

Mozambique

Status Index (Democracy: 3.0 / Market economy: 2.4)		5.4	Management Index		5.0
System of government	Presidential democracy		Population	18.2 mill.	
Voter turnout	69.5 % (1999)		GDP p. c. (\$, PPP)	1,140	
Women in Parliament	29.6 %		Unemployment rate	30-50 %	
Population growth^a	2.1 %		HDI	0.356	
Largest ethnic minority	26.4 %		UN Education Index	0.43	
			Gini Index	39.6 (1996/97)	
Data for 2001 – if not indicated otherwise. ^{a)} Annual growth between 1975 and 2001. Source: UN Human Development Report 2003.					

1. Introduction

The start of the peace process in Mozambique in 1992 marked what Samuel P. Huntington designates the third wave of democratization. The 1994 elections also meant the end of the civil war and a first step toward political stability and the implementation of democratic structures. The multiparty system developing in Mozambique has had bipolar characteristics from the beginning, because of the conflict and antagonism between FRELIMO (Frente de Libertação de Moçambique) and RENAMO (Resistência Nacional Moçambicana), and as a result, it has been strongly marked by the dominance of FRELIMO.

The 1994 parliamentary and presidential elections may have run fairly smoothly, but the local elections in May 1998 present a bleaker picture. RENAMO, the largest opposition party, boycotted the elections, and only 14.58 % of local voters exercised their right to vote. A climate of political stagnation has reigned in Mozambique since the second parliamentary and presidential elections in 1999, whose results the opposition refused to accept. Urgently needed reforms that would allow power-sharing and could bring new vitality to the political process are being blocked.

Economic liberalization can be seen as successful, based on national levels of macroeconomic growth rates. But if the country's socioeconomic development is analyzed, it becomes clear that it is only a Pyrrhic victory of economic liberalism.

2. History and characteristics of transformation

A constitution hammered out by FRELIMO took effect on the first day of Mozambique's independence (July 24, 1975); it codified both FRELIMO's role as the leading power in the state and society, and the personal union of the party and state's president, thus sanctioning FRELIMO's single-party system. The country was still consolidating during the 1970s, but the 1980s revealed the first indications of a national crisis. The concept of planned economic development—the greatest goals of which were collectivization of agriculture (establishment of communal farms and communes), development of state-owned heavy industry, and training the skilled laborers necessary for the state apparatus and planned economy—proved to be doomed to failure in light of the structural and material economic conditions. The subsistence-farming sector was completely neglected in the socialist development model, leading to further marginalization of this segment of the population and their growing discontent.

The people felt excluded by a system that was increasingly based on patronage, and under which people with access saw the state as a source of resources and privileges. The state's performance deficiencies, some forced relocations and the destruction of traditional structures eroded FRELIMO's societal basis and created a potential for conflict that RENAMO took advantage of. This latent conflict was used to create popular support for an armed struggle against the FRELIMO regime.

The complexity and problems of the Mozambican transition arose from the civil war that dominated the country's political situation and from its involvement in the general conflict in southern Africa. The civil war had to end, and a lasting peace had to begin before the country's democratic transition could start. Analysis shows that there are two interdependent development strains with both endogenous and exogenous determinants.

Parallel to the peace negotiations, which began in Rome in 1990, the government in Maputo proceeded with the country's democratization process and took away part of RENAMO's reason for continuing the war. The political reorganization's first high point occurred at FRELIMO's fifth party congress in 1989, at which it was decided to separate the state and the party, and Marxism-Leninism was stricken from the party's statutes. In an attempt to win back sociopolitical territory it had lost since independence, the party opened itself to all relevant societal groups.

In late November 1990 the new Mozambican constitution took effect; it included almost everything that RENAMO had been fighting for: A guarantee of basic individual rights, such as the freedoms of religion, opinion and assembly; a multiparty system; independent courts; free and elections by secret ballot; and direct election of the president. This unilateral transition, controlled by

FRELIMO, backfired on the peace negotiations at first, because RENAMO then found itself in a dilemma with no way out.

RENAMO's had difficulty making the transition from a group that was primarily militarily focused into a political party with a coherent program and organizational structure. RENAMO was forced to either (a) accept the rules of the game set forth by FRELIMO and hope for successful election results despite RENAMO's political and programmatic weakness or (b) boycott the negotiations and take up arms again with the knowledge that the war was not winnable and would only serve to strengthen international support for FRELIMO. Ultimately, RENAMO chose "to be as obstructionist as possible, in the hope that FRELIMO would make concessions that might favour them during the elections."

