This report is part of the Bertelsmann Transformation Index (BTI) 2008. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 125 transformation and developing countries are evaluated.

The BTI is a joint project of the Bertelsmann Stiftung and the Center for Applied Policy Research (C•A•P) at Munich University.

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Key Indicators

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<td>Pop. growth(^1)</td>
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<td>HDI rank of 177</td>
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<td>Poverty(^3)</td>
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<td>Urban population</td>
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<td>Aid per capita</td>
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Executive Summary

In Mozambique, relatively high growth rates over the long term, the peaceful demilitarization of the guerrilla army, sustainable internal peace since the Rome Peace Agreement of 1992 and the holding of three general elections have led observers to deem the country a “success story.” That Mozambique has become the highest recipient of overall development aid per capita attests to the international donor community’s confidence in this growth. During the period under review, admittedly impressive progress occurred in the economic sector, but the political and administrative fields showed less promise. Furthermore, efforts to curb corruption, privatize the economy and implement legal reforms stagnated.

The new president, Armando Guebuza (elected in February 2005), was widely welcomed both at home and by the donor community, which hoped that he would put more pressure on the reform process. Instead, Guebuza introduced an authoritarian style of government and centralized more powers around his office. He placed his party – Frelimo, which had been somewhat neglected under his predecessor Chissano – in the central position once again, and he has been governing with a circle of his old colleagues from the Central Committee. Frelimo now has the leading role in developing the country, as was confirmed at the party’s Ninth Congress in November 2006. The congress confirmed Guebuza as party president, thereby putting him in a good position to run for a second mandate as state president in 2009, and it unified the party. To fight absolute poverty is its new mission statement, a goal towards which state and party will act as one. The only parliamentary opposition party, Renamo, has not found a strategy to cope with Frelimo’s aggressive extension work, nor has it presented a credible political alternative. In the second half of 2006, the danger of a de facto single party system has become a reality. The high power concentration in the executive presidential position, the support from his old guard and the weak checks and
balances have allowed the government to slow the reform process. The reform of the judiciary, privatization of state enterprises, prevention of corruption, civil service reform, increasing transparency in budget execution and other partial reforms did not show noteworthy progress. A sustainable solution will not be found in more policy papers and coordination bodies but in a greater commitment of the leading political forces to democratization and liberalization, together with a strong watchdog outside the government.

On the other hand, expectations of economic performance were met for the last two years. Overall growth rates remained high, but this growth did not trickle down to alleviate the absolute poverty in which much of the population lives. In general, the government has complied with the agreed upon road map to the satisfaction of the donor community. They have promised $700 million in development assistance for 2007, which brings external finance to a new height of 54% of the state budget.

History and Characteristics of Transformation

Since the early nineties, Mozambique has been trying to manage several transition processes at the same time: from a civil war to peaceful coexistence of all parts of society, from a single-party state to a multiparty system, from a socialist planned economy to a market economy and from socialist centralism to democratic pluralism. Mozambique is still struggling with historical legacies that hinder the steady progress of these transformations. The country has made great progress in the 15 years since the end of the civil war, and research will have to find out how much is owed to the simple fact that peace allowed agriculture, commerce and investment again or to the external inputs and, finally, to government politics. not at all sure what is going on here.

While the political transition of Mozambique to a multiparty democracy was negotiated and agreed upon in the Rome General Peace Agreement, the party in power – Frelimo (Liberation Front of Mozambique) – has always made sure that it dominates the rules of the process as closely as possible. It succeeded in introducing its own constitution, keeping the relevant institutions under its control and winning all elections – both presidential and parliamentary – in 1994, 1999 and 2004, as well as in local government elections in 1998 and 2003. Conversely, Renamo (National Resistance Movement of Mozambique) has been slowly dismantled. The party was closest to electoral victory in 1999, and observers noted that fraud before, during and after these elections could have secured Frelimo’s eventual win. Meanwhile the opposition party is no longer capable of mobilizing sufficient support. In the 2004 elections, they lost in every province, even in their strongholds, mostly due to low voter turnout. Since 1994, Renamo has neglected to invest in its party structure and build up a professional and respected shadow cabinet comprising a broad range of personalities who could earn the
party credibility. This is a concern within the international community, should Renamo ever win the elections and come into power. At the beginning of 2007, Renamo can show only its performance in five local governments as proof of governance experience.

Amazed by the growth rates and fully occupied with the harmonization and organization of the aid instruments, the donors did not enquire much into the honest commitment of the ruling elite to good governance, fighting abject poverty and maintaining just procedures vis-à-vis political contenders. It seems that now, in 2007, both donors and the Mozambican government will have to undergo the litmus test of articulating their true goals. The ruling party’s tendency to monopolize all available resources and to impose its own power-preserving strategy on the country will become the most significant obstacle to further development.

