

BTI 2012 | Mozambique Country Report

Status Index	1-10	5.40	# 72 of 128	
Political Transformation	1-10	6.15	# 57 of 128	➔
Economic Transformation	1-10	4.64	# 90 of 128	➔
Management Index	1-10	5.07	# 63 of 128	

scale: 1 (lowest) to 10 (highest) score rank trend

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Please cite as follows: Bertelsmann Stiftung, BTI 2012 – Mozambique Country Report. Gütersloh: Bertelsmann Stiftung, 2012.

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Key Indicators

Population	mn.	23.4	HDI	0.322	GDP p.c.	\$	942
Pop. growth ¹	% p.a.	2.3	HDI rank of 187	184	Gini Index		45.6
Life expectancy	years	49	UN Education Index	0.222	Poverty ³	%	81.6
Urban population	%	38.4	Gender inequality ²	0.602	Aid per capita	\$	87.9

Sources: The World Bank, World Development Indicators 2011 | UNDP, Human Development Report 2011. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

Following the parliamentary and presidential elections on 28 October 2009, President Armando Emilio Guebuza was sworn in for his second term on 14 January 2010. The new Mozambican government adopted a Five Year Plan in April. This plan is not only the basis of governmental policy, but also the reference document for the development cooperation with international donors.

Mozambique's democracy is challenged by the dominance of the Liberation Front of Mozambique (Frente de Libertação de Moçambique, FRELIMO), which has now a constitutional majority in parliament. The 2009 Mozambique Country Report of the African Peer Review Mechanism (APRM) has explicitly criticized the close overlap between the state, party, and economic elite, which goes hand in hand with personal enrichment and high levels of corruption. International donors are increasingly concerned about the lack of progress in improving the rule of law and good governance. Following the partial exclusion of the new Democratic Movement of Mozambique (Movimento Democrático de Moçambique, MDM) opposition party from the 2009 elections by the national election commission, several international donors delayed the release of their funds in early 2010.

The economic and social situation in Mozambique is problematic. During the first quarter of 2010, the metical was devalued by 30% against the dollar. Because of the high dependence on imports, especially food and basic commodities, inflation rocketed up to 17% in September 2010 (food items 25%). After major bread riots in Maputo on 1 and 2 September left 13 people dead, the Mozambican government had to renounce the increases of the bread, electricity and water prices and instead increase government subsidies.

The Mozambican government had to admit in October 2010 that the poverty rate has slightly increased over the previous five years (from 54.3% in 2003 to 54.7% in 2010), despite all national and international efforts. The growth-oriented economic policies of Mozambique and

the international donors will need to be adjusted to focus on improved social security and the creation of jobs, to maintain stability in the country and provide the bases for genuine socioeconomic development.

The seriousness of the economic challenges and their political repercussions can be seen by the fact that for the first time since President Guebuza became president, the ruling FRELIMO party has accepted and publicly acknowledged that it is in bilateral talks with the opposition Mozambican National Resistance (Resistência Nacional Moçambicana, RENAMO) to find solutions to these challenges as a basis for sustained peace in Mozambique.

History and Characteristics of Transformation

On attaining independence in 1975, Mozambique became a socialist state ruled by the liberation movement FRELIMO under President Samora Machel. With international support from socialist states, mainly the Soviet Union, the German Democratic Republic and to a lesser extent China, FRELIMO started to engage in societal transformation, socialist education of the masses and a variety of agricultural and economic reforms. Its main allies within the southern African region were the so-called authentic liberation movements and later the “Frontline States” that bordered on apartheid-era South Africa.

From 1977 to 1992, Mozambique witnessed a violent and cruel civil war during which RENAMO fought the ruling FRELIMO. More than 900,000 people died because of the war or related famine. RENAMO emerged as a result of serious political mistakes made by FRELIMO, which alienated a large section of the population with its policies. However, RENAMO could only survive due to Rhodesian and South African support, which also continued after the Nkomati Accord, a non-aggression pact between Mozambique and South Africa signed in 1984.

Facing severe economic challenges, Mozambique gradually transformed its economic system into a market economy, beginning in the late 1980s. President Joaquim Alberto Chissano, who had taken over after the death of Samora Machel in a plane crash in 1986, introduced a new constitution in 1990 which provided for a market economy and a pluralist democratic state. This created the basis of the Rome General Peace Accords between RENAMO and FRELIMO in 1992. After the end of the apartheid state in South Africa, external support for RENAMO dried up, and the church – in particular the Congregation of St Egidio – played a key role as a mediator between FRELIMO and RENAMO. The transition to peace was safeguarded by the international peacekeeping mission United Nations Operations in Mozambique (ONUMOZ) until 1994. This peacekeeping mission is still regarded as one of the few truly successful peacekeeping attempts on the African continent.

After the Peace Agreement, FRELIMO dominated the political system and has never left government, winning all presidential and parliamentary elections (1994, 1999, 2004 and 2009). However, according to observers, significant fraud was involved during the first elections. In

2004, President Albert Emilio Guebuza was elected as successor to Joaquim Chissano and is in office until today. Although Mozambique has made considerable progress in the process of consolidating democratic rights, the continued dominance of FRELIMO has led to a strong overlap between party, state and the economic elite. The main political opposition, RENAMO, is now extremely weak under the leadership of Afonso Dhlakama. The continued exclusion of rival political leaders led to the establishment of a new opposition party, the MDM as a breakaway group of RENAMO in 2009. MDM is led by the mayor of Beira, Daviz Simang.

For years Mozambique has been regarded as a model for development cooperation on the African continent. The country has seen continuous macroeconomic growth around 7 % throughout the first decade of the twenty-first century and has significantly reduced its poverty rate. More recently, concerns about lack of progress in the rule of law, democratic consolidation, and the obvious high level of corruption have raised donor concerns. Mozambique continues to receive large amounts of international aid, which constitute around 45% of its 2011 national budget, and has no clear exit strategy from donor dependency.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 10 (best) to 1 (worst).

Transformation Status

I. Political Transformation

1 | Stateness

Question
Score

The Mozambican state's monopoly on the use of force exists nationwide. One might argue that in certain areas in central and northern Mozambique, especially in Nampula province, followers of the opposition RENAMO challenge the state because of their deep mistrust of the FRELIMO-dominated state and its institutions, but they are not a real threat to the state's monopoly on the use of force.

Monopoly on the
use of force

8

The police and army are unchallenged. However, they are incapable of guaranteeing sufficient level of public safety. The rising crime rate and the inefficient and in many cases corrupt police force have led to deficiencies in policing as well as the provision of justice. Unfortunately the population in many cases has resorted to lynch mobs. Justice and policing are carried out in collaboration with local chiefs or churchmen at community level. These collaborations do not challenge the state as alternative, independent systems, but they do build on the tradition of localized/decentralized power.

The nation-state is accepted as legitimate. In Mozambique, people of different religion, ethnic identity or gender co-exist peacefully. The major post-independence political cleavage between FRELIMO and RENAMO was based on political dissent on the nature of the state. This dissent was overcome with the 1990 constitution when the country changed from a socialist state to one pursuing market liberalism and pluralism. The wholesale absorption of state administration and public enterprise into FRELIMO has proved a major challenge to democracy in Mozambique. The APRM's 2009 report on Mozambique mentions this as a major obstacle to further democratization. The FRELIMO state, however, has not led to a rejection of the Mozambican nation-state, rather to criticism of the ruling party. The leader of the opposition RENAMO, Alfonso Dhlakama, has called for another national dialogue with the government. Such statements do sound dramatic, but are not taken seriously by the public or any key political player.

State identity

9

Mozambique is unsurprisingly a secular state given its post-independence socialist foundations. The constitution provides for religious freedom, and the different religious groups co-exist peacefully without challenging the secular nature of the state as such. However, religious groups do influence the political process. Church leaders played a key role in mediating between the parties during the civil war. In December 2010, the Catholic Bishops Conference warned in a rather dramatic statement that Mozambique was in danger of once more becoming a one-party state, and the constitutional reform which has been announced for 2011 should be handled with particular care. The ruling party demonstrates realpolitik with respect to collaboration with religious groups. For a while, one of the major evangelical sects in Mozambique occupied an entire floor in the FRELIMO party headquarters.