The peace treaty dealt with questions of conflict resolution and also built a framework for further democratic transition. The treaty created the conditions for a structural change for RENAMO and secured the organization's survival in peacetime as well. The United Nations was given responsibility for monitoring the cease-fire, providing humanitarian aid and monitoring elections. Despite some initial difficulties in implementing the peace treaty and in demilitarizing the country, following a one-year delay, the UN was able to demobilize the troops from both parties to the conflict and to prepare for the October 1994 elections.

In the case of Mozambique, it is important to note not only that exogenous factors played a role in getting the transition going, but also that the peace process and the continued development of the democratization process through October 1994 went on under the influence of and pressure from the international community. Until the 1994 elections, the transition process was characterized by the great distrust that the opposition felt toward every political step made by the government. It was assumed that FRELIMO's policies were intended to benefit only itself. This sense of distrust was nurtured and borne out by a ruling party that tried to dictate and control the conditions and flow of the democratization process.

A key factor in the democratic transition in Mozambique was not just the question of whether the transition from a single-party system to a system with plural and competitive structures would work. The question of whether RENAMO would manage to transform from a primarily military-oriented movement into a political party also presented a challenge. RENAMO's problem was the exact opposite of what African parties normally face.

Normally, African parties are made up largely of urban members of the country's intellectual elite who are faced with the difficulty of anchoring themselves socially among the rural population. RENAMO, on the other hand, lacked anchoring in the country's urban centers. RENAMO nevertheless managed to transform the party so that (1) the combatants were largely demobilized, (2) political core structures were formed, and (3) the party was able to establish itself in urban areas as well.

Due to the poorly defined independent civil society at the end of the war and the absence of a competitive party system that could have provided an institutional context for mobilizing and channeling open political dissent, democratization in Mozambique remained concentrated primarily on the elite, and was largely controlled by them.

Mozambique's economic situation during the 1980s was characterized primarily by an acute shortage of foreign currency, continued decline in industrial production and crisis in the agricultural sector. The twin burdens of the civil war and catastrophic droughts caused economic problems to devolve into an economic state of emergency. The deficit in the current account balance (visible and invisible trade) has been between 20 % and 24 % of the GNP since 1983.

An attempt to safeguard foreign trade and investments by joining the COMECON economic area finally failed in 1981 with the rejection of Mozambique's formal application for full membership. Thus, the early 1980s became a turning point in the country's foreign, economic and social policy. Mozambique declared its interest in joining the Lomé Convention and then signed the Nkomati Agreement under which Mozambique and apartheid-era South Africa pledged to discontinue their support for the ANC and RENAMO.

In 1985-1986 preparations were made for the Programa da Reestruturação Económica (PRE) restructuring program as part of the negotiations for entry into the World Bank and the IMF. The program took effect in 1987 and marked a turning away from the times of a centrally managed, socialist, planned economy. The deregulation of the economy featured the end of price controls for all goods, including staple foods. The fostering of agricultural cooperatives and state-run farms was abandoned in favor of private and family-run farming. Enterprises converted to cost-covering, profitability-oriented pricing, and their management became largely autonomous.

The state's monopoly on foreign trade was relaxed to a great degree, and Mozambique's currency, the metical, experienced depreciation of more than 1,000 % through 1989. Likewise, the reorganization of the state budget was tackled in the course of deregulation, and its volume was supposed to be brought in line with the current (declining) revenues gradually.

3. Examination of criteria for democracy and a market economy

3.1 Democracy

Mozambique's democratization process, which started off successfully, is currently in a state of stagnation. The twin challenges of overcoming the existing state of democratic minimalism (electoral democracy) and consolidating the existing democratic structures remain.

3.1.1 Political organization

(1) *Stateness*: The state monopoly on the use of force is in place, with a few exceptions. RENAMO leader Afonso Dhlakama's maintenance of a 150-man paramilitary unit as his bodyguard represents a breach of the 1992 Rome peace treaty and a restriction of the state monopoly on the use of force. This protective force should have been demobilized following the 1994 elections. It was not until October 2000 that the Mozambican police confiscated weapons and ammunition at the RENAMO headquarters.