The continuous intellectual and organizational self-downgrading by Renamo helped the Frelimo government pursue its official and paramount objective of establishing a market-based democracy along with the international donor community and of excluding all other possible players. This failure on the part of the political opposition has given the current government unchecked license to curb freedoms, which has in turn reduced possibilities for citizen participation. The broad-based participation of all possible groups and creative forces of the Mozambican society has thus been lacking so far in this “success story.” It will be needed, however, neither a party nor a state can mobilize all the necessary resources of a people for sustainable development without integrated democratic institutions and practices.
Transformation Status

I. Democracy

1. Stateness

The peaceful transformation of the former guerilla army of Renamo into a political party has won Mozambique much international acclaim. There are no strong remnants of the guerrilla army anywhere in the country, and the approximately 150 armed forces attending the Renamo party president near Inhaiminga have so far never challenged the state’s monopoly on the use of force. Any threats of re-arming the Renamo veterans, should they continue to be neglected, have not been taken seriously by the majority of the politicians, the informed public or the international community. Apparently Renamo is structurally no longer capable of military warfare, and it could not garner the support of the population. A more dangerous challenge to the security of the state is the consolidation of organized crime elements into powerful networks. Mozambique has become the regional center for drug smuggling, at least for Southern Africa. The more state and party officials who get involved into this “business,” the less effective the control of the state organs will be. In the poor quarters of the big towns, especially in Maputo, lynching has become an established judicial practice among the inhabitants. With an increasing crime rate, a decreasing rate of prosecutions and heavily understaffed police, this extra-judicial practice is bound to continue.

People even in the most remote and neglected areas agree on the sovereignty of a Mozambican nation-state. Discrimination on the basis of political adherence is prevalent, but race, ethnicity and religion have no significant bearing.

Mozambique is a secular state that does not give preferential treatment to any religion. The ruling elite does not interfere in religious matters. The religious leaders tend to preach to their followers and the public without mentioning the government explicitly, but some do give advice on general political matters, for example in support of the spirit of the 1992 peace agreement.
The government is extending its basic administrative structures in the whole country beyond the sub-district level (posto administrativo). The Local State Entities Law foresees a representation of the state at the local level. Its implementation should start soon. The government assures the loyalty of the traditional chiefs (regulos) by paying them some subsistence money. Still, the scattered villages and homesteads of the citizens in most parts of the provinces make delivering centralized government service difficult. In 2005, the ruling party declared the district to be the pole of development, which would theoretically need to be accompanied by the devolution of financial resources and decisions. What is lacking most is the coverage of the jurisdiction.

2 | Political Participation

The country has managed three elections for the positions of state president and parliament in 1994, 1999 and 2004. There have also been two local government elections for the 33 “autarquias” of Mozambique in 1998 and 2003, of which the first failed because of Renamo’s boycott. The national elections have been tampered with throughout from the registration process until the tabulation of the final results. Transparency was lacking during the 1999 and 2004 elections. The Mozambique Political Process Bulletin, published by AWEPA, announced in October 2006 that there were “irregularities” during the 2004 elections comprising 16% of the votes. As the electoral authorities, the National Elections Council (CNE) in particular has consistently performed below standard the reform efforts concentrated on a new electoral law. After lengthy discussions within two committees, the Frelimo majority was approved on 15 December 2006. The law gives the governing party all possibilities to steer the electoral decisions of the CNE and control the activities of the Technical Secretariat for Electoral Administration (STAE), and it has done away with the 5% threshold for obtaining seats in parliament. The severe loss of credibility of the electoral authorities might be one reason for the frustration of the electorate and for the dramatic increase in voter abstention (1994: 12%; 1999: 30%; 2004: 63.6%). The belief that the electoral system and the involved authorities merely aim to preserve the power of the ruling party has become increasingly widespread. Voter apathy amongst large groups of the population disadvantages poor parties with few funds for mobilization. Thus, voter abstinence has diminished the legitimacy of the political leadership. The president’s mandate is based on the vote of 22% of registered voters, which already represents a small percentage of the whole electorate. President Guebuza knows this, and he pushes his party into mass mobilization.

The president and his government face no constraints on their decisions or their implementation. Policies are drafted and outlined by the president in an inner
circle of the party and then transmitted to the cabinet and the party as a whole. The president prefers to maintain tight control over his ministers and state officials. At the beginning of his mandate, he had initiated a campaign against the presumed “let-it-run-policy” (deixa andar) of his predecessor. Additionally, the stringent centralist government structure weakens unwanted veto powers already in the initial phase because they are dealt with immediately.

Civil society organizations and political groups can organize freely. Genuine community-based organizations (CBOs) in rural areas, however, encounter technical difficulties and often must overcome obstacles placed before them by the local authorities. Self-organization and lobbying for one’s own interests is a new concept to most rural Mozambicans. As the ruling party tries to stretch out to the lowest level by their nominated representatives (secretarios de bairro, chefs de quarteirao), who exert also some simple governing functions, conflicts with democratically elected community leaders are imminent. Political activities outside the Frelimo party are under strict supervision by the local police. Conversely, Renamo activists report frequently the burning of their flags or party “centers” (usually no more than huts) by mobs without interference of the security forces. International NGOs must regularly undergo a thorough screening in order to obtain the renewal of their “work permit” by the state.