No interference of religious dogmas
9

The highly centralized nature of the state inherited from Portuguese colonialists has proved a key challenge to the administrative structure of Mozambique. This tradition resulted in a well-differentiated administrative structure in urban areas (e.g., tax administration, social security, basic social services) while in rural areas the situation looks rather different. In fact, in large areas of the country, the state has no actual physical presence. In most of these areas NGOs are present and organize sporadic provision of basic services.

Basic administration
5

Despite some progress (particularly in the sectors of health and education) many people still have no adequate access to schooling and health care. While the tax administration in the capital has been much improved in recent years, in the provinces its execution of taxation is inadequate. Mayors of some provincial capitals (Nampula, Beira, Tete) are willing to improve this, while in other cities (e.g., Pemba) the situation is quite desperate.

During 2010, the government introduced legislation to administer previously non-administered sectors of life, but this has been largely unsuccessful. For instance, a country-wide compulsory vehicle inspection was introduced during the first half of 2011, but only one inspection center was established – in the capital. Following the bread riots in September, the government introduced the personal registration of cell phones within a three-month period – a deadline that was impossible to meet. The deadline for the introduction of new vehicle number plates by the end of 2010 also had to be abandoned, as it was similarly unrealistic.

2 | Political Participation

Since the first democratic elections in 1994, Mozambique has held regular presidential and parliamentary elections at a national level. Since 2004, the country has also seen two local elections, while provincial assembly elections first took place in 2009. The elections have generally been free, although not always fair. This is due to the fact that the ruling FRELIMO party has – according to domestic and

Free and fair elections
7

international observers – used state resources for electoral campaigning and has privileged access to the media. Campaign violence was observed in 2009, when FRELIMO supporters tried to prevent opposition parties from holding rallies. According to observers, the level of pre-electoral violence was lower than before the 2004 elections.

Phenomena like vote rigging and ballot box stuffing were reported in the 2009 elections, albeit on a lower level than during previous elections. Electoral administration actually re-ran elections in some locations because of irregularities. While there is progress in comparison to previous elections, this is also due to the systematic election observation by civil society groups, which can claim the credit for being the driving force in improving electoral standards in Mozambique.

The main concern about election restrictions arose from the fact that the MDM, founded only in 2009 as a breakaway of the main opposition group RENAMO, has been denied the chance to stand at parliamentary elections in nine out of 13 electoral provinces by the electoral commission. This has been widely criticized by the opposition as well as the international community. While this partial exclusion has been confirmed by the constitutional council, it was at no point possible to see substantial documents and verify whether MDM had been rightly excluded or – as many observers assumed – blocked on political grounds. The European Union Election Observation Mission has criticized the lack of transparency. It is generally assumed that neither the election commission nor the constitutional council have been impartial and that they favored FRELIMO. However, it is not possible to further substantiate these accusations. Besides this worrying case, elections in Mozambique do at least formally provide for political alternatives and the 5% threshold to join the National Assembly has been abolished. The electoral legislation that had been criticized for being too complicated and inconsistent is in the process of being revised by late 2011.

The democratically elected officeholder in Mozambican politics can exercise their right to govern. However, there are strong checks which are at times even authoritarian, consisting of party discipline within FRELIMO and the serious lack of capacity among the opposition MDM and RENAMO. The involvement of the president, a large section of the political elite and the ruling party in public and private enterprises gives the FRELIMO elite a de facto veto power based on patronage and clientelism vis-à-vis party followers and political officeholders.

As the international donors provided around 45% of the national budget in 2011 (in 2010 it was more than 50%) they also have a de facto veto power. Some donors delayed their funds for Mozambique for some time in early 2010 out of concern about the lack of progress in the governance sector and in particular the conduct of

Effective power to govern

7

election. As a result of this pressure, the MDM was given the formal status of a parliamentary bench, although it had missed the threshold of 11 mandates by three.

Freedoms of association and assembly are generally respected in Mozambique. However, a variety of constraints exist. The differences between Maputo and the provinces as well as between urban and rural areas are significant. Meetings of civil society groups are regularly challenged by the police or other state officials. The reasons for this behavior vary, and include political bias as well as sheer incompetence that is grounded in a lack of awareness. Parties can be founded and operate freely, yet during election campaigning in particular they have to face interruption by violent FRELIMO youth groups. The main challenge to the freedom of assembly is not the direct denial of rights; instead FRELIMO prefers to involve party members in CSOs (or even found its own CSOs). A large part of the formally registered civil society is thus perceived as a part of FRELIMO.

Association /
assembly rights
7

The individual choice to choose a party is limited for state officials, as party cells in public institutions regularly ensure that FRELIMO membership is a recruitment criterion (e.g., FRELIMO membership might be given to a new officeholder after acceptance of his/her position). In public institutions and particularly educational institutions, FRELIMO membership is the rule. This system does not work on the basis of repression, but on incentives in terms of professional promotion, access to university education etc.

The Mozambican media enjoy a high degree of freedom and their situation has improved in recent years. Private print media and television in particular report in an independent and critical manner about the ruling party, politicians, corruption cases and absence of the rule of law. The media appear to be a positive exemption from an often party-orientated state and society. However, the reach of newspapers and television is limited, and community radios operate under constraints – for example, they are not supposed to report on elections. The state-owned television service and Radio Mozambique are, however, seriously biased. During the bread riots in September 2010, state media journalists were apparently requested not to cover the events. Private media that did report had to face a temporary advertising boycott by public enterprises. The main daily newspaper, Notícias, is owned by the Bank of Mozambique, thus also under serious influence by the ruling party.

Freedom of
expression
7

The national parliament is reviewing the media and broadcasting legislation, and new laws are supposed to be approved by parliament in the course of 2011. However, longstanding efforts by civil society groups to access information legislation have been unsuccessful. Currently, constraints exist because of regulation by the High Media Council, which is a government-aligned body. Direct

editorial censorship is not commonplace in Mozambique, however. Instead, journalists and civil society activists practice self-censorship out of fear that they might face negative consequences if they are too explicit.

In a 2009 independent media assessment by the civil society organization the Media Institute of Southern Africa – Mozambique (MISA–Mozambique), journalists pointed out that security legislation that contradicts the constitution is applied in judgments against journalists. Media freedom is significantly more limited in the provinces than in the capital Maputo, as journalists are more likely to be exposed to political interventions and threats.

There is a large overlap between civic organization and the ruling party. As a consequence, there are few civic organizations that monitor government and political institutions. Organizations that play a watchdog and advocacy role – particularly in the field of anti-corruption – like the Center for Public Integrity, can work freely. However, their representatives do have considerable backing from international institutions and high credibility, which safeguards their activities. Despite an increasingly vocal NGO scene, many independent CSOs are often too weak to reach the limits of the freedom they can achieve.

3 | Rule of Law

The Mozambican constitution formally provides for checks and balances through a separation of powers. In reality, the domination of the state by FRELIMO severely limits the system of checks and balances as it is driven by the executive. The president appoints judges at the highest courts (Constitutional Council, Supreme Court, Administrative Court), and their presidents are all FRELIMO members who are close to the state president. Although the Constitutional Court in particular is understood to be somewhat independent, no one was surprised when it confirmed the partial exclusion of the opposition MDM through the electoral commission in late 2009.

The national parliament can scarcely be perceived as providing checks and balances to the executive. The constitutional majority of FRELIMO (76.6%) combines with strong internal party discipline to prevent effective external constraints on the government. In addition, the two parliamentary opposition parties have demonstrated a lack of capacity to make use of the political space in parliament. However, the analysis of and comment on the national budget by the Budget and Planning Commission have much improved in recent years. The nomination of senior FRELIMO cadres as the chairmen of the relevant commissions may be seen as tightening the party grip, but could also be a sign of a stronger political role for these commissions and parliament.

Separation of powers

4

There is little substantial analysis of the judiciary in Mozambique. Appointments of judges are obviously linked to the candidates' party membership. This makes courts and judgments vulnerable to political intervention. In day-to-day court practice, however, the main challenge is not political intervention but widespread corruption and the professional capacities of the courts.