Despite the ethnic heterogeneity of the Mozambican people, FRELIMO was able to cultivate an identity of the Mozambican nation and to promote feelings of belonging among citizens during and through the anticolonial struggle for liberation and the subsequent organization of sociopolitical and socioeconomic structures. Through centralism concentrated heavily on the south, the dominance of southern ethnicities in the government and administration, and the identification of the state with FRELIMO's political ideology, it was possible, however, to alienate both regionally and ideologically marginalized members of the elite. Ethnic cleavages in Mozambique today are eclipsed by regional disparities. Regional political lines of conflict are expressed in the behavior of the voters. Thus, the south and far north of Mozambique are considered FRELIMO strongholds, while RENAMO finds most of its support in the central provinces and the middle north.

After independence, Mozambique changed from a religious state, in which the Catholic Church had a preferred position, to a secular one in which all churches may act equally. In particular, the Western-oriented Protestant churches—which are combined in the Conselho de Cristão de Moçambique (CCM)—as well as the Catholic Church played an important role in initiating the peace process. Although both institutions emphasized their apolitical positions in pastoral letters, they contribute to the shaping of the political transformation process through civic activities.

Civil-service structures did not undergo a fundamental change following independence; rather, they were modified and the positions were occupied by new personnel. The inefficiency and lethargy of the Portuguese colonial administrative structures were intensified by the introduction of the communist principles of “democratic centralism” and the dual subordination of administrative units (state and party). Especially the district administrations and *postos administrativos*—as a consequence of the lack of human and financial resources—are more symbols of the state than they are true service providers for the populace. In places where state administration is absent, it is becoming more and more common for traditional chiefs and *régulos* to take up the reins of leadership again, frequently in contact with one another and with the district administration.

(2) *Political participation:* The first pluralistic parliamentary and presidential elections, in 1994, represented both a high point in the peace process and its official conclusion. Despite some irregularities, the elections were declared “free and fair” by international observers. A key factor in the 1994 elections was the acceptance of the election results by all participants, which contributed to further consolidation of the peace process. The 1994 elections, however, have only limited significance as an indicator for the country’s democratic transformation process, because they took place in a specific context and were influenced by external factors.

Given this background, the local elections in May 1998 were the first litmus test for the state of democratization in Mozambique. Although the ballot as such could be described as free and fair, the boycott by RENAMO, the largest opposition party, and voter participation of only 14.58 % present a relatively bleak picture. The 1999 parliamentary and presidential elections that followed were also declared free and fair by domestic and international observers; nonetheless, the opposition felt that it was cheated out of a win and—citing irregularities in the counting and processing of votes—refused to recognize the election results. Despite various boycott campaigns and protests by the opposition following their refusal to recognize the election results—including a siege of the city of Montepuez in 2000—ruling power effectively lies in the hands of the elected FRELIMO government. In light of the fusion of state and party, and the “Frelimization” of the state administration, it could be difficult for the opposition to exert effective ruling power if it were to win the next election.

The freedom of association and assembly guaranteed in the constitution (Articles 75 and 76) is limited by the restraints inherent in the legislation. After demonstrations by the opposition party were broken up violently in November 2000 because they did not meet the legal requirements (demonstrations are allowed only on Sundays and holidays, and after 5:30 p.m. on weekdays), a parliamentary compromise was met in 2001, and these restrictive conditions were lifted.

Mozambique has a relatively open Public Information Act, which details both the freedom of the press guaranteed in the constitution and also citizens’ right to information. Nevertheless, there are legal, material and sociopolitical barriers. As the murder of journalist Carlos Cardoso showed, investigative journalism—of corruption, organized crime and the involvement of the political elite—can lead to personal danger for the journalist. Despite the existence of about 30 newspapers, there is still little media pluralism outside the capital and Maputo Province. *Noticias*, which is linked to the government, is one of the few newspapers that is distributed to all the provinces. Information is relayed independently primarily through sheets disseminated by fax and the weekly newspapers *Savana* and *Demos*. In addition, the state radio station, Radio Moçambique, which is the only medium broadcasting nationwide in local languages, has a reputation for high quality and relatively independent reporting.