Freedom of the press is allegedly established. Reporters Sans Frontieres ranked Mozambique in 2005 at 49th out of a total of 167 countries, which made the country seventh best in sub-Saharan Africa. Even journalists expressed satisfaction with press freedom in Mozambique (which they ascribe to the former President Chissano), although investigative journalism can lead to assassination if it steps on the feet of important members of the ruling elite (e.g., the murder of journalist Carlos Cardoso in 2000 and banker Antonio Sibá-Siba Macuacua in 2001). Mozambique has a vibrant culture of Internet newspapers distributed by email that have wide freedom of expression but reach only a limited number of subscribers. Community radios exist in 37 districts with limited coverage. The important media are under close control of Frelimo: the daily “Noticias,” with the highest circulating edition being the Sunday newspaper “Domingo,” “Radio de Mozambique,” the only nationwide radio, and “Televisao de Mozambique.” No independent media threaten these established channels. Nevertheless, the government prepared an amendment to the media law in 2006 regarding the professional licenses extended to journalists by the government. At the end of 2006, a Maputo Judge, in a legally questionable action, impounded the equipment of the media company SOICO (weekly newspaper “O País”, TV station STV) for some time. This occasion revealed the support of the Conselho Superior da Comunicacao Social (CSCS) for the government.
3 | Rule of Law

There is no real horizontal separation of powers. The constitution allows the president partial dominance of the judiciary and the parliament, which is reinforced by the growing effective power of the ruling party and the weakness of the opposition. The parliament, as an institution, is unable to check the executive branch because the majority parliamentary group sees itself as an extended arm of the government. The opposition parliamentary group does not find the means to promote accountability and challenge the government on its many shortcomings and scandals. With a comfortable absolute majority of 150 - 90 votes, the Frelimo MPs have succeeded in securing all the government’s initiatives and turning down any suggestions from the opposition. Furthermore, the parliament has deliberately given up some of its rightful control over the Council of Ministers. If a decree law is not challenged in the session following its publication, it is automatically approved. Parliamentarians of both parties feel that they owe their mandate to the opposition party president (Renamo) or the ruling political commission (Frelimo). They hold no self-esteem as electorate, legitimate representatives in their own right. The judiciary’s performance suffers as a result of the high politicization of the justice system. Judges are – as are public service officials, in general – appointed on the basis of party loyalty. Checks can hardly be exercised as long as the judiciary is not institutionally independent. In general, the independence of the formal bodies meant to control government has so far been almost non-existent, and strong party connections have unchallenged priority. A vertical separation of powers has not been attempted, nor is it in sight. Administrative changes during the period under review were more acts of de-concentration. The law on the establishment of the Provincial Assemblies in November 2006, approved by Parliament as a watered-down version of the original draft, attributed to the assemblies at least some control rights, such as the inspection of and the comment on actions of the central government. Their main role is now to approve the program of the provincial government and to inspect and verify its fulfillment. These assemblies sit only twice a year for up to 10 days, their commissions four times a year. They have no power to submit laws and regulations. The elections for these Provincial Assemblies should take place in 2007, although a substantial number of voices are pleading for a postponement.

Although the constitutions of 1990 and 2004 enshrine the independence of the judiciary, the current body cannot draw on this tradition developed both since independence and under the former colonial power. After 1975, the leaders were convinced that they could do without the bourgeois decadence of career judges and professional attorneys. All fell to the discretion of “People’s Justice.” Clearly, the president’s influence on the nomination of higher judges is not considered a conflict of interest in all cases. The Supreme Court president, who also presides
on the Higher Council of the Judiciary, was criticized during the period under review. In December 2005, the Corruption Study commissioned by USAID openly called him “a Frelimo stalwart widely considered to be a key interlocutor for political leaders when important interests are at stake in court cases.” There has been no advancement in the establishment of the District Courts in all districts, thus depriving the citizens of needed justice. The Community Courts (claimed to be some 1,650) are not connected to the judicial courts. The judiciary suffers from insufficient differentiation, non-compliance with court rulings by some members of the executive system, interference in investigations and prosecution, and sometimes even outright obstruction. In such cases, the Office of the Prosecutor General has so far not intervened. There are plans to create new administrative courts in the provinces. The implementing legislation for the labor courts was already passed in 1992, but it has not been implemented. The Constitutional Council (Conselho Constitucional), created in 2003, and given expanded powers by the constitution of 2004, gets positive marks. The Council has passed a respected verdict on the 2004 elections and the National Elections Council. There are hopes that the Constitutional Council will strengthen the rule of law and promote reforms.

The 2004 Constitution contains sanctions against holders of government offices in cases of abuse and corruption, but no senior government representative has been convicted. Several reports attribute it to a “culture of impunity” that corruption and the misuse of state property propagates. But there are also examples of personal commitment. Despite this general environment, some officials have displayed their commitment to battling corruption. In 2006, for example, the minister for labor dismissed several work inspectors for neglecting employee complaints and accepting bribes from entrepreneurs and, in 2005, she fired the director of the social security institute INSS together with some high officials for abuse of office.

Civil and human rights are constitutionally guaranteed. Demonstrations and rallies for the opposition will, however, frequently be met by an overreactive police force. There were no more massacres on the scale of Montepuez in 2000 and no selectively targeted detentions like that in Mocimbo da Praia in September 2005. The state administration treats the rural population ad libitum. Conditions in the prisons are described as “dreadful.”