Independent
judiciary
5

In 2009 and 2010, several government officials and representatives of state enterprises have been taken to court and some of them been sentenced to imprisonment of up to 22 years. Examples include the former Minister of Transport, Munguambe, and the director of the airport company and the former Minister of the Interior, Manhenje (case pending). The legal quality of the judgments has not been independently assessed and remains unclear. There is a general impression that these judgments were politically motivated, because while some individuals are being brought to justice, others are not, and the president might have a say in this. Given the widespread corruption in political and administrative offices, and the obvious abuse of power by the ruling elite who benefit from public and private investments/enterprises, these court cases are a mere drop in the ocean.

Prosecution of
office abuse
4

The Mozambican Constitution guarantees equality before the law and basic civil rights like the right to life, the right not to be arbitrarily deprived of one's liberty, and the right not to be subjected to torture or inhumane treatment. Furthermore, Mozambique is party to international conventions and treaties like the African Charter on Human and People's Rights, the International Covenant on Civil and Political Rights, and the UN Convention Against Torture.

Civil rights
6

Mozambican citizens are exposed to arbitrary harassment by the police in sharp contrast to these guaranteed rights. Reports concerning arbitrary police violence against citizens are common and also reported by Amnesty International. Moreover, corrupt practices are widespread among police officers, so ordinary citizens find it difficult to engage the police without bribes. The conditions in prisons are harsh, and violations of human rights including torture have been reported without significant consequences. In the absence of state policing, community policing has become a common practice despite legal doubts about its legitimacy. The widespread practice of people's justice and lynching (around 30–50 reported cases per year) demonstrates that civil rights are not generally protected.

On a legal and normative level, Mozambique is quite advanced in its acknowledgement of specific social rights. Mozambique has adopted legislation to prevent violence against women, although the widespread social practice of domestic violence persists. In 2010, the Mozambican parliament ratified the international "Convention on the Rights of p Persons with Disabilities."

4 | Stability of Democratic Institutions

The capability of Mozambican democratic institutions differs between administrative and political institutions. Administrative procedures are established and understood widely in the public administration, but they are exposed to widespread corruption and party intervention. The FRELIMO party cells that exist in virtually all public institutions interfere significantly when it comes to tender processes, recruitment and accountability. The general functions and services of the public administration are linked to petty corruption. This means that if ordinary people want to obtain a certain service (access to education or health, birth certificates etc.) they must either pay bribes or ask a relative, friend or similar in the system to perform the administrative function because of his personal loyalties. In the capital Maputo, the tax administration and administration of the pension fund function comparatively well, although large-scale corruption has also occurred in these institutions.

In the case of political institutions and particular parliaments, the situation is different. The performance of the national parliament is severely constrained by the lack of capacities among individual members of parliament as well as the parliamentary administration. There is a debate among analysts as to whether the main limitation of parliament is political, in particular the dominance of the executive and FRELIMO, or a straightforward lack of capacities.

During the recent decentralization process, Mozambique established elected local councils in 43 municipalities and has also elected provincial assemblies since 2009. Some of the municipal councils apparently function well and without major party interference, especially in the provincial capitals like Beira and Nampula. In other cases the distribution of offices as a form of patronage prevails. This is certainly true of the provincial assemblies, which lack capacities and competences (at times even a place to meet), but provide offices and income for members of the ruling party.

Generally, political institutions are accepted by all relevant actors in Mozambique. The armed forces in particular respect the state and its institutions. For instance, during the bread riots in September 2010, the army sent clear signals that the disturbances were the government's problem, and not the armed forces'. Political parties, civic groups and churches do respect parliament and government as principle points of reference for their activities. The exception is the leader of the main opposition party RENAMO, Afonso Dhlakama, who deliberately avoids joining political institutions. Dhlakama has been living in the northern city of Nampula for more than a year and does not engage in politics in Maputo. After the 2009 elections, he asked the elected RENAMO candidates to boycott the new parliament because of electoral fraud. Despite this, RENAMO joined the

Performance of
democratic
institutions

6

Commitment to
democratic
institutions

6

parliament. At the anniversary of the peace agreement he accused FRELIMO of violating the peace agreement and has continuously called for strikes and mass action against the government. It is doubtful that Dhlakama could translate this rhetoric into real political action, and most observers do not take his statements seriously.

FRELIMO, on the other hand, pursues a political rhetoric that is based on the liberation struggle, and thus delegitimizes opposition and dissent. The party statutes still state that FRELIMO is the party of the people, and suggest party supremacy over the political institutions. While both parties pursue such rhetoric, in the day-to-day politics they do cooperate with political institutions.

However, the government and other political parties have lost a lot of credibility among the general public. Following the September 2010 bread riots, FRELIMO politicians acknowledged the lack of dialogue between the government and the people, although there were no practical consequences to this admission. There is a danger that this behavior will damage the acceptance of the political institutions.

5 | Political and Social Integration

The Mozambican party system was a de facto two-party system until 2009, albeit with the ongoing and increasing dominance of FRELIMO. While more than 30 parties existed, only FRELIMO and the opposition RENAMO played a significant political role. In 2010 the newly founded MDM, a breakaway group of RENAMO, mobilized considerable political support and even won eight parliamentary mandates despite being partially excluded from the elections. Whether the emergence of the MDM will result in the evolution of a multiparty system is yet unclear. The main political cleavage in Mozambique (urban/rural) and the political polarization between FRELIMO and RENAMO that has been inherited from the civil war suggest instead a continuation of the two-party system.

The stability of FRELIMO's dominance is mainly a consequence of its history and legitimacy as the liberation movement that brought about independence. Although FRELIMO claims to have an impressive membership of 2.7 million, its historical legitimacy is decreasing due to generational change. However, the political opposition is weak and can hardly be viewed as a viable political alternative. Since FRELIMO obtained a constitutional majority in the 2009 elections, fears have been voiced by the opposition and some civil society groups that Mozambique might return to being a de facto one-party state. Such speculations, however, mainly reflect people's feelings towards FRELIMO's growing presence in day-to-day life, and not the actual expectation of a de jure constitutional change.

Party system
5

The close overlap between FRELIMO and the state allows for a system of patronage rather than political competition, and the activities of other political parties mainly involve mobilization and electoral campaigning. This does not allow for any political participation that would lead to a clear aggregation of interests.

Mozambique lacks strong intermediaries between the political system and society. In the light of the lack of aggregation of interest by political parties, this leads to serious challenges for the political development of the country. During the 2008 and 2010 riots, no CSOs, trade unions or even religious organizations played the role of an intermediary or could possibly have channeled into the political system the frustrations and interests of the demonstrators.

The history of many organizations as party-aligned bloc organizations makes it difficult for them to work within a pluralistic framework. The main trade union federation, Organização dos Trabalhadores de Moçambique – Central Sindical (OTM-CS), and the smaller federation, the Confederação Nacional dos Sindicatos Independentes e Livres de Moçambique (CONSILMO) are organizationally weak. Despite a significant increase in the cost of living, OTM-CS has chosen not to confront the government in public, and the public credibility of the trade union movement is low. The main religious associations (churches, Islamic council) and the trade unions are the only organizations with a country-wide social base and capacity to organize. In the public sector, which is the largest formal employment sector, a public sector union exists, but has not been recognized by the Mozambican government.

The foundation of a new cooperative umbrella organization, Mozambican Association of the Promotion of Modern Cooperativism (AMPCM) and the adoption of a new cooperative law in August 2009 have been interesting developments. After the traditional FRELIMO-aligned cooperative federation largely collapsed, an independent movement of market-oriented cooperatives has been initiated.

In terms of business interest, the confederation of business associations (CTA) is mainly viewed as a FRELIMO-aligned interest group. However, this does not prevent the CTA from expressing viewpoints independent of government policies. For instance after the Bank of Mozambique increased the interest rates and mandatory currency reserves for commercial banks in January 2011, the CTA criticized the decisions as harmful to investment in Mozambique.