(3) *Rule of law:* The effects of the fusion of the state and the party that occurred during the socialist era as well as the retention of the presidential system supported the hegemony of the ruling party, FRELIMO. Although the parliamentary majority of 133 to 117 seats sometimes requires concessions to the opposition, the executive, legislative and judiciary powers are dominated by FRELIMO.

The judicial branch may be formally independent, but the appointment of the Supreme Court judges by the president makes its political neutrality questionable. The judicial system is marked by structural dysfunction brought about by a lack of territorial coverage (only 85 of 128 districts have their own court), lack of trained personnel and financial resources, corruption, and inconsistent judicial policy. Nepotism and corruption are permanent fixtures in the institutional structure. The Anticorruption Act, passed in 2002 after a lengthy parliamentary struggle, was a step in the right direction, but the act is considered incomplete. There is some doubt about implementation and whether there is political will to go against the ruling political elite.

Civil rights are especially limited by state security agencies' disregard for the law. Political reasons play only a partial role, however. Examples include the violent breakup of demonstrations led by the opposition and the suffocation deaths of 119 prisoners in Montepuez prison in November 2000. In general, it is the police corps' lack of knowledge of human and civil rights and attempts by police officers to guarantee additional incomes for themselves that lead to the curtailing of civil rights.

3.1.2 Political patterns of behavior and attitudes

(1) *Institutional stability:* Developing a functional state administration—according to Max Weber, the central element of a democratic state—is hindered by corruption and the tight links between the state and the party. Initial reforms are being delayed for lack of resources and qualified personnel. In addition, inconsistencies in the legal framework of the decentralization program lead to blockages in the administrative system. The relevant actors accept democratic institutions.

The populace's increasing dissatisfaction with state institutions is distressing, however. A survey showed that 58.8 % of those asked found the government corrupt, and 58.1 % felt that the judiciary branch was corrupt. A total of 70.2 % find the police a corrupt arm of the state. The increasing erosion of state legitimacy that results is alarming for Mozambique's young democracy, which is facing the challenges of consolidation.

(2) *Political and social integration:* Although the results of the 1999 elections indicated that the unipolar structure of the multiparty system in place since 1990 was becoming bipolar and FRELIMO's hegemony was gradually collapsing, the opposition's recent internal developments indicate a medium-term dissolution of the bipolar structure and the possible emergence of a party system that is once again dominated by FRELIMO.

With the gradual departure of high-ranking party functionaries as they fell from grace, RENAMO is progressively running out of experienced politicians and parliamentarians with international reputations. It is assumed that former RENAMO member Raul Domingos will found a party in the near future that will provide competition, particularly for RENAMO. It remains questionable whether such a party could achieve national representation or whether it would largely be limited to the capital city, as the majority of other small parties are. The RENAMO-União Eleitoral electoral pact, with which 10 of the smaller parties managed to make it into Parliament in 1999, is on its last legs. For the upcoming 2003 local elections the pact has already been dissolved.

Building modern civic structures in Mozambique is hindered largely by the participants' lack of experience in a plural society. Under the single-party rule of FRELIMO, there was no tradition of an independent civil society. Civic organizations and unions were satellite organizations of the party. After being detached from FRELIMO, the unions now find themselves in a protracted consolidation process. The shortage of funds makes it difficult for them to actually achieve anything. Only 1 % of employed people are unionized.

One characteristic of the Mozambican civil society, which has been growing since 1990, is the strong orientation toward and dependence on donors. Many NGOs operate on a project basis, few have developed strategies, and they are generally reactive rather than proactive. In addition, the legal framework is inconsistent, and there is no differentiation between national for-profit and nonprofit organizations. This taxes local NGOs in particular in their administrative capacities and hinders their registration. Various confederations of NGOs (e.g., LINK, Forum Mulher) exist, but even these have limited potential for strengthening their members' capabilities.

Although the majority of Mozambicans prefers democracy to other forms of government (58 %), they are very critical of the status quo. Only 10 % consider Mozambique a fully developed democracy. 25 % characterize the current system as a democracy with minor flaws, and 39 % would describe the political system as a democracy with major flaws. This rather skeptical stance, which became clear in the latest Afrobarometer survey, was not reflected in the most recent elections in the form of low voter turnout (68.1 %).

The human-rights abuses perpetrated by both sides during the civil war were neither selected as a central theme in a national reconciliation process nor worked through legally. A cloak of silence has been laid over the issue by all participants.

