guarantees. Presiding Judges of the Supreme Court, Administrative and Constitutional Tribunals are appointed by the President of the Republic in his quality as the Head of State, under the Constitution of the Republic. It should be noted that the appointment made by the President of the Republic is subject to ratification by the House of Assembly within the

	principle of separation and interdependency of powers. The remaining magistrates are appointed and transferred by the respective Magistrate Higher Councils. Democratic Right of State established in the Republic of Mozambique does not coadunate with interference of political parties within the Public Service. There is a clear distinction between the State and FRELIMO Party. The State is identified as being a political community where all nationals form part of it regardless of their political colour. The State performance is subject to principles foreseen in the Constitution and is founded on legality of its actions. Access to Public Service is done according to the norms in force outlining promotion of bids pertaining recruitment, without any discrimination on the basis of party orientation. Such conditions do not constitute recruitment criterion. The Global Strategy document on Public Sector Reform, in its Diagnostic part, outlines these evils affecting the Mozambican Public Administration. To address these problems progressively high priority was given to the professionalization of public service, the training through training systems in public Administration aimed at strengthening the technical capacity of civil servants and the internal and external control mechanisms were also strengthened (Sectoral Inspection and Administrative Tribunal, in addition to the Department on Combat Against Corruption) The Government has approved the Conceptual Model of Performance Management System for civil servants and passed the Decree 54/2008, which defines the recruitment of Permanent Secretaries through public bidding.
Political environment over the last electoral processes in Mozambique 228	The Electoral registry follows the Electoral Law and is done under the supervision of all interested political parties. The Electoral campaign also follows the Electoral Law Voting follows the Electoral Law under the supervision of all interested parties and national and international observation. Violence is prevented by civic education and support by the police forces.
Criminality 259, 262	The level of crime in Mozambique is decreasing. However, the level of violent crime in Maputo and Matola cities has risen up as a result of bank robbery and car theft through the use of gun fires. In 2009, this kind of crime decreased considerably. Free circulation of weapons in Mozambique is prohibited. As a Country emerging from a post conflict and with other neighbouring countries in the same condition, many fire arms

	are under control of the authorities, the fact which is used by criminals to practice crimes. Mozambique, in collaboration with its neighbouring countries has been undertaking collection and destruction operation of fire arms including through the “Rachel” programme. At preset we are in Rachel 16.
CORRUPTION 362, 937, 939, 944 and 958	The Government approved in April 2006, the Anti-corruption strategy including the respective action plan on combat against corruption focusing on 5 critical sectors in this issues, namely Health, Ministry of Finance, Ministry of Education and Culture, Ministry of Home Affairs and Justice Sector. This plan is under implementation within five sectors with considerable progress. At the Education Level, a process of standardization of certificates is in course in order to address the problem of proliferation of false certificates. We acknowledge the need to strengthen the dissemination of laws and regulations coordinating illicit practices and corruption. The Government, as a whole, has a strategy on global combat against corruption involving all institutions. This is to say we disagree with the particularization made in paragraph 941. It is not true that within the country there is no understanding on the side of the political group of the corruption phenomenon, since this issue is addressed at all levels including at the Parliament. There is a sound political will to combat the impunity, the corruption phenomena and all evils and barriers to development.
Other business (perceptions that need to be clarified/ corrected) 354 and 357	Parliamentarians have 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 the respective electoral constituencies. If the Parliamentarians hold meetings beyond the Session terms receive an allowance named Attendance Fee; regarding to Works done at the Electoral Circle, each Parliamentarian receives an Electoral Circle Allowance correspondent to 45 days of work within the respective circle including four air tickets for his/her trips, if non resident of the respective circles. January is devoted for the Recess of Parliament. When the government stipulates the 13th Pay, Parliamentarians also enjoy the same right. The House of Assembly Budget Approval is undertaken according to the budgeting cycle rules. Representatives of the

	House of Assembly attend the Consultation Meetings with representatives of the Ministry of Finances and Ministry of Planning and Development with the opportunity to interact on the definition of budget, which is done in accordance with the needs of the House of Assembly, overcoming most of the times the budget limitation initially scheduled.
	GOVERNANCE AND ECONOMIC MANAGEMENT CHAPTER IV
	GOVERNMENT COMMENTS / REMARKS
498	- Decentralization of planning and resources process including the local decision making for a district is a relatively new issue, which started in 2006. Operational issues remain and need to be addressed at the district level because they set part of the national planning and budgeting, particularly those controlled by the SISTAFE, whose expansion and territory coverage depends on progressive process of rural electrification, on coverage of telephone network and on the expansion of bank agencies. - In order to secure a successful fulfilment of the decentralization process, the Government approved a legal framework, which encourages the transfer of qualified staff from central to local level, since the majority is located in big cities. - Decentralization of Fiscal Policy set up a process and must take into consideration the non standard sources of great part of public revenues throughout the country, including the fact that great part of the available funds derives from external credit, hence the need to control these recourses at the central level.
572	- Measures aimed at the reduction of financing costs in the country are generating its impact, although in a timid way with regards to adjustments made in the RO's and Interest rates of the Central Bank of Mozambique. - The Governor highlighted that the increase of banking institutions in the country is the primary condition for the increase of competition and therefore the reduction of interest rates.
	- In the 90s, the Government established incentives, including the mega projects to create an attractive environment for internal and foreign investment. Each historic moment has its own characteristics. - The Government has been taking steps to improve business environment and to allow the development of small