According to the 2008 Mozambican barometer, 59% of the respondents regard democracy as the preferred system, with virtually no difference between urban and rural areas. More than 70% agree that the country's leaders should be chosen through regular free and fair elections. While 29% say it is unnecessary to have several parties, 57% prefer a multiparty system. A modest majority of

Interest groups
4

Approval of
democracy
7

Mozambicans that believe in democracy. Around half of the Mozambicans seem to perceive the democratic process as important: 48% say that the president should explain regularly to parliament how he spends the taxpayers' money, but 29% do not regard this as important or important at all. Along the same lines, 49% underline the role of parliament in legislation, while 25% are happy to entrust legislation to the presidency, and 30% see the need to bind the president by laws and court decisions. Meanwhile, 48% of respondents agree or agree strongly that the president has to be bound by laws and court decisions.

While there is no big difference between rural and urban respondents in citizen's approval for democracy per se, there is a difference in approval of actual democratic performance. Here, rural respondents are happier with the results (31%) than are urban respondents (14%). As a variety of reports suggest that state and party interference with basic freedoms and free political participation is more common in the rural areas, these figures can only be understood in the context of general political awareness and different expectations of democracy. Besides this urban/rural cleavage, 46% of Mozambicans are very or fairly satisfied with democracy in the country as such, and 41% are not or not very satisfied. Moreover, the trust in the president (65%) and the parliament (56%) runs very high, and while 64% trust the ruling party, only 12% trust the opposition. Despite all the criticism of bad governance and corruption in government, the public perception of the government has been relatively unharmed.

There is some indication that the given data by the Afrobarometer is too positive for one reason or another. For instance, the electoral turnout at the 2004 elections fell to 36%, which is most probably an indicator of a growing distance between the electorate and the political system as such. Although electoral turnout was up to 45% in 2009, this figure is still much lower than that suggested by Afrobarometer. Independent Mozambican analysts suggest that more and more people are disappointed by the government, and point to the low electoral turnout as a proof.

While Mozambicans have a strong self-perception in terms of ethnicity, ethnicity does not play a strong role in political mobilization. Moreover, a relative majority of the people (around 30%, according to Afrobarometer) does not perceive ethnicity as a reason for being treated better or worse than others, and does not think ethnicity contradicts self-perception as being Mozambican. The main reference group of trust is the family.

People are socially active, and 51% of the respondents regularly attend community meetings. Even more importantly, 48% claim to be an active member of a religious group. Again the religious factor is not significantly politicized, which suggests Mozambicans draw social capital from solidarity groups that are separated from the state. The huge number of small savings groups supports the same general picture.

There are no studies or opinion polls available concerning any value change that might be brought about by the new urban middle class, which seems to be very materialistic.

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

Mozambique's socioeconomic development has made only slow progress. In the 2010 HDI the country rates only 165 out of 169, leaving only Burundi, Niger, DRC and Zimbabwe behind. Despite many years of stable macroeconomic growth, the country did not significantly improve the living conditions of the majority of its people. The life expectancy of 48 years is below the sub-Saharan average of 52 years, and literacy runs at 44% (sub-Saharan 62%). While the recent household survey conducted by the Mozambican government (JOFF) and published in October 2010 suggests that there has been real progress in access to health and education, the overall poverty rate has not improved, and has even worsened slightly. While the overall poverty rate stood at 54.3% in 2003, the figure for 2010 is 54.7%. Regional differences in these figures are significant. The 2010 figures are the first proper poverty figures since 2003, and despite serious doubts about methods, it is obvious that urban poverty in particular has increased, hand in hand with urbanization.

Socioeconomic
barriers

3

While Mozambican society is inclusive in the sense that it does not particularly exclude certain social, religious or ethnic groups, there is still an imbalance between the richer south of the country and the center and north.

The key challenge is the cleavage between poor and rich (Gini 47.1 in 2003): The political elite is getting visibly richer because of its involvement in public and private enterprises, and with the aid industry. At the same time the cost of living has increased tremendously. While average inflation was at 1.7% in 2010, the inflation of basic food products reached 25% in September 2010.

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	8030.0	9891.3	9788.0	9586.2
GDP growth	%	7.3	6.8	6.4	7.2
Inflation (CPI)	%	8.2	10.3	3.3	12.7
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	5.3	6.0	9.0	8.2
Export growth	%	15.9	0.5	2.4	2.2
Import growth	%	12.8	2.8	14.0	1.7
Current account balance	\$ mn.	-785.3	-1179.4	-1220.1	-1113.3
Public debt	% of GDP	41.9	34.4	28.6	32.0
External debt	\$ mn.	2907.6	3392.5	4045.7	4123.8
Total debt service	\$ mn.	28.1	37.3	43.3	89.8
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	11.8	12.1	13.1	12.2
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	4.8	4.7	5.7	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.8	0.8	0.9	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

7 | Organization of the Market and Competition

Since the late 1980s, Mozambique has transformed its economy from a socialist to a free market economy. While the necessary legislation and regulations (labor law, tax law, and investment code) are generally in place, market-based competition is exposed to a variety of constraints. First and foremost, the formal economy sector is small. Out of a labor force of approximately 10 million, 500,000 persons work in the formal sector. A variety of prices of products and services are regulated by the government, especially the prices for bread and all basic food items, fuel,

Market-based
competition

5

electricity, water and transport. The Mozambican government is subsidizing the fuel price (a consequence of riots in February 2008) and the bread price (as a consequence of the bread riots 2010) in the face of severe criticism from international financial institutions. The main limitations to market-based competition are not state-controlled prices, but unequal conditions for SMEs and large enterprises. Megaprojects like the Mozal aluminum smelter are largely exempted from taxation, while SMEs are not.

A major point of criticism is the involvement of the ruling party and certain families of the elite in public and private business. There are constraints on investment because in many cases the FRELIMO party's holding company SPI or FRELIMO politicians push for their involvement in new investment projects. Many public tender processes are severely flawed because of this conflict of interest. One example is the cell phone market: While the largest company M-Cel belongs to the state, the president is the main shareholder in the second company, Vodacom. The tender for the third company on the market has been won by MoviTel, 30% of which belongs to the FRELIMO party's SPI holding company.

The government has announced plans to join the Extractive Industries Transparency Initiative (EITI), and its full membership has to be endorsed by April 2011. The EITI is linked to the selling of timber, future production of oil/gas and the growing mining sector, and might support market mechanisms through availability of information.

Mozambique does not have anti-monopoly legislation or specific regulations. In the course of privatization, the government pursued a policy of opening the market to a limited number of competitors for certain services (e.g., cell-phone communications or import of fuel). Other industries, especially water, electricity and land-based telecommunication remain entirely state-owned. The consequence of limited privatization is not genuine competition, but a market that favors either government-owned enterprises, certain large foreign investors (mining, sugar, tobacco) or appears to create a cartel-like arrangement (e.g., fuel import). As the prices of many products are government regulated and at the same time subsidized, involvement in this sector is obviously lucrative. As many companies have members of the government or ruling party as shareholders, this limits competition when it comes to tender processes.

Mozambique is a member of the WTO. The last WTO policy review in 2009 states that import tariffs have been reduced twice to a maximum of 20%. Agricultural products are more protected than other products by tariffs. Within the Southern African Development Community (SADC) free-trade zone, a variety of products have been exempted from customs (according to the SADC regulation up to 85% of the products), yet this has only had a limited impact on prices in Mozambique. Following the bread riots of September 2010, Mozambique introduced a variety of

Anti-monopoly
policy

3

Liberalization of
foreign trade

6

regulations to ensure supply of basic food commodities – for instance, a reduction of special tariffs on sugar. For many luxury products like cars (depending on type), the import tariffs added to Mozambican taxes lead to extraordinary high prices on the Mozambican market.

Mozambique benefits from a variety of preferred trade agreements for its exports, especially with the US, but also with the European Union. Mozambique has signed an Interim Economic Partnership Agreement with the EU, although it had already benefitted from preferred trade arrangements as an LDC.

Any bank or financial institution in Mozambique has to register with the Bank of Mozambique. The Bank of Mozambique has an oversight function and independently revises the framework for commercial banking. Mozambique is a contract party to Basel II.

Banking system

6

There are international banks from South Africa and Portugal, which are strong in the market, as well as national banks with a heavy state involvement. However the overall banking sector is not very interdependent with global financial developments. Therefore the impact of the global financial crisis on banking was limited. As FDI fell due to the global crisis, the Bank of Mozambique lowered the minimum reserve requirements for commercial banks in 2009 and provided additional credit based on its currency reserves. In January 2011 – linked to other measures to fight the high inflation – it reversed this decision and the mandatory reserve rate increased to 9% again.