Market Economy

3.2.1 Level of socioeconomic development

Despite positive developments over the last 10 years (HDI in 1994 = 0.310, HDI in 2001= 0.378), Mozambique is still one of the least-developed countries in the world (HDI ranking: 170 of 173). Regional disparities, in particular, have thus far distorted the general picture (the capital city, Maputo, has an HDI index of 0.622, while Zambezia Province has an HDI index of 0.202). Starting in 2001, the national HDI showed that those provinces with an HDI below the national average, with the exception of the northern provinces (Zambezia, Nampula, Cabo Delgado), were already showing growth rates above the national average. Social exclusion is qualitatively and quantitatively marked and structurally reinforced. A total of 69.4 % of the population lives below the poverty line of \$0.40 per day. The illiteracy rate is 56.7 %.

The effects of the HIV/AIDS epidemic overshadow the outlook for positive development in education and also for the HDI indicator of general life expectancy. Life expectancy in Mozambique rose from 41.7 years in 1994 to 44.6 in 2000. HIV/AIDS will likely lead to a decrease in life expectancy by one-third over the next 10 years. Improvement in the Gender Development Index (GDI) in recent years has run parallel to the positive changes in the HDI. (There was a 10.1 % improvement in the GDI in the period from 1997 to 2000. HDI improved by 10.34 % during that time.) This shows that the disparate development status of men and women did not get worse, but also shows that the government's policies intended to improve the situation of women have not yet borne fruit.

3.2.2 Market structures and Competition

The fundamentals of free-market competition are now present; however, there are still some structural barriers to establishing true competition involving private businesses (lack of infrastructure, few FDIs and NDIs), especially in the country's northern and central provinces. In addition, privatization has been concentrated mostly in the southern part of the country, and the policy of a free-market economy is implemented inadequately in the central and southern parts of the country. As a result, price controls are still in effect in some provinces, and tax incentives for the private sector have not been implemented.

The legal framework for the formalization of micro- and small businesses is considered inadequate. The government's attention was previously focused on major economic projects, such as the MOZAL aluminum smelter. Monopolies

exist primarily in the realms of national air traffic, telecommunications and power supply.

The adoption of the structural adjustment program led to a gradual liberalization of foreign trade, which in turn led to a complete collapse of the cashew industry. Processing plants that were rehabilitated after the civil war ended up having to shut their doors again after a very short time, because the majority of the harvest was exported to India to be processed there much more cheaply. Taking a lesson from these experiences, protective tariffs were laid on the sugar industry, which was slowly recovering from the devastation of the civil war and the subsequent ruination in catastrophic floods. The banking and financial system is largely in private hands, although the government is a shareholder in some banks. Foreign banks have unchecked access to the market.

The most recent crises in the banking sector (loss of approximately \$400 million from fraud during the privatization of Banco Comercial de Moçambique [BCM] and losses from bad loans at Banco Austral) not only reveal poor supervision of the banking sector, but also ultimately led to further consolidation in the banking sector through the merger of BCM and Banco Internacional de Moçambique. Based on the new microfinancing law, numerous microfinancing programs sponsored by international NGOs are transforming themselves into permanent Mozambican microfinancing institutions. They are the only way for small and medium enterprises (SMEs) and microenterprises to gain access to loans.

3.2.3 Stability of currency and prices

The Mozambican government has been successfully following a strict currency policy since the early 1990s. The inflation rate fell from 54 % in 1995 to single digits in the late 1990s. The catastrophic floods in 2000 caused the rate to climb back up to 11.4 %; however, the government successfully managed to bring it back to less than 10 % (2001: 9 %). Inflation control is consistent with the growth goals for the economy. The GDP has had an average growth rate of 8.4 % since 1994.

The Mozambican central bank, Banco de Moçambique, is legally independent and has both administrative and financial autonomy. The director and his deputy, however, are named by the country's president and the executive board by the prime minister. Mozambique's currency, the metical, is freely convertible and is not controlled by the central bank.

In the context of updating the PRE, the government is strictly following a policy to lead to macroeconomic currency stability, thus qualifying itself in 2000 for the Heavily Indebted Poor Countries (HIPC) Initiative of the World Bank and the IMF.