4 | Stability of Democratic Institutions

All institutions have their laws and regulations but suffer from a low level of professionalism among their employees. In 2006, it was revealed that only 4% of employees working in the capital or in the central organs in the provinces have a “superior level of education,” while a mere 12.8% have achieved a medium level,
and the rest have only basic education or no education at all. There is only one policeman per 1,089 citizens; in 2001 approximately 1,000 Police Community Councils were formed in which mostly Frelimo members hold positions of power and bear weapons (not without abuses). The police force’s lack of qualified staff, infrastructure and equipment as well as its outdated regulations, corruption, backlog of implementation and low morale result in bad service and high costs for the citizens.

The constitutionally established democratic institutions are not questioned by the existing powers. But connections within the ruling party can sometimes outweigh them and undermine their performance.

5 | Political and Social Integration

Besides the two parties in parliament, there are around 45 other registered parties. Seventeen of them participated in the 2004 parliamentary elections, of which only five got more than 0.5%, while 10 others tried to secure a mandate by entering a coalition with Renamo. The effective number of parties is 1.92, revealing the salient tendency toward mono-partyism. Both big parties are socially rooted, especially Frelimo, which has undertaken great efforts during 2006 to reinforce its identity. Former President Samora Machel was celebrated in a prestigious symposium in September 2006; there is a conjuncture for Machel monuments in the whole country, and during the ninth Frelimo Congress, in November 2006, Guebuza mended fences with the Chissano Wing and elected the former head of state “honorary president.” Frelimo’s aim is not so much to work as a mediator between society and state but more as a conveyor belt to disseminate the top level decisions to the people.

The existing network of associations and interest groups is still very loose. The majority of the population – especially women, youth and the rural population – are underrepresented. The same applies to the informal sector. Monitoring watchdogs from civil society are slowly rising to the fore with external support but are very far from putting real pressures on the government. The still meager cooperation within these networks might suffer a further setback as the executive tries to control their leadership, a role which it may attempt to take on itself. At the end of 2006, the Coordinator of the CSO-network “Link” was exposed for his letter to the Secret Service (SISE) in which he denounced members of his network.

Mozambicans associate democracy with the peace in their country after devastating civil war and therefore support it. But their concept of governance is still much more authoritarian-minded compared to other sub-Saharan populations (Afrobarometer, average of 18 Sub-Saharan countries 2005/6). Indeed, 58% (as
opposed to 74% in sub-Saharan Africa) believe that citizens should be more active in questioning their leaders, and 34% (as opposed to 23%) confirm that they should show more respect for authority. The president has the role of an overlord: 46% (33%) believe that he should make sure that the MPs do their jobs, compared to 8% (34%) who see that as the task of the voters; and 34% (24%) think that he should not be bound by laws or court decisions with which he disagrees.

Social self-organization for better living conditions had no tradition in Mozambique before 1992. There is no real encouragement from the authorities to form associations apart from the state, as the ruling party has formulated its own strategy for winning over the minds of the people (e.g., “fight against absolute poverty”). Even where laws foresee funds for the organized communities (e.g., the Forest Law of 1999) their formation has been sluggish.

II. Market Economy

6 | Level of Socioeconomic Development

Mozambique’s HDI went up from 0.290 (1985) to 0.390 (2004). The gap between the frontrunner Maputo Town and the rural provinces persists and is more likely to increase than to decrease. GDP per capita in Maputo town is 12 times higher than in the Zambezia Province. Although the ratio of people living in urban areas has gone up from 20% (1992) to 33.7% (2004), subsistence agriculture is still the basis for the survival of the majority of the population. Despite wide areas of fertile land and sufficient water resources, Mozambique remains a net importer of food. Lack of infrastructure, especially roads, in the rural zones is a strong barrier to production for the market. With 0.86 km of roads per capita, Mozambique ranks at the lowest end of the scale for developing countries. Access to drinking water has modestly increased, but sanitation has remained almost stagnant. Jeffrey Sachs encouraged the government during his assessment in 2005 to formulate “more ambitious” targets for alleviating absolute poverty. Another form of social exclusion might come up in the form of political party discrimination. The employment opportunities in public administration, parastatals, and other economic activities related to the state and the ruling party have been decreasing for Renamo members even more since 2005 as well as for all who don’t have the red Frelimo-membership card.
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<td>5,912</td>
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<td>Inflation (CPI) %</td>
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<td>Unemployment %</td>
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<td>-</td>
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<td>Foreign direct investment % of GDP</td>
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<td>7.0</td>
<td>4.1</td>
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<td>Export growth %</td>
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<td>16.2</td>
<td>18.9</td>
<td>8.3</td>
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<td>Tax Revenue % of GDP</td>
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<tr>
<td>Government consumption % of GDP</td>
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<td>Public expnd. on health % of GDP</td>
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<td>1.3</td>
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## 7 | Organization of the Market and Competition

The essentials of a market-based economy have been introduced under the guidance of international donors and are not questioned. Mozambique’s membership in SADC works in the long run as a liberalizing force. Remaining deficiencies include the weak judicial framework and slow law enforcement, the preference given to well-connected economic players who can ignore the rules, and generally slow bureaucratic procedures that leave plenty of space for discretionary interventions. The approval of the new Commercial Code by decree-law in December 2005 does mark a step forward.
There is no anti-monopoly or anti-cartel policy in place.