During 2010, the run for the microcredit sector continued. Several international institutions are interested in joining the market for microcredit supply. Until now, however, many rural areas of Mozambique have not had sufficient access to credit.

8 | Currency and Price Stability

The currency market lacks transparency, although it is regulated by the Bank of Mozambique. The metical has lost around 30% to the dollar in 2010; the timing of the adoption of the exchange rate was presumably a political decision. The devaluation of the metical had been expected for several months, but was most likely delayed because of the election in October 2010. Moreover, rumor has it that the market for hard currencies is very speculative, and the exchange rate of commercial banks and private foreign exchange companies differs by several points.

Anti-inflation /
forex policy

7

While Mozambique pursues policy goals of macroeconomic growth, stability and second-generation economic reforms (conditions for investment, control deficit spending, flexible labor market), political necessities and sheer public pressure have at times demanded a deviation from this path. The decisions to subsidize the fuel

price (since 2008) and the bread price (since 2010) have had a negative impact on the deficit spending. More dramatic were the consequences of the measures to counter the impact of the global financial crisis. Inflation sharply increased in 2010 when the domestic credit market was enlarged by lowering the minimum reserve requirements, money circulation was increased and the exchange rate kept artificially high. While inflation was down to 1.5% in December 2009, it went up to 17% in September 2010 (on food items it rose 25%) and settled at an annual average of 12.7% for 2010. The necessary devaluation of the metical against the dollar by 30% and the South African rand by 40% led to a price explosion, because the country is highly dependent on food imports. In order not to lose sight of the macroeconomic policy goals, the central bank increased interest rates in January 2011 and reduced the money supply for the market.

Events show that while Mozambique has clear macroeconomic strategies in line with the suggestions and demands of the international financial institutions, the actual space for decision-making is limited at times of externally induced crises or sheer public pressure. The IMF, however, has lauded the performance of the government and central bank decision-making.

The Mozambican government pursues a policy of macroeconomic growth and stability. With the support of international donors it aims to cut deficit spending, increase favorable investment conditions, and generate macroeconomic growth. But Mozambique's dependency on international aid is high. Of the 2011 budget, only 55.4% is covered by projected revenue leaving 44.6% to be covered by aid/grants. This is a considerable improvement on the 2010 budget, in which only 48.6% of planned expenditure was covered by projected revenue. The overall fiscal deficit is expected to rise in 2011 to 7% GDP, although the primary domestic fiscal deficit might fall from 4.1% in 2010 to 3.3% for 2011 (IMF). Moreover, the central bank is supposed to take ongoing measures to stabilize inflation and increase money reserves which were, at the end of 2010, sufficient to cover 4.4 months of imports.

The Mozambican government has yet to explain how it wants to proceed with the temporary subsidies for bread production and the subsidies for fuel. To achieve fiscal stability and lower deficit, such subsidies would have to be ended. In the light of the bread riots of September 2010, however, a debate on social security has begun in Mozambique. Apparently the economic strategy pursued by the government has not had the desired impact on the main developmental goals.

Even the international financial institutions have by now acknowledged that the ongoing growth over the last decade was largely due to megaprojects like the Mozal aluminum smelter. Such projects have tax exemptions and neither contribute to the

revenue nor have a significant effect on the labor market. It has by now become obvious that the growth and stability paradigm has not led to a trickle-down effect or a significant positive impact of the other economic sectors.

9 | Private Property

Property rights in Mozambique are legally guaranteed (i.e., the acquisition, usage and sale of property is according to ordinary contract law). However, all land belongs to the state and cannot be owned on a private basis. The land law, which is inherited from the era of socialism, could in many respects be an example for other countries in the region as it avoids the type of land conflicts that exist in the neighboring countries. However, access to land is unequal and not transparent. The elite are acquiring land rights as speculative objects, while land, particularly in the urban areas, might be a basis for fighting urban poverty.

Property rights
5

Mozambique permits and protects private companies. Although the registration of companies can be time consuming, the number of private companies is steadily increasing. There is little competition in strategic business sectors. The state has a monopoly on water and electricity supply. In the formal transport sector, the state runs most buses, the Mozambican railways and many more companies. The rumors that the ruling party has to be a shareholder of any national/foreign investment project are not true. However, there are examples of investment projects that involve FRELIMO party leaders as shareholders. Moreover, when it comes to privatization or opening the market to new competitors, as in the case of the third cell phone company MoviTel in 2010, the tender process is apparently biased due to involvement of the ruling party and other political considerations.

Private enterprise
5

10 | Welfare Regime

The Mozambican state provides for certain social security mechanisms. As more than 50% of the population live in poverty, these mechanisms are obviously limited. The state pension fund provided by the National Social Security Institute (INSS) covers the formal sector of the economy. This public pension fund has a formula that is based on years of service, years of contribution to INSS and actual salary. However, due to the minimum number of years of service required to receive the pension, the first INSS pensioners have only just begun to draw their payments. The INSS has been affected by variety of corruption cases that will undermine the entire system if they are inadequately addressed. The capital base of INSS may also be insufficient, if the Mozambican workforce in the formal sector cannot be increased.

Social safety nets
4

For poor and disadvantaged social groups (e.g., pensioners or disabled persons) the government has introduced a “social action program,” which helps to meet the

concerns of those groups on a practical level and is in charge of organizing benefits like free public transport (for pensioners). In case of unemployment and lack of any other income, the state provides for a minimum rent of MZN 100 per month per person. This amount is virtually nothing compared to the minimum living cost in Mozambique.

Traditional safety nets exist, particularly those based on the family. However, traditional safety nets can by no means fulfill the role of the INSS or other state sponsored social support. Without safety nets provided by families there would be little support for the victims and survivors of the dramatic HIV/AIDS rates in Mozambique.

Mozambican society is based on values and norms linked to different traditions that have differing impacts on the equality of opportunity. Traditional norms tend to disadvantage women in terms of family rights, while norms inherited from the socialist period have a more progressive orientation. While the family law gives women more power than traditional norms and while more recent legislation like the 2008 law against domestic violence clearly protects women, the societal reality is very different. Much more awareness raising is needed to improve school access for girls, and moreover, to protect them from sexual abuse at school.

Equal opportunity

4

Ethnicity has no bearing in terms of access to opportunity. The main factor that determines access to opportunity is birth in a certain social strata, which often correlates to an urban or rural background. The social gap between the well-to-do and the majority of people is sizeable, and largely determines access to school, health and further opportunities.

11 | Economic Performance

The economic performance of Mozambique is contradictory. The country's economic growth is stronger than the sub-Saharan average at 7.2% (estimate for 2010) against 6.4% in 2009. On the other hand, the country remains at the lower end of the HDI (2010) at position 165 out of 169. In terms of GNP growth, all economic sectors have shown growth during 2010. Megaprojects like the Mozal aluminum smelter could regain stability as global prices have recovered. However, growth and stability have made little impact on the labor market.

Output strength

5

In the light of the country's dependency on imports of basic food items, high prices for food are worrying, as is the low level of currency transfers into Mozambique. Both factors have led to a pronounced negative trade balance and balance of accounts. The decreasing level of currency transfers is a consequence of the global financial crisis and has led to the Bank of Mozambique following a relaxed currency policy, as well as a lowering of the minimum reserve requirements for

commercial banks during 2010. These developments and a devaluation of the metical had very immediate consequences on the cost of living and inflation.

12 | Sustainability

Mozambique ranks 112 out of 163 in the Environmental Performance Index, which indicates many environmental challenges in environmental health, environmental management, biodiversity and resource management. In some urban areas, particularly in Maputo, Mozambique has a modern waste management system. However, despite a clear political objective, many people still do not have adequate access to drinking water. With international support Mozambique has started several projects relating to climate change and its impact in coastal areas.

Environmental
policy
4

The sustainable management of natural resources is a major challenge. The natural stock of certain types of fish has been drastically diminished due to overfishing. The legal and illegal sale of timber leads to a large-scale deforestation. The legal regulation of the use of natural resources has improved, but unfortunately, due to large-scale corruption and the involvement of senior political leaders in the logging industry, there is little practical improvement. Incidents like the confiscation of a shipload of illegal timber in Pemba harbor in December 2010 are exceptions, and not signs of substantial progress.