587 + 606 + 611	and mid enterprises: Reduction of a number of days to incorporate a company (from 153 days in 2005 to 26 days in 2008); the establishment of One Stop Shops; approval of Simplified Tax Legislation for Small Taxpayers.
627	• The perception that there is no discrimination between national and foreign investors is not correct. The Investment Law (Law no. 4/93 of 34 June) establishes in its Article 4, the equal treatment among national and foreign investors, i.e., they all enjoy the same rights and subject to same obligations. • Some Specific legislation (for example: About Land and Mining) establishes terms, which are more favourable to the national citizens to start their business. There is no any other legislation establishing a more favourable treatment for foreign on prejudice to the national citizens.
670	• It is clear about who does the internal and external audit. At the level of executive power, there are internal control subsystems which consist of the Inspectorate General of Finances and Public Service. These make the Internal Control. On the other hand, at the level of judicial power we have the Administrative Tribunal that is committed to external audit and try administrative, fiscal and customs disputes including the State Expenditures. • In the last years, there was a significant increase of institutional capacity of the AT to supervise the State Financial Activities This has been working in line with its attributes and accepted efficiency standards. • Regarding parliament credibility to supervise the management of public finances, it is to refer that notwithstanding the limited capacity, the interaction between the Plan and Budget Commission (CPO) the House of Assembly and the State Administration bodies with the responsibility in the programming, management and budget execution registered improvements. Hearings are frequent and all raised questions by the CPO are completely answered.
701	• Programme Budgeting (OP) remains in its incipient stage. There is a need to recall that the Budgeting Methodology per Program was first introduced in the 2008 State General Budget (OE) in three pilot sectors, namely Education (primary education), Agriculture (agricultural production) and Public Works (bridges) • In the 2009 OE, the OP was extended in all sectors and this approach is expected to be consolidated in the next

	years through the development of product classification and respective indicators. In addition, it is expected the reformulation of planning methodology so that the sector plans and evaluation reports may evaluate results of physical and financial of the Social Economic Plan (PES) with the structured expenditure in accordance with the programmatic classifier. Hence, consolidation of this experience is vital and it should be self-defeating to opt for an alternative approach.
734	• This statement does not correspond to the reality. The Affected resources volume to the House of Assembly is done within the strategic allocation of resources for the government institutions. The Government has been making effort to guarantee that the allocations to this body shall guarantee the full operation of the HA, including works undertaken by the parliamentarians at the level of its constituencies. • The legislation reserves the right to the House of Assembly to access information about the government activity, which contributes for the elaboration of opinions by the different commissions. Commissions can also request the Government members for auscultation and clarification of issues at any time.

CORPORATE GOVERNANCE - CHAPTER V

855	The macroeconomic policies adopted at the end of the 1980 and 1990 were aimed at reverting economic crisis at the time which were characterized by deep reduction in the acceleration of economy, high inflation rates and budgetary deficit as a consequence of destabilization war. The coming up of this sector must be placed in a wider picture of the economic crisis of the time which apart from the destruction of socio economic infrastructures like hospitals, schools, bridges, railways and others affected the productive and rural commercialization created the phenomena of migration of labor forces from the countryside to the cities in search of safety and minimum subsistence. Over that period, commercial and service provision sector are the ones that benefited most from credits from commercial bank for the fact that they are the ones that guaranteed security and guarantee of credit repayment.
856 and 857	We would like to agree that in fact we have not yet achieved the desired level of Excellency. This is a process and a challenge which has to do with training and capacity building of the staff and the transfer to the one stop shop of competencies which presently are with the sectors at central level. The competence given to the one