The liberalization of the foreign trade regime follows SADC rules. As such, the maximum import tariff for SADC trading partners was lowered in January 2006 from 25% to 20%. Existing bilateral free trade arrangements with Zimbabwe and Malawi (from 2005) will be extended to Zambia. The state allows profit repatriation. There is no foreign exchange control.

There are 10 commercial banks, with one bank controlling almost half of all assets and bank branches and some 70 other banking and financial intermediaries. Competition within the banking sector is limited, collateral possibilities suffer from the restrictions of the land law, and loan recovery is extremely slow, if not impossible. The ratio of nonperforming loans has been reduced from over 25% to less than 5% and is now easily manageable. The central bank plans to adopt the International Financial Reporting Standards from 2007 on, which would improve its oversight of the commercial banks. The emerging microfinance industry is commercially not yet significant, but has high economic and social impact. The number of borrowers grew from 55,000 in the beginning of 2005 (accounting for 1% of the total credit amount) to more than 100,000 two years later, extending slowly into the provinces and into the productive sector. Still, in January 2007, some 100 of the total of 128 districts, which cover 79% of the country, had no access to banking service.

8 | Currency and Price Stability

The independent central bank (BM) is committed to securing a single digit inflation rate. This goal was reached by a hair in 2006, despite high oil prices. The consumer price index is so far calculated for Maputo only and will be changed in 2007 for a new index that takes two more cities into account and reduces subsistence costs, although the majority of the people still spend half of their income on food items. In the second half of 2006, the central bank introduced the new metical, which is worth 1,000 “metricals of the old family,” to improve bookkeeping efficiency. Compared to the home inflation rate, the exchange rates to the dollar, euro, and pound have remained relatively stable. The central bank will have to intervene to maintain that stability because the foreign exchange auction market is still small and external shocks will not be cushioned easily.

According to the third IMF review of February 2006, the government had again met most of its performance criteria. Extended fiscal spending was in line with the Millenium Development Goals and the Poverty Reduction Strategy, and it also served to boost the morale of the public sector by a – still modest – raise of salaries. More than half of the budget is financed by donors, with additional
resources freed by the Multilateral Debt Relief Initiative (MDRI). Despite this support, the fiscal deficit in 2006 remained at close to 5% of GDP, as revenue increased only slowly. Total outstanding debt at the end of 2005 amounted to $4.7 billion, which was reduced by MDRI at the end of 2006 by $1.6 billion. The IMF expects the government to continue improving the investment climate, raise the domestic revenue, enhance accountability and fight corruption.

9 | Private Property

Property rights and property acquisition follow the rules and laws commonly introduced in new market economies, except for land. Land is owned by the state and can only be leased, not bought or mortgaged. This not only poses an obstacle for the credit sector and private investment, but it also stifles the development opportunities of the rural communities. There are a growing number of conflicts over cases in which the authorities favor investors and give them land at the expense of the rural inhabitants, who do not benefit from the new economic activity.

Private companies now dominate in Mozambique. No changes are expected because the ruling elite, who benefited enormously from the “silent privatization” in the nineties, wants to see its businesses flourish. The government plans to develop a private sector strategy. On the other hand, further privatization projects have slowed down. Observers ascribe this to the tougher stand of the stalwart ideology-driven forces in the president’s inner circle. A new, mixed economy element appeared in 2006 in the form of a company owned by Frelimo and Frelimo-cronies, created for the scanning of containers at the Maputo harbor, which won the “tender.” The fee of up to $100 per scan is a boost for the party coffers and also unique in southern Africa. It provoked strong objections from the commercial community.

10 | Welfare Regime

A new law on social protection was approved in parliament in 2006, which calls for the reconstruction of the National Social Security (INSS) fund. The INSS has been vulnerable in the past to misuse of funds. Until now only less than half of formally employed workers are included in the INSS, which would make it inappropriate to call it a “social safety net.” No social risks are even partially compensated for the vast majority of the population, which leaves family and kin as their only resort. Absolute poverty and HIV/AIDS place an increasing burden on most Mozambicans.
Opportunities and access to public services depend on where a citizen lives. In the rural areas, there is no chance for adequate education, health service, transport or communication. In most regions, even access to water and sanitation is limited. There is no discrimination on religious or ethnic grounds. However, women – both adults and children – still suffer from the traditional cultural neglect.

11 | Economic Performance

The country has maintained an average growth rate during the last ten years of 8.2%. But development took two tracks. The first track is for the few megaprojects (aluminium smelter MOZAL, gas pipeline to SASOL in the Republic of South Africa, electricity of Cahora Bassa to South Africa) and some agro-industry enterprises along with tourism development, all of which have shown high growth rates. However, this growth had limited effects on the local labor force and limited forward and backward linkages. The other track comprises the informal sector in the towns and rural centers and subsistence agriculture, from which the majority of the people make their living. This sector is without capital, not sufficiently educated or professionally trained, without appropriate technological capacity, and without a voice in politics. The expected long-term growth of 7% p.a. (less 1% for HIV/AIDS consequences on manpower, and less 1% for natural disasters) can perhaps be maintained for some time by exports, extractive industries and economic enclaves. But prospects for self-sustained growth will remain bleak if there is no significant boost for the small, labor-intensive but capital-saving, local-market-serving small enterprises as well as for the subsistence homesteads of the farmers.