In order to achieve progressive environmental protection and management, Mozambique needs a sustainable approach to land tenure which takes into account environmental damage as well as land use as a basis of poverty reduction. Again, land distribution is not sufficiently regulated and is a target for corrupt practices.

Civil society groups are the driving force behind a growing environmental awareness. This is especially the case in relation to the negative environmental impact of the Mozal aluminum smelter project and in relation to the exploitation of natural resources.

According to the Third National Poverty Assessment which was published in October 2010, the net enrollment rate at primary school went up from 66.8% in 2002/2003 to 76.5% in 2008/2009, while enrollment at secondary level rose from 8.2% to 22% of the school-age population. These are very positive figures demonstrating impressive progress. However, the literacy rate is still low at 44%. Further to the concern that the quality of education is low, pupils are exposed to overcrowded schools, teaching in shifts, and corrupt practices. Corruption goes hand in hand with sexual harassment in many cases.

Education policy /
R&D
4

While there have been improvements in terms of access to tertiary education, the quality of education is in crisis. A reform of the curriculum in 2009/2010 caused many complications; moreover, the involvement of the ruling party in appointments

at the Eduardo Mondlane University as well as the Pedagogic University has been obvious. Challenges include the low educational level of students at university entrance, quality of curriculum, and the skills of staff.

Transformation Management

I. Level of Difficulty

Mozambique is a poor country, with 54.7% of its people living in poverty. This places severe constraints on decision-making. The high poverty rate is due to the structure of the economy, which has been shaped by a high level of vulnerable subsistence farming, colonial history, mismanagement and lack of strategic policy interventions, and an unbalanced economic policy following the privatization process from 1987 onwards. Furthermore, other socioeconomic factors like lack of access to education impact on the skills of the workforce.

Structural
constraints

7

The HIV/AIDS pandemic affects the population greatly. In 2010, the rate of infection is estimated to be 11.5%, distributed amongst 13.1% of female and 9.2% of male adults aged 15–49. An estimated 5.7 million people are affected, according to government figures. The gender imbalance in the HIV/AIDS rate is a serious problem for balanced socioeconomic development.

Economic policy is of course constrained because most of the labor force work in the informal sector, which is, despite attempts to formalize it, difficult to regulate. There has been little success in enlarging formal employment or improving conditions in traditional agriculture. The government's dependency on donors leaves it little choice in shaping its own policies. Approximately 45% of the 2011 budget will be externally financed, and any strategic policy, like the Action Plan for the Reduction of Poverty (PARP) has to be negotiated with international donors.

The ongoing external dependency and growing social problems, especially urban poverty, point to a growing tightening of structural constraints on Mozambican development.

There are only few independent CSOs. Many of the over 800 registered NGOs are directly or indirectly related to the ruling party FRELIMO. The number of CSOs has increased due to external incentives, for instance as a consequence of the Cotonou Treaty and its support to civil society activity. In urban areas in particular,

Civil society
traditions

7

NGOs suffer from the same structural deficits as the government: rent-seeking behavior and corruption. The number of NGOs in Maputo and other cities is much higher than in rural areas.

The civic culture is weak, not only with regards to political involvement, but also involvement with the authorities in everyday life. There are many neighborhood organizations, but people seldom engage with the authorities, for instance in school councils. The majority of Mozambicans are involved in chiefly apolitical religious activities.

With 150,000 members, the trade unions are the largest CSOs. However the trade union movement is divided into two separate umbrella organizations and independent unions. Parts of the trade union movement have not yet found their role in a pluralist political system. They still lack political autonomy as most are traditionally aligned to FRELIMO. Moreover, the main trade union federation OTM-CS has not yet developed strategies to cope with the ideological and policy shift of FRELIMO from a socialist movement to liberal market party.

One of the reasons for Mozambique's political stability is the fact the religious and ethnic differences are not politicized. While ethnic differences do play a role in different local political contexts, they are not being politically exploited at a national level. Religious differences in Mozambique are part and parcel of normal daily life and not a reason for political conflict.

Conflict intensity
4

Social conflicts based on deteriorating living conditions, particularly in urban areas, have been a source of violent conflicts in 2008 and 2010. On 5 February 2008 the increase of the price of transportation, following on from increased basic food prices, triggered riots in Maputo and other cities. On 1 and 2 September 2010 protests escalated once more to full-scale riots after the Mozambican government had increased the bread, electricity and water price simultaneously. In both cases, many young people were involved in the protests. One widespread interpretation of the conflicts suggests that they were not only about the cost of living, but also disappointment at the FRELIMO government and its political style.

There is a clear dividing line between RENAMO and FRELIMO supporters. In daily life RENAMO supporters rarely present themselves as such, fearing isolation. For instance, in school classes it is quite normal for a pupil to wear a FRELIMO t-shirt but it would be considered bizarre to wear a RENAMO t-shirt. Most RENAMO followers view themselves as being under siege so rarely display their identity. Nevertheless, with the exception of the electoral periods, relations are cordial and there is neither verbal nor physical confrontation.

II. Management Performance

14 | Steering Capability

Question
Score

The Mozambican government generally pursues strategies in favor of democracy and a market economy. Its free-market policies and efforts at macroeconomic stability conform with the advice of international financial institutions.

Prioritization
6

Inside the Mozambican government, however, different mechanisms are in place for the formulation of strategic policy objectives. The new government's key policy document was its Five Year Plan, which was initiated by the political commission of FRELIMO, presented to parliament and then adopted by that body in April 2010. The Five Year Plan is a general outline of areas of intervention for the government, rather than an actual strategy document. In line with the budget proposal, the government has also prepared the Economic and Social Plan (ESP), which is more specific in terms of social and economic policy measures and was adopted by parliament in December 2010. While the Five Year Plan originates in FRELIMO and is presented as a document of the executive, the responsibility for the ESP lies with the ministry of finance in collaboration with the ministry of planning and development.

From a donor perspective the most important strategy document is the PARP, which is elaborated in collaboration with the international donor group G19 and constitutes the basis for the release of international funds to Mozambique. PARP will be the strategic framework for the government and international donors for the period from 2011 to 2014. For a variety of reasons, the finalization of PARP had to be delayed several times and is now scheduled for March 2011. While the government's Five Year Plan is supposed to provide the basis for PARP, in practice these documents do not relate to each other operationally.

The challenges arising from this multitude of strategic documents are not only caused by their contents; it is also unclear how the institutions which are responsible for them interact. While international donors work together mainly with the ministry of planning and development and the Ministry for Foreign Affairs and Cooperation (MINEC) and are influential in shaping the PARP, the most influential institution on the Mozambican side appears to be the ministry of finance. The political discourse inside FRELIMO and in Mozambique's public institutions is centered on the Five Year Plan.

The Mozambican government is committed to further progress in good governance, including the political and administrative decentralization process, the strengthening of political institutions (parliament) and the rule of law. This is reflected in PARP and partially covered by the Five Year Plan. The desired process is very slow, however, as FRELIMO's interests and those of the political elite often run counter to the strengthening of democratic institutions. The government has the capacity to pursue strategic initiatives in line with its understanding of democracy, but this capacity is mostly centered on the presidency, which undermines the strengthening of other democratic institutions. Given that several members of the FRELIMO political commission are presidents of crucial parliamentary committees, they are in a position to advance democratic standards and strengthen parliament institutionally. Since 2009, a variety of international donor countries have claimed that progress in good governance is simply too slow (i.e., that set policies are not being implemented).

The main strategic policy objectives of the Mozambican government, as jointly defined in the PARP with the donors, are the increase of agricultural production and productivity, the creation of jobs, and progress in human and social development. Furthermore, the macroeconomy and governance are named as two strategic areas of intervention. Although progress has been achieved in all those areas, this progress is well below national and international expectations. Nevertheless, the Governance Action Plan (GAP) that was subsequently agreed upon by donors and the Mozambican government has been implemented to a large extent.

In terms of macroeconomic growth and stability, the country has been progressing well and continuously, however, the impact on job growth has been limited, and agriculture is not a main contributor to growth. This means that the lack of achievement is not just a question of capacity and effectiveness, but also of the right policy priorities and developmental strategies, and ultimately the sheer difficulty of achieving the desired objectives with any policy strategy.

