



The Case of Transformation in Mozambique

2012

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I. Introduction

Within the space of a decade, Mozambique has successfully managed multiple transitions: from war to peace, from a one-party state to a multi-party constitutional democracy, from a socialist centrally-planned economy to a market-based system. Today, it is one of the fastest growing economies in Africa.¹ The country's real GDP growth is expected to remain high, having averaged 7% per year between 2001 and 2008. This trend has been strongly supported by the international donor community, which made Mozambique an example for innovations in development cooperation and debt relief.

II. Background

Mozambique became independent in 1975 following a protracted struggle against Portuguese colonial rule. Far from leading to peace and stability, independence spawned a series of proxy wars started by Mozambique's neighbors, South Africa and what was then Rhodesia, and a destructive civil war which ended in 1992. At the end of the war, Mozambique was one of the poorest countries in the world with high levels of both income and human poverty and remains so today. While the ruling party (Frelimo) and the opposition agreed on the specifics of a political transition to multiparty democracy in the October 1992 Rome General Peace Agreement, the party in power always controlled the political process. It succeeded in pushing through its own constitution and kept the relevant institutions under its control. It also dominated at the ballot, winning the presidential and parliamentary elections in 1994, 1999 and 2004 as well as the local government elections in 1998, 2003 and 2008. Conversely, the main opposition party Renamo (National Resistance Movement of Mozambique), has been slowly dismantling itself. Mozambique went through a remarkable recovery phase after its leadership signed the Rome General Peace Agreement. As stability was restored and the country moved towards a market economy, investment returned. Mozambique became one of the fastest growing economies in the world, albeit from a low base. This trend has been strongly supported by the international donor community, which made Mozambique an example for innovations in development cooperation and debt relief. Accordingly, the country receives the highest amount of development aid per capita in southern Africa.

III. State Transformation

By 2012, Mozambique has consolidated internal security, ensured reconstruction, put through a series of liberal economic reforms, dealt with a number of natural disasters, and ensured a framework is in place for decision-making. Key aspects of transformation include:

- i) **Nation-building.** Despite regional asymmetries and discrimination in the public and private sectors, citizens agree on the sovereignty of the Mozambican nation-state. The concept of "Mocambicanidade" as the expression of national cohesion and common values is widely accepted. This sentiment is being reinforced by the new leadership style of President Armando Guebuza. In the past two years, his political approach has provided tools to reconstruct a sense of national identity. This has included reinterpreting and disseminating the nation's history and culture, albeit still from the standpoint of Frelimo ideology. Intellectuals and members of government have followed the Guebuza approach by providing cultural, historical, political and

¹ *Mozambique Assessment of Development Results* (UNDP, 2003), p.1

economic arguments to sustain the distinctive character of the Mozambican nation-state.² The ruling party has also addressed regional imbalances within its ranks by strengthening the presence of the central and northern provinces in important posts.

- ii) **Functions and Levels of Governance.** A key element of the transition in Mozambique has been the focus on understanding the governance matrix- and the level at which state functions should be performed. The government of Mozambique began to decentralize in the early 1990s as the country emerged from 16 years of civil war. The minister of state administration, Aguiar Mazula, pushed for greater citizen involvement at local levels of government, an agenda that opened the sensitive issue of what role would be played by traditional leaders, or chiefs, who wielded strong community influence. Because many chiefs had cooperated with the country's former colonial powers, the ruling party sidelined traditional leaders and played down related customs when it came to power in 1975. Mazula faced political opposition to his belief that the state should recognize the role of traditional interests at a local level. He built diverse support for his ideas, and his successors at the ministry reached a compromise between groups that wanted to involve traditional authorities and factions that regarded the chiefs with suspicion. The move reversed the state's history of opposition to the chiefs while limiting the chiefs' influence over local government.³
- iii) **A Focus on Municipal Governance.** Daviz Simango took office in 2003 as the mayor of Beira, Mozambique's second most prominent city, as a member of the *Resistência Nacional Moçambicana* (RENAMO, or the Mozambique Resistance Movement), the opposition party. Mozambique's long and bitter civil war between RENAMO, a guerrilla movement at the time, and the ruling party, the *Frente de Libertação de Moçambique* (FRELIMO, or the Liberation Front of Mozambique), left a legacy of hostility and distrust between the parties. Soon after Simango became mayor, the central government began delaying the transfer of funds to his administration, harassing his officials with inspections and publicly undermining his leadership. He responded by strengthening the city's financial independence through a series of reforms. In addition, he worked through the media to make the public aware of the city's difficulties with the central government. Simango also took his complaints directly to central-government ministers. Through these efforts, he bolstered the capacity of the municipal administration to tackle the city's urgent problems of recurring cholera outbreaks and poor sanitation.⁴