3.2.4 Private property

The legal assurance of property acquisition and ownership is fundamentally well-defined, but because of the state's lack of capacity, there are some problems with enforcing the laws. It is generally not possible to own land. Land belongs to the state and can only be leased, for a period of no more than 50 years. Because this legislation, which originated from a participatory process, fundamentally secures the rights of the current users of the land and prohibits mortgages on estates, it is assumed that conflict is unlikely to arise from it.

Private enterprises are now the backbone of the economy. The tradition of state-run enterprises, stemming from the socialist era, continues today in the form of state shareholdings in new enterprises or in former state-owned enterprises that have been privatized. The state has a share of more than 80 % in 10 enterprises (e.g., LAM, MABOR), and it has a share of less than 50 % in approximately 70 enterprises (e.g., the BCM and Banco Austral banks). The government's goal, however, is to further reduce these shares and the obligations that go along with them.

Since the directors and owners of privatized state-run enterprises are often the same as the managers of the erstwhile state-run enterprises, or come from the political elite (the new FRELIMO presidential candidate Armando Guebuza is one of the country's most successful businessmen, with participation in Aguas de Moçambique, among others), the privatizations are often referred to as "silent privatizations." The concentration of the nation's production and assets in the hands of a few FRELIMO functionaries and their families underscores the patronage-oriented structures of the new economic system.

3.2.5 Welfare regime

For the majority of the population of working age (69.7 %, according to the 1997 census), the family provides the only kind of safety net because they work in the informal sector or the subsistence economy. Sustainable family social networks to balance out poverty, however, are practically nonexistent as seen by the number of persons who live below the poverty line. In addition, existing family structures are increasingly falling apart because of the HIV/AIDS epidemic (16 % of the adult population is infected). It is estimated that the current figure of 500,000 AIDS orphans will have increased to 1.5 million by 2010. The INSS social insurance institute, founded in 1988, currently offers formal security to 321,000 registered workers.

3.2.6 Strength of the economy

Mozambique's successful transformation from a socialist planned economy to a liberal market economy has been manifesting itself in double-digit growth rates for the gross national product for years (1997-1999: 10 % on average). Even after the economic stagnation of 2000—caused by catastrophic floods in the central and southern parts of the country—Mozambique again showed economic growth of 13.9 % in 2001. With a volume of \$703.7 million, exports in 2001 were almost double that of the previous year (\$364 million). The export of aluminum by the MOZAL aluminum smelter was primarily responsible for this; exports were valued at \$383.5 million (54.5 % of the total). In addition, rising export rates were reflected positively in the trade balance and reduced the deficit from \$789.3 million in 2000 to \$447.1 million in 2001.

Mozambique's acceptance into the beneficiaries of the expanded HIPC Initiative will raise the forbearance on its total debt to \$3.8 billion and reduce Mozambique's burden of debt by 73 %. Likewise, the proportion of state revenues going to debt service is to be reduced to an average of less than 10 % for the period of 2000-2010 and 7 % for 2011-2020. The funds freed up by this change are primarily designated for fighting poverty, according to the government's program Programa de Acção para a Redução da Pobreza Absoluta (PARPA). Despite these positive developments, debt service in 2001 still amounted to \$56 million, which was well over the government's health budget of \$35 million.

Although the mountain of external debt is gradually shrinking, the accrual of internal debt—especially for refinancing the crisis-ridden banks Banco Austral and BCM—should be viewed with concern. Mozambique's state budget is still dependent on foreign donors, and about 45 % of the budget was financed by external financial support in 2001. Of the \$722 million agreed upon for 2002 at the world donor conference in October 2001, 50 % is designated for a direct subsidy to the national budget.

Despite the relatively high growth rates of the last few years, Mozambique remains far from sustainable economic development. The high growth rates can be attributed to a great extent to major projects such as the MOZAL aluminum smelter. A solid middle class has yet to emerge.

3.2.7 Sustainability

Environmentally sustainable growth is one of the aims of the Mozambican government and can be seen in both industrial policy and the national environmental management program. This means that every industrial project must be subjected to an environmental compatibility test, with the exception of the production of oil and gas, and the mining of minerals. The Ministry of the

Environment sees itself as a coordinating ministry and is pursuing an integrated approach to the implementation of sustainable development.