	stop shop is to resolve any queries that citizens may have in such a manner that the issues must start and concluded there this will be a way of providing powers to handle processes as is the case of business licensing. There are some shops that already issue licenses for business as is the cases of Maputo-City, Nampula and Cabo-Delgado. It should be noted that licensing process was simplified, and presently, one can open a business with very little documentation for the legal-commercial validity as is the case of ID and Unique Tax Identification document, the subsequent issues like verification of premises is left for later occasion. Moreover, in the context of the strategy for the improvement of business environment, approved in May 2007, simplified licensing was introduced and this covers about 200 economic activities in which the investor only fills in the form and presents the two documents previously mentioned to immediately obtain license.
865 866 921 and 1204	O acesso à terra tem sido uma das áreas que vem merecendo especial atenção por parte do Governo, por forma a evitar conflitos de terras e práticas ilícitas no processo da sua atribuição. Despite the fact that the land belong to the State, we have been allocating huge portions of land (concessions) (thousands of hectares) to the private sector for agricultural activities and industrial parks, tourism and the experience shows that in fact Land belongs to the State and this facilitates the investors because they are given potential areas for the development of their activities.. As a result, it is not true that the population is just evicted without any alternative resettlement areas. . On paragraph 921, we agree with the comment with the exception, of n transmission of land in rural areas because it would be a subtle way of selling Land, which is against the Constitution of the republic. Because what is important in the country side is the land where the building is and in town the most important the building and not where the building is. • The majority of the Mozambican population depended on agriculture for their survival , though land access; • Land ownership by the Government has never been an impediment for accumulation of wealth; • In the present condition, land privatization as a mechanism for the accumulation of wealth may lead to marginalization of the rural population who has no other sources of income except the land which they may sell. In doing so they would be increasing their vulnerability in a country with very limited employment market except in agriculture.

887	In relation to the budget on local Investment Initiative we are aware that of the fact 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 creation of employment and increase participative governance at the level of communities within the context of decentralization and transfer of competence to the local organs and in the struggle against absolute poverty.

SOCIO-ECONOMIC DEVELOPMENT : CHAPTER VI

	Overall Comments
6.4: (Overview)	It is important to update the information with the most recent ones data which refers to the evaluation period. Such data refer to the economic growth, education and health which have changed taking into account the evolution in the redistribution of income over this period.
1011	- Does not reflect the reality of the country. - The Government of Mozambique defends economic growth is a key factor for the reduction of poverty and therefore, the Strategy for the Reduction of Poverty is based on annual growth rate of 7 to 8% until 2009, taking as the basis annual growth rate of about 8% recorded from 1997 to 2003/4. - In line with the Economic Growth Strategy, and its policies, the Government takes professional training as the key in particular the expansion of vocational/professional training in order to ensure more opportunities for self employment for youth which constitute a significant proportion of the Mozambican population. - Apart from other programmes directed to each vulnerable group of the population, namely food subsidy, generation of income which on top of being part of Social Security are a basis for socio economic integration.

1013:	• The relation between the country and the cooperating partners, (the so called donors) is within the framework of the Paris Declaration
1040:	• The provincial PES is not a summing up of district PES documents • The provincial PES integrates sectoral provincial plans and part of interventions with major impact in the lives of the citizens in the districts.
1071, 1072 and 1073:	• There is a reference to the cases of possible misery and starvation of some peoples and this is not a realistic analysis of the period under study because such situations happened soon after the end of the war. • Recent analysis indicates that in the urban areas there is a major reduction of poverty levels contrary to what happens in the rural zones. • In addition, official data on the situation of Poverty in Mozambique refer to the Household Survey of 2002/2003. Presently, family budget inquiry is underway for 2008/9, which results will be available in March 2010. This fact does not allow us to say that poverty is increasing in Mozambique as well as the gap between the rich and poor. • In Mozambique, malnutrition is influenced by the level of poverty, education (in particular Women and girls) by the food availability conditions, excessive selling of surpluses, food habits, access to clean water, sanitation, diseases like malaria, schistosomias, intestinal parasitizes, diarrheas and by Natural Disasters. Mozambique has a Nutritional Vigilance System from which regularly the indicators of Weight at Birth and Insufficient growth are evaluated. • It should be stressed that survey made in 2006, 2007 and 2008, showed the following: • As for the Low Weight at Birth, the Maputo Province presents the lowest levels, below 7%. In the remaining provinces, it continues to be a challenge with major incidence to the provinces of Sofala, Nampula and Cabo Delgado. • As for the annual rate of insufficient growth, the trended is towards the improvement of this indicator and the provinces with the best results are the cities and provinces of Maputo, Gaza, Tete, Zambézia and Nampula. • On the other hand, other nutritional indicators have been evaluated during the Demographic Health Surveys

	(IDS) of which the recent year is that of 2003.
1083:	The situation changed with the introduction in 2006, of the Local Investment Budget (OIL), which emphasizes food production and generation of employment in the districts. The successive Open Presidencies and the 2006-2008 statistic data available at MPD, reveal that there is an improvement of the family income and that 108 new jobs were created in the rural area until the end of 2008. According to the public utterances, the population does no longer complain from hunger instead on the need of more roads, health centers and secondary schools.
1146	There was an increase of medical doctors in the country, from 682 doctors (454 nationals) in 2004 to 929 doctors (735 national) in 2008. It should be recorded that there was a growth of more than 60% in the number of Mozambican doctors
1150	Over the last 4 years, there was a remarkable increase in the access to antiretroviral treatment of patients living with HIV, which increased from 7.456 patients in treatment in 2004 to over 135.000 patients up to 31 May 2009. Antiretroviral treatment is available in all district headquarters of the country
1218 and 1220 (Table) 6.12)	The minimum marriage age with the consent of the parents is 18 years, both for girls and boys and without the consent of the parents the age of 21 for both genders;