IV. Market-Building

Toward the end of the war, the government, which had joined the World Bank and the International Monetary Fund (IMF) in 1984, embarked on a radical reform of state economic and fiscal planning. Centrally managed socialism was replaced by a liberal, market-driven economy (see below). The country opened up to foreign investment and following the dismantling of apartheid, South Africa became its main investor in the 1990s. The reforms imposed strict financial discipline on government spending, opened up the economy to depend more on market forces and made efforts to diminish the role of the public sector. The economic model in Mozambique- which focuses on maintaining macroeconomic stability, making public investments in infrastructure, increasing access to public services (education, health, water, and electricity), and attracting capital-intensive mega-projects (which are capital intensive) has proven robust to date. Key elements behind this approach have included efforts to:

² Bertelsmann Stiftung, *BTI 2010 — Mozambique Country Report*. Gütersloh: Bertelsmann Stiftung, 2009.

³ See Makgetla, T. "Embracing the Power of Tradition: Decentralization in Mozambique, 1992-2000" *Innovations for Successful Societies* 2010.

⁴ See Makgetla, T. "Building Beira: A Municipal Turnaround" *Innovations for Successful Societies*, 2010.

- i) **Ensure Macro Stability and Create Infrastructure.** Good macroeconomic management has attracted substantial foreign direct investment (FDI). FDI inflows increased from an average of 1.5 percent of GDP in 1993–98 to an average of 5.2 percent of GDP in 1999–2010. In 2009 and 2010 FDI reached an estimated \$900 million, about 9 percent of GDP. A large part of these inflows has funded large investment projects in the mining sector, underpinning recent export performance in Mozambique. From a supply-side perspective, capital accumulation, higher quality-adjusted labor input, and positive aggregate productivity performance have been important determinants of growth. Growth accounting exercises indicate that physical investments partly associated with megaprojects and significant improvements in education led to growth dynamics heavily influenced by the accumulation of human (quality-adjusted) and physical capital between 1993 and 2008.⁵
- ii) **Privatize and Grow Revenues.** More than 1,200 state-owned enterprises have been systematically privatized since the end of the civil war in Mozambique. Preparations for privatization and/or sector liberalization are underway for the remaining parastatal enterprises, including telecommunications, energy, ports, and railways. The government frequently selects a strategic foreign investor when privatizing these parastatals to bring in the necessary funding and expertise. Additionally, customs duties have been reduced, and customs management has been streamlined and reformed. The government introduced a value-added tax in 1999 as part of its efforts to increase domestic revenues, while Commercial Code reform; comprehensive judicial reform; and financial sector strengthening have bolstered revenues and streamlined processes further.
- iii) **Manage Natural Resources.** Mozambique has, up until now, attracted praise for its handling of the minerals sector. The discovery in the mid-2000s of significant mineral resources in Mozambique triggered private sector interest and investment. In recent years, the discovery of such sizable reserves of minerals began to engender business interest in the country by global players, triggering expectations of large, private sector-led investments in these areas but also in the accompanying infrastructure for export corridors. Mozambique’s Tete province is believed to hold one of the world’s largest untapped coal reserves, often compared with Australia’s coal-rich Bowen Basin, for example. The country is also rich in natural gas, titanium, gemstones, bauxite, and gold. The country's mining sector to reach US\$667 million by 2015 from US\$96.5 million in 2010, marking an annual average growth rate of 29.9%.⁶
- iv) **Build on Agricultural Potential.** Mozambique's grain production has doubled in the past decade and the country has over 400 million hectares of productive land for soybeans, rice, wheat, corn and cotton, but it still suffers from a lack of strategic farming capabilities and depends on imports. Targeted Technical Assistance (TA) is being brought in by Mozambique to transform the agricultural possibilities in the country. Given the Portuguese- speaking connections to Brazil, Brazilian technicians have been brought in to focus on tropical agriculture for which they are known to have world-class expertise; and the state-owned Brazilian Agricultural Research Corporation (Embrapa) is also creating soybean plants adaptable to Mozambique's acidic soil. The impoverished country has a lot of the potential, however. The World Bank said in a 2009 report that the Guinea savanna zone covers about 600 million hectares, of which about 400 million can be used for agriculture.