12 | Sustainability

Capital investment projects must undergo an environmental feasibility study, administered by the Ministry for Environmental Affairs, but are generally “negotiable” in the end. Serious environmental concerns have not been put forward by or to the public. The exploitation of the titanium sands in the north has not caused uproar, unlike in other African states. The assignment of petroleum prospecting blocks in the Indian Ocean near the Rovuma River has not confronted environmental demands concerning the protection of the reefs. The destruction of the dunes along the coast by tourists is not countered. Logging of tropical wood in some national parks – theoretically strictly forbidden – goes on with the silent approval of the authorities. There are no strong environmental civic society groups. On the other hand, environmental “projects” get full support from the authorities if they attract foreign investment and promising returns. The planning of national parks, for example, does not heed the resulting issue of displaced people and, in Cabo Delgado Province, thousands of people are left to starve or
flee out of the declared park, with no new settlement scheme or compensation plan for this scenario forthcoming.

Lack of adequate education facilities remains the biggest obstacle for Mozambique’s development, and the percentage of the budget reserved for education seems too small (there are no data available besides the 1998-2002 average of 2.5% of Gross National Income). Priorities for the government are raising the enrollment ratios in primary schools and closing the gender gap. Secondary schools are still extremely scarce and out of reach for the majority of students. Vacancies are illegally sold by teachers and school administration on a large scale. The quality of education is very low, and the rate of repeaters is more than 20% each year. Badly needed vocational training is almost absent. Tertiary education fights for funds and qualified teaching personnel. Research and development, even at a low scale, is almost non-existent.
Transformation Management

I. Level of Difficulty

Both the government and society face considerable structural constraints. Natural disasters like the frequent heavy rains, especially in the central zone, lead to loss of resources, infrastructure and time, and are heavily felt in the poor areas. Fortunately, the region hit by the earthquake of February 2006 is sparsely populated; damages were limited. The country is still removing the ruins left behind from the civil war. In March 2007, the rest of a huge, abandoned hotel construction in Maputo was demolished, a reminder of incomplete buildings left by the Portuguese in 1975. HIV/AIDS does not yet seem to have reached its maximum rate of infection. Infection rates varied in 2004 between 9.3% (Northern Region) and 20.4% (Central Region). A centralized state with the capital at its far geographical end results in huge additional political transaction costs. But most constraints are homemade and can therefore be tackled: the poverty of the majority of the people, pathetic public service delivery, the weak infrastructure, a timid population which has not yet experienced the real freedom of a liberal democracy.

Civil society has no tradition in Mozambique. Under the chiefs, the colonial regime and the socialist one-party state, there was always somebody else who decided for the citizen. But among the many emerging NGOs, which mostly are funded as channels for donor money, are some organizations brave enough to develop their own financial, organizational and ideological sustainability. They are also in the forefront when it comes to empowering the people to voice their interests. Up to now, there are not enough organized, strong channels for the effective articulation of grievances.

There are neither ethnic nor religious nor social cleavages that could be exploited for mass mobilization or for inducing violence. Of the 16 different ethnic groups, none has a clear numeric advantage, although the Makhua in the north are increasing at above average rates. The complaint within the Frelimo party was that the south is overrepresented in party and state positions. This was addressed by Guebuza in 2006 by filling vacancies preferably with people from the central region. There is also no religious divide. As long as the opposition party remains incapable of articulating the social problems of the citizens and pushing them towards democratic dispute, the population will remain quiet.
II. Management Performance

14 | Steering Capability

The government has a clear set of strategic objectives that are more political than developmental: extend the power and dominance of the ruling party down to the last village of the country, secure the mandate to govern forever and accommodate the interests of the ruling elite. In short, Frelimo is Mozambique and Mozambique is Frelimo. The “Fight against Poverty,” the overall leading idea of the Ninth Frelimo Congress in November 2006, is one important vehicle towards the paramount goal. Priorities of the donor community, like the Millennium Development Goals or the Poverty Reduction Strategy, can easily be accommodated into this party strategy. Priorities – like the fight against corruption, public service reform, reform of the judiciary and devolution of powers – are, in this scenario, more necessary evils to satisfy the minimum needs of the donors rather than constitutive parts of the overall party goal. With President Guebuza in power, Frelimo has strengthened its image as the guiding force leading the people into a bright future. The president himself exhibits through his frequent visits in the regions, called “open presidency,” that he is the first promoter of the wishes of the people. He stands atop an imposing political machine that manages the dissemination of state philosophy. The spokesperson of Frelimo confirmed in January 2007 that the dissemination is “on track.” Some 5,000 teams have busied themselves to relay the nine decisions of the party congress to the people.