The government lacks clarity of strategy to increase agricultural productivity and the ministry of agriculture, a huge administrative apparatus, is known to be very inefficient. Although it receives enormous funds, its policy output is minimal. A Green Revolution has been announced, but the public is left in the dark as to what this might mean. Besides general administrative inefficiency, the conflicts of interest that exist between the personal interests of officials and policy priorities leads to corruption, non-transparent tender processes and a lack of policy implementation. Progress in social development has significant in terms of access to health care and education. It is true that it is easier for the education and health ministries to achieve their objectives by the provision of infrastructure (schools, health stations), but these ministries are also apparently more efficient than the ministry of agriculture.

Implementation
6

Overall, problems arise from a mixture of lack of capacities and corrupt practices that are caused by the close overlap between party, state and government. The 2009 APRM report identifies this overlap as the main obstacle to the fight against corruption.

On a smaller scale, however, the government has announced a variety of measures that were highly unlikely to be implemented from the very beginning. For instance, the introduction of a compulsory vehicle inspection could not be implemented, because the inspection stations could not be built in time. Similarly, it was completely impossible to attain the change of vehicle number plates and the personal registration of cell phones in the given timeline. The increase of the bread, water and electricity prices had to be reversed. While some of these examples appear to be less significant for the attainment of key policy objectives, they have seriously damaged public confidence in the government.

The Mozambican government ability to respond to donor priorities is high, as the release of international fund depends on their flexibility. For instance, the government granted the new opposition party MDM as a parliamentary group (even though they fall three short of the necessary 11 members of parliament), which is a direct response to donor demand (according to public statements by FRELIMO members of parliament). The government's true openness to innovative ideas is limited. This is mainly due to the limited space for genuine debate inside FRELIMO. Decision-making inside FRELIMO is increasingly top-down, and dissent or critical remarks are unwelcome. As a consequence, any genuine debate about policy is constrained inside party and government.

Policy learning
4

Following the bread riots in September 2010 and the disappointing results of the poverty survey published in October 2010, the executive has shown initiative in identifying new developmental strategies and ideas at cabinet level, as well as in the ministry of planning and development. During the last three months of 2010, independent national and international experts were invited to ministry and cabinet meetings at the government's initiative and expense, independently from donor initiatives.

At local government level and in linked institutions like the forum of mayors, there is an increasing openness to new ideas for financing development, urban planning and administrative reform. Although the political space at local government level is clearly limited because of administrative centralism, it is sufficient to introduce new ideas.

15 | Resource Efficiency

As Mozambique is a recipient of international budget aid, there has been strong international pressure and assistance to strengthen domestic accountability mechanisms. As a consequence the institutional capacities of the administrative court (equivalent to a public audit chamber) have been strengthened, as have the capacities of the parliamentary committee on budget and planning. The fact that the president of the administrative court is appointed by the president of the republic limits its independence. Furthermore, parliamentary control of the budget is constrained because of the ruling party's huge majority in parliament. However, even anti-corruption experts state that the transparency of the budget and the budget debate in parliament have improved. A particular weakness exists in the control of public enterprises, precisely the area where many government officials and their families are involved.

Efficient use of
assets

4

In terms of efficient budget spending, the state subsidies for fuel, public transport and flour (bread) have been internationally criticized, especially as almost half of the budget is financed by external donors. However, the subsidies have been approved as temporary measures by donors, because of the sheer public pressure to lower the prices. Even the IMF has begun to talk about the necessity of improving measures for social security in Mozambique.

Considerable effort has been made in the improvement of the tax administration. As a consequence, national tax revenue has increased, although many businesses and economic activities remain untaxed, particularly in provincial cities, but also in the capital. This is related to the fact that the government decentralization program that is being pursued with international assistance is slow and probably suffers from lack of political willingness on the side of the central government.

At government level, the nature of policy coordination is centralistic. It is obvious that different political networks and bases of power exist, for instance the ministry of finance and the ministry of planning and development. Those differences are politically mediated, yet actual policy coordination is limited.

Policy
coordination

6

Because of the sheer complexity of the coordination between government and international donors in more than a dozen joint working groups, donor-government coordination reaches the limits of the government's capacities, and probably impact negatively on coordination among governmental institutions.

The Mozambican government has adopted an anti-corruption strategy and declared it to be a political priority, however, actual developments are contradictory. In some major corruption cases officials have been sentenced harshly. Diodino Cambaza, the former director of Aeroportos de Moçambique (Airports of Mozambique), was

Anti-corruption
policy

3

sentenced to 22 years imprisonment in February 2010 and the former Minister of Transport, Antonio Munguambe, to 20 years. The former Minister of the Interior, Almerino Manhenje, was released on bail the same month. However, the state attorney declared in April that none of the Mozambicans involved in the most famous corruption case, the insolvency of the Banco Austral, will be tried. It appears that the pursuit of corruption cases is selective and based on political priorities.

In terms of regulations and policies, progress has been achieved, for instance through Mozambican participation in the EITI. However, there is still no access to information legislation. Although the capacities of audit institutions like the administrative court have been strengthened, actual practices in public procurement are at best obscure.

The use of state resources for electoral campaigning (i.e., indirect party funding) has been widely criticized. The involvement of the ruling party in many investment projects and businesses is also not transparent. Moreover, it is barely possible to debate the regulation for party funding in official institutions like parliament or universities.

16 | Consensus-Building

There is a consensus on the principles of a market economy in Mozambique within FRELIMO and between FRELIMO and the opposition parties RENAMO and MDM. All the party elites benefit from the market economy and are involved in private or public business activities. The constraints experienced by the market economy are not caused by differing programmatic ideas among the political actors, but rather by the very involvement of political elites in business, which limits competition.

While all parties also agree on the principles of democracy, the rhetoric of the ruling party still refers to the one-party state logic (“The party of the people”), while the RENAMO leader Afonso Dhlakama regularly uses rather bellicose discourse. However, as there has been no alternation in power since the introduction of the pluralistic constitution in 1990, doubts remain over whether the ruling party would be prepared to hand over governance to other parties. The partial exclusion of the opposition MDM during the 2009 elections suggests that FRELIMO is prepared to compromise some democratic principles.

It is still unclear who will be the future drivers of change for political progress and reform in Mozambique. So far, key political reforms like the constitutional reform scheduled for 2011 have been led by FRELIMO within the framework of party discipline. It is obvious that within FRELIMO and within the new opposition there

Consensus on goals

6

Anti-democratic actors

5

are actors who strongly criticize the ruling party elite's program of personal enrichment. The scope of their activities is obviously limited by the sheer economic power of those criticized and by the political climate inside FRELIMO, which is not conducive to debate. Moreover, critics of the current leadership are not organized as a political platform. It is also unclear who, in terms of social groups, would actually support a genuine political reform process, because despite all criticism the popularity of FRELIMO is high, and it retains its ability to distribute resources and offices to help sustain its own power bases.

The main political cleavage in Mozambique is between the urban and rural communities, and to some extent modern/secular philosophies versus traditional religious beliefs. Learning from the civil war, FRELIMO has deliberately broadened its support among traditional local leaders and chosen a very pragmatic approach to religion. It has become much more difficult to mobilize along those lines against the ruling party.

Cleavage /
conflict
management

6

However, the political leadership has no strategy for dealing with the young urban elite. Young educated people have difficulty finding adequate employment and not attracted by FRELIMO's claim that its origins as a liberation movement give it historical legitimacy. Moreover, FRELIMO's political style is not merit-based and tends to further alienate these young people. Another social group, the urban underclass, is disillusioned by the lack of improvement in living conditions, as could be seen in the riots of September 2010. It will be extremely difficult for FRELIMO to moderate conflict with both the young urban elite and the urban underclass. The party system in Mozambique does not reflect these cleavages very clearly, as the opposition is also politically weak. The newly emerged MDM has attracted support from young urban elite, but has not yet met its expectations.