V. Key Factors

Key factors underpinning the transformation in Mozambique have included:

⁵ Nucifora, A. and Da Silva, L. “Rapid Growth and Transformation in Mozambique, 1999-2003”, p.67

⁶ Mozambican Ministry of Mines, April 2011.

- i) **Authority and Leadership.** The Mozambican transition has been helped by the absence of significant set-backs in terms of governance and security. President Joachim Chissano, the post-war President decided not to run for a third-term in power in 2004 and handed over power peacefully after the election, in what was a hugely significant process for Mozambique and for which he won the Mo Ibrahim prize. It demonstrated clearly the consolidation of democratic political will at the highest levels in the country. While Mozambique still has problems in terms of the legitimacy of elections, the organization and scale of the numerous elections to date (since the 1992 Rome General Peace Agreement, Mozambique has held three presidential and parliamentary elections; and it has held municipal elections in 33 councils) indicate that the country has now reached a point at which continuity of governance is not disrupted by change in government.
- ii) **Focus on Delivery of Outcomes and Results.** Decentralization and efforts to improve government functionality in Mozambique are complemented by a results-based focus in public sector institutions. Financial accountability has increased significantly since 1992. The government has also sought to ensure results-based accountability to citizens through the development of a variety of bottom-up initiatives across the country. In recent years, an anti-corruption strategy has been produced and mechanisms created to support its implementation. There have been determined efforts to crack down on administrative corruption with public servants disciplined or dismissed.⁷
- iii) **Management of the Regional and International Environment.** The sound macroeconomic environment has allowed donors to contribute substantial amounts of aid to Mozambique, averaging about 14 percent of GDP a year since 1993. These large inflows financed investments in education and health, as reflected in the rapid improvements in human development indicators. They also financed substantial investments in rebuilding the country's roads, ports, and railways, which had been shattered by 16 years of war. The key in this respect is not the quantities of aid- as there are many other countries for which high aid levels have been a hindrance to state-building rather than a help- but rather the fact that donors have remained committed in terms of aid flows. Assistance remained stable and donors have been willing to provide direct budget support which has allowed the government to plan expenditures over the long-term. Donors have also made innovative efforts to coordinate their aid which has further increased the value of external support.

VI. Conclusion

Mozambique has successfully made the transition from war to peace and democratic pluralism and there has been tremendous progress since 1992. The political and development terrain has changed considerably, as described above, but there are still some major deficits on the human development front and tremendous challenges ahead. Mozambique's pressing human development challenge is to broaden the base of its economy to include the poor areas of the country as factors in its economic and human development strategy, essentially to make the agricultural sector more productive and to include and extend the benefits to a much broader portion of the population. It will need to address not just the country's skewed production structure, but also to narrow the rural-urban divide, the regional imbalances and gender disparities as a way of reducing the endemic income and human poverty faced by the majority of the population.⁸

⁷ However, there has been less progress on prosecuting allegations of corruption against senior public figures through to a conclusion in the courts. This is adding to a perception of impunity for the well-connected.

⁸ *Mozambique Assessment of Development Results* (UNDP, 2003), p.8