There is a gap between the public announcements and promises of the government and the implementation thereof. But the political reform agenda does not always get stuck due to lack of capability and knowledge. The intrinsic obstacle is often the lack of political will with the powers that be. Effective reform is not wanted because it acts against the interests of the ruling elite. This is certainly the case with the appalling handling of the corruption cases, the slow reform of public expenditure management and fiscal transparency. At the moment, reforms seem to be donor-driven and the government abides to secure the necessary half budget from external aid. At the same time, the government under Guebuza has reinforced nationalism and “ownership” of politics in Mozambique. The almost unconditionally positive support of Chinese interests in Africa could play a role here.
The ruling elite steers an ambivalent course vis-à-vis the predictability of the market economy and democracy in Mozambique. Guebuza has given more room to his comrades in the old guard, who already ruled in the days of the unity party. On the one side, they were perfectly capable of adapting to the new market philosophy as well as to the conditions stipulated by the IMF and World Bank. They were also ready to introduce a new constitution with a multi-party-system and democratic institutions. They accepted that the market economy is a useful order they can use well. On the other hand, they managed to keep the reform process, since its early steps 1987, exclusively in their hands until now and to shape and steer the procedures to their benefit, namely, to ensure the preservation of their power. That democracy only extends a limited, temporary mandate for power is certainly still a difficult concept for them to grasp.

**15 | Resource Efficiency**

From a technical point of view, the government has succeeded in creating several coordination and implementing bodies and systems such as the technical unit for the reform of financial administration and the financial administration system of the state. But other bottlenecks remain. Efficiency suffers because the employee recruitment for the public administration, including police and education sector, is restricted to Frelimo-members. Although the party has started a systematic screening process throughout the whole country to find young people and capable members and cadres, this system will always be inferior to a recruitment based on merit only supervised by a professional body. Although the donors keep reminding the government to raise their revenues, progress is slow. Perhaps the government feels assured that the international community will cover more than half of the state budget. Reducing aid dependence has not been a priority. For 2007, donor coverage is estimated at 54%. The bureaucratic, apathetic public administration and its mistrust of anything and anyone beyond its control severely limit the positive deployment of human resources. The lack of service-mindedness de-motivates the citizens. People lose huge amounts of their scarce resources and time due to an unprofessional and unwilling public service. However, Mozambique embarked on a Public Sector Reform in 2000 and entered its second phase in 2006. The impact of these reforms is not yet clear.

Intra-governmental disputes are hardly noticeable. The president has streamlined his cabinet, party, provincial governors and the majority parliamentary group. The conflict with the “Chissano-Group” has been reduced to a bare minimum. The cabinet is relatively stable. The leading policy-makers have shown an adamant refusal to pursue reforms in the following areas: persistently low-level persecution of corruption, rigid labor laws, politicized electoral rules, hindered
privatization and selective non-transparency of the budget, which has been de facto accepted by the donor group, thereby reducing stress on the government.

After resumption of the assessment by Transparency International in 2003, Mozambique started with 2.7 points, scored 2.8 points in 2004 and has remained on that level ever since. There is the widespread perception that the real “big fish” are not touched. The donor group G18 stated in September 2006 that there is no progress in the implementation of the anti-corruption strategy. In mid-2006, the Anti-Corruption Office in the Attorney-General’s Office GCCC presented a list of 17 cases concerning some $1 million, which were under investigation. This does not mean that these cases reach the High Court and even less that the perpetrators are sentenced. In the public perception, the police and the judiciary are the most corrupt sectors. The Corruption Assessment submitted to USAID in December 2005 is a disastrous verdict on Mozambique’s anti-corruption efforts so far. There are doubts if the government has the political will to address corruption.

16 | Consensus-Building

The market economy as a fundamental principle of Mozambique’s economic order is accepted by all major political actors. However, the ruling elite seems to prefer within this general setting a stronger state sector. As society’s acceptance of state intervention to secure social and regional development goals is high in the society, further liberalization efforts can count on public backing in selected sectors only, for example, in microfinance. Attitudes vary more with respect to democracy. The ruling elite will continue claiming support for democracy while the country is moving towards a single-party system and while parliament and the judiciary are dominated by the executive. The opposition’s concept of democracy is too vague and does not present the reference points needed to create political awareness. Other stakeholders will continue to uphold democratic principles of human rights and justice (e.g., churches) or will just adapt to the current situation (e.g., economic actors).

Anti-democratic veto actors are supposed to remain more within the governing elite than outside the government. Their influence has grown under Guebuza. They will not use their veto power as long as reforms strengthen the efficiency of the state, but without questioning the existing power arrangement. The real power of the group of convinced reformers – those who believe in market-democracy as a comprehensive and fundamental concept – is not yet clear enough. So far, most reforms have been donor-driven with benefits that are so high that it was very attractive for all groups to comply with their conditions.
The most evident cleavage follows political lines between the former opponents in the civil war – Frelimo and Renamo – turned adversaries in parliament. The new president has given up the more conciliatory approach of Chissano. His party supports obstruction, harassment and proactive destabilization of the opposition by whatever means available. The objectives of Frelimo for the future elections are absolute and comprehensive: to keep Renamo far from being a potential political threat with a carrot and stick policy while maintaining legitimacy in the eyes of the donors provided by the façade of a multiparty-system. Renamo is seen as the “comfortable adversary,” which makes reconciliation a useless and unnecessary effort.