The degree of civil society participation in Mozambican politics is limited. Many of those involved in CSOs are also members of FRELIMO. However, there are a variety of platforms for civil society grouped around questions of development and poverty reduction. In this context, civil society groups have successfully introduced new dimensions to the policy process for government consideration. Moreover, they are involved in monitoring processes which urge the government to respond effectively to civil society demands – for example, improved transparency in policy implementation.

Civil society
participation

5

FRELIMO allows for civil society participation and limits its independence at the same time by being directly or indirectly linked to the majority of registered NGOs. Independent civil society or media involved in advocacy activities are largely viewed with suspicion, as their activity contradicts the tradition of mass-based

CSOs aligned to the ruling party. These independent CSOs do exist (the Organization of Mozambican Youth, Organization of Women etc.), but play very minor political roles.

The trade union movement is accepted in social dialogue and minimum wage negotiations, but not taken very seriously due to its lack of capacities. The main trade union federation OTM-CS is in any case very close to the ruling party. In areas where trade union interests conflict with those of the government, for instance in the public service, the FRELIMO leadership more or less openly opposes trade union activity. The existing public service union has not been formally recognized by government, and the introduction of a new salary scheme for public service has been introduced without trade union consultation, although this is against international labor conventions.

Reconciliation is not on the current political agenda of Mozambique. Since the end of the civil war in 1994 there have been a variety of community-based reconciliation activities. These are generally viewed as successful, as though reconciliation has been achieved. However, on a national level, there has been no national truth commission or similar institution, and the history of the civil war has not yet been researched by historians. The public discourse is dominated FRELIMO's efforts to use its history as a "party of liberation" for political mobilization.

Reconciliation
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17 | International Cooperation

The Mozambican government develops and pursues its poverty reduction strategy and action plan (PARP) jointly with its international Programme Aid Partners. Agreement on the next PARP (2011 – 2014) is scheduled to be finalized in March 2011. Mozambique's cooperation with its international partners follows principles inspired by the Paris Declaration on Aid Effectiveness and the Accra Plan for Action. Donors and government coordinate on different sectors of development in joint working groups, and an annual progress review is being conducted. The results of these reviews and the government report on progress in poverty reduction give a clear picture of the outcome. For instance, there has been measurable progress in education and health sectors. There are great concerns, however, about lack of progress in the governance sector as well as abuse of international funds due to lack of accountability and widespread corruption. These concerns are particularly important, as the Mozambican government receives significant amounts of donor funds as free budget aid.

Effective use of
support
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There is great concern among donors and the Mozambican government that the existing system of cooperation is too complex to work efficiently and that the Mozambican government can at times not cope with the multitude of working

groups and international partners' initiatives. Furthermore, there are worries that the absorption capacity of public institutions in Mozambique is not high enough to efficiently use most of the international funding. The sheer amount of international funding certainly provokes corrupt practices and rent-seeking behavior by the political elite as well as Mozambican development partners, who are effectively provided with an aid-rent. The widespread corruption in public institutions and lack of efficient accountability mechanisms support this behavior. However, although donor- and rent-orientation certainly exists both in Mozambican government and civil society, this picture has to be qualified. Overall national budget accountability has improved, which makes the abuse of donor funds more difficult. But in public enterprises and international investments in Mozambique (including development projects in the private sector) there are many opportunities for abuse of funds by the closely overlapping political and economic elite.

The relationship between the Mozambican government and the international community is generally reliable, but has recently undergone some disturbances. Following the decisions to introduce a market economy and a pluralist constitution, Mozambique gained considerable trust from the international community. Success in poverty reduction and continued macroeconomic growth over the last 20 years made Mozambique a model of international development cooperation. However, under the rule of President Armando Emilio Guebuza, the lack of progress in achieving the rule of law, widespread corruption and the increasing dominance of the ruling party, led to criticism of Mozambique by international donors.

Credibility

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Following the release of the very critical report by the APRM in mid-2009, and doubts about fairness of the 2009 parliamentary elections, international donors apparently ceased to trust the Mozambican government. Several donors subsequently delayed the release of their funds to Mozambique in early 2010. As a result of this "donor strike" the Mozambican government was forced to adopt an action plan to react to the donor concerns. This action plan has been kept confidential by the government and donors, however, and apparently includes a reform of the electoral legislation and the recognition of the opposition MDM. The MDM has been granted a parliamentary bench even though it did not obtain the necessary number of parliamentary mandates.

Mozambique can be called a credible partner and supporter of regional integration among the governments of southern Africa. Several important offices in the SADC are held by Mozambicans, among them that of executive secretary (a chair currently filled by Tomaz Salomão). Mozambique also participates in the regional free trade area, although the reduction of tariffs (applicable to 85% of the imported products) has not yet been fully implemented.

Regional
cooperation

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The historic link between the regions' different liberation movements (Namibia's SWAPO, South Africa's ANC, Tanzania's CCM, Angola's MPLA, and Zimbabwe's ZANU) provides the backbone of regional cooperation. Because FRELIMO fighters found refuge in Tanzania before Mozambique's independence, the party's relationship to Tanzania is particularly close. However, the deeper dynamics of historic links are often overlooked. For instance, while the FRELIMO party is certainly an ally to Mugabe's ZANU-PF in Zimbabwe, the country pursues its own interests towards Zimbabwe in trade issues.

Tensions between Mozambique and neighboring Malawi rose during 2010. Bilateral relations are dogged by issues from the time of the liberation struggle and rival claims to the Lake Niassa. Two border incidents between the countries occurred; in one case, a Malawian boat's navigation of the Zambezi River was regarded as a violation of Mozambique's sovereignty rights, escalating to a full regional diplomatic crisis within days. This is an example of the way that issues of trade and trade corridors to the Indian Ocean might impact negatively on Mozambique's relations with its neighbors.

Strategic Outlook

Mozambique has until recently been considered a successful African model for democratization and liberalization. International donors have willingly supported the country and declared Mozambique to be an example of international development cooperation. This success story is now challenged by a lack of progress in good governance and the rule of law, and sluggish progress in fighting poverty. Even the basis of this success, the ongoing macroeconomic growth due to a market liberal economy, is now being challenged by increasing social unrest.

The international financial institutions assume that Mozambique will be back on track in 2011. Nevertheless, the government urgently needs to attain macroeconomic stability by reducing high inflation, especially in food and basic commodity prices. The Mozambican government will have to adjust its development strategies jointly with international donors, as its policy of solely targeting macroeconomic growth has not resulted in the desired trickledown effect. The new focus on urban poverty constitutes the first step, but international aid partners need to assist in improving strategies for rural agricultural development, for the creation of new jobs, and for improved formal and informal social security systems.

The low fiscal contribution of the megaprojects, especially in the extractive industry, is a controversial point, as civil society as well as international institutions advise the hesitant government to renegotiate contracts with the investing companies, with the aim of increasing their contribution and the impact on Mozambican development.

To avoid another blip in government–donor relations, there should be no further delay in launching PARP. In case of delays, however, donors should not overreact or cause further deterioration to relations with the Mozambican government.

Any midterm developmental strategy has to bear in mind the growing role of China in terms of infrastructure development, resource extraction, and economic investment. Moreover, the national revenue of Mozambique might drastically increase due to the oil/gas exploration along the Mozambique coastline. Experts suggest that within a five-to-10 year period oil might be discovered and form a basis for financing improved infrastructure development and for lowering aid-dependency (and donor influence). Alternatively it might be the basis of further self-enrichment by the elite.

The political development of Mozambique will largely depend on the ruling party's ability to reform itself. After the September 2010 social unrest in Maputo, FRELIMO leadership has come under increased external and internal pressure to deliver by improving living conditions and also by pursuing a more open and dialogue-orientated style of politics. A leadership change at its 2012 party convention will provide an opportunity for this. However, this is not a foregone

conclusion and a more authoritarian political style and political polarization might also be a result. The constitutional reform that has been announced for 2011 will be a first indicator of which direction politics will take.

The international community should pursue a more modest approach to Mozambican political development than during recent years. In the light of a weak political opposition and a very strong ruling party, the main focus should be on increasing spaces for political participation through ensuring civic rights and promoting civic education. The idea of strengthening the pluralism of the party system of Mozambique should not overlook the limits of political parties and parliament in the country. Further consolidation of Mozambican democracy might well start inside FRELIMO or in civil society, but it will certainly take time.