The government and the public administration do not really acknowledge civil society organizations as legitimate partners in development and politics. If dialogue came about during the period under review, it was mostly donor-financed and had no serious follow-up. Every political influence CSOs have had so far is based on their self-reliant lobbying. Their participation in the political process will rise with their growing numbers and quality.

Reconciliation on a national level would have to accommodate at least some parts of the Renamo history. The political leaders, who come from the same time period of Samora Machel, would have to admit at least some past errors. The opposite has happened: with the heroization of Machel during 2005/2006, the exclusivity of the ruling elite was legitimized and promoted, all groups not loyal to the party line were even further excluded.

17 | International Cooperation

The domestic reform policies rely exclusively on the commitment of the donors to support market-oriented democracy in Mozambique, and it is the donor’s side which promoted a sense of ownership. Under Guebuza a more nationalistic bias and a greater distance to the international development partners became noticeable, presumably as a result of his appeals to more self-reliance and direct minister responsibility primarily to the head of state. With the exception of some strategic and vulnerable issues like corruption and land, the government cooperates fully with international partners. It is also tactically conversant in influencing the common agenda and the way it is discussed.

In general, in their official statements, the donors praise the government for its efforts, its compliance and its successes in meeting targets. These positive assessments resulted in the $700 million in development aid awarded to Mozambique in 2007. Mozambique had already qualified for almost all programs that could award it aid and relief, for instance, the Multilateral Debt Relief Initiative.
The African Development Bank characterizes Mozambique as “a still inward-oriented economy,” despite its dependence on regional trade, on money transfers from migrant workers and on transport to the neighboring countries. But the government tries to further improve commercial and diplomatic ties. Mozambique has a leading role in the Organ for Politics, Defense and Security of SADC and also sends small contingents to peace missions, such as those in Burundi, the DRC and East Timor. The SADC trade regime is being observed, and transnational projects like the Limpopo Transfrontier Park have been put to work. Former President Chissano has become a busy peace negotiator for African states.
Strategic Outlook

Despite the impressive long-term growth rate, Mozambique will most probably remain for the next years among the 10 poorest non-failed states in the world. The industrial mega-projects cannot push the country forward; they boost the growth rate and alleviate the trade deficit, but they cannot improve the living conditions of the majority of the people. Real broad-based and eventually sustainable development demands the active continuation of the broad-based reform process: economic reforms must extend to the small and medium enterprises, the informal sector and subsistence agriculture; political reforms must widen the window of the personal freedoms and human rights, alleviate the population’s residual fear of instability and violence, and set the pace for a culture of political tolerance; administrative reforms must transform the public administration into an honest, effective and efficient service provider for the people; legal reforms must secure an independent judiciary, which is in the reach of the citizens and guarantees timely, professional judgments.

The following tendencies constitute a danger for the future of Mozambique and must be addressed seriously:

It seems at the moment that the whole development concept has been hijacked and monopolized by the ruling party, while it should be the common effort of all groups in society, who compete freely for the best ideas and cooperate voluntarily to the best of their capabilities. The goals should be the result of a broad dialogue, followed by common evaluations.

The ruling elite is on the way to becoming a de facto single-party system. The borders between party and state have already become blurred.

The society has become split into a smaller part of the politically approved beneficiaries within different pockets of political clientelism, and a larger part of the outsiders with little chance of receiving government promotion or even services of the state they are entitled to by law.

Checks and balances do not function, and there is no separation of powers.

The decentralization process is hollow because it preserves the important decisions and the financial resources for the central state administration.

Corruption remains unchallenged. As the ruling elite will not voluntarily give up its advantages and as the opposition is more likely to fade out rather than present a serious political alternative, other actors must be found and
strengthened wherever possible. As such, responsibility lies with the following groups:

The donors should decide if they want to follow their original aim of promoting a market-based democracy, or if they are willing to settle for less. In the first case, they must press for more tangible results in the “problematic fields” and should not accept being outmaneuvered.

The civil society organizations should be willing and ready to take up more civic responsibility and action. The organization of interest and professional groups should be facilitated wherever possible.

The independent media should reinforce professional, critical and constructive information. (For this, it seems necessary that the government cannot censure them on the basis of the new amendment of the media law).

The citizens in general should get accustomed to holding the public administration and their elected representatives more accountable within their positions.

There is still a long way to go, but some signs of development are apparent: while people in regions which are most neglected by the authorities are the most loyal to the state, critique is strongest in the south of the country, where people are relatively better off and are said to be closest to Frelimo. They have started complaining about the inefficiency of the public authorities. The danger of an internal conflict that would split the nation again is not realistic. Local eruptions of enraged citizens remain isolated. The more likely dangerous scenario is that of an implosion of the society. Due to voter apathy, lack of initiative, and low willingness to mobilize self-help powers, the poverty-ridden majority of the population will remain isolated from a booming, modern, small part of society that uses the powers of the state for its own self-interest.