As part of an effort to fight poverty effectively, the government of Mozambique is attempting to make targeted improvements to the education system. In doing so, it is concentrating on access to education and the quality and capacity of the education sector. Currently, 23.1 % of the budget is available for education. The quality of education, in particular, is perceived as an obstacle to development and causes serious problems in the transition from elementary school to the secondary level and also later in the transition to higher education.

A diversification of educational offerings is being discussed (nontraditional training), as is the involvement of the private sector. This kind of involvement has thus far been significant only in the field of higher education, with the Catholic University and other universities (ISPU and ISCTM). The lack of budgetary backing which is featured in the strategic development plan for education and calls into question the implementation of nobler goals is a problem.

4. Trend

(1) *Democracy*: Although Mozambique has met the minimal requirements for an electoral democracy since the 1994 elections, democratic structures are not consolidated. Lasting development and successful economic reforms require solid political institutions. Despite various attempts at reform, the effectiveness of political institutions continues to be limited, and the justice system in particular is plagued by inefficiency and corruption.

Furthermore, a political culture marked by patronage networks and pervaded by corruption seriously challenges the consolidation of democratic structures. The parliamentary opposition has distinguished itself since the 1999 elections, whose results it did not recognize, primarily through destructive behavior and boycott campaigns rather than through solid political alternatives. Urgently needed political dialog continues to be paralyzed. Preservation of the status quo—i.e., a minimalist democracy, at least until the next elections—seems to be emerging.

(2) *Market economy*: Mozambique exhibited growth of 10.34 % in the HDI between 1997 (HDI = 0.270) and 2000 (HDI = 0.317). Looking only at the national HDI, however, paints a distorted picture. First, not all provinces have exhibited positive development, and second, Maputo City has an HDI that is almost twice as high as that of the rest of the country (0.622 in 2000). The positive development of the GDI, which grew by 10.1 % in the period between 1997 and 2000, masks a gender gap (difference between the HDI and GDI) that is most pronounced in the provinces Sofala (-0.023), Niassa (-0.021) and Cabo Delgado (-0.020).

The government's archaic economic policy, which is sometimes improvised, was purposefully replaced by a new industrial and trade policy during the period. Investment legislation for FDI and NDI was passed, value-added tax was introduced, and tax incentives were created to encourage investment in the poorest provinces. The legal framework for the legalization of small and microenterprises remains unsatisfactory, as do the investment conditions in most provinces. Furthermore, the justice system's shortcomings when it comes to trade and employment law remain problematic.

5. Transformation management

5.1 Level of difficulty

Mozambique's three-dimensional transformation took place in an extremely difficult environment. The civil-war-ravaged country needed to be developed both politically and economically. With a GDP of \$171 per capita, Mozambique is one of the poorest countries in the world today. The still-high illiteracy rate (UN Education Index = 0.408 for 2000) and the growing rate of HIV infections (16 %) present some of the greatest challenges to the country's economic growth, and the country suffered additional setbacks due to the catastrophic floods of 2000. The transformation of the socialist one-party system into a participatory, multiparty democracy required not only a metamorphosis of the armed opposition RENAMO into a political party subject to the democratic rules of the game, but also the strengthening of newly developed civic structures.

5.2 Reliable pursuit of goals

The government's priority is fighting poverty. The goals identified in the comprehensive and broadly applied poverty-fighting program (PARPA)—i.e., a reduction of the percentage of Mozambicans living in absolute poverty from 70 % to 60 % by 2005 and 50 % by 2010—are supplemented by strategies and goal-achievement indicators in the sectors of education, health, agriculture and rural development, infrastructure development, good governance, and financial and macroeconomic management.

To develop a consistent and coherent approach to reform, PARPA is linked to programs in other sectors and is incorporating them. In the field of good governance, especially, the attributes of increased transparency, accountability, fighting corruption, and strengthening the capacity and efficiency of the public sector are being emphasized. The reform program was hammered out in exemplary fashion with the help of civic and donor organizations.

However, the program continues to have a weakness, which is its dependence on the realization of a relatively high rate of growth in relation to major projects.

Also, the negative effects of the HIV/AIDS epidemic are not taken into consideration to a satisfactory degree. Furthermore, a shortage of qualified personnel could hinder the implementation of the very ambitious PARPA program. Despite various approaches to reform—e.g., in the field of law—and the pressure of the international donor community, the framework conditions for civic and economic actors remain relatively unstable. A change of governments following the next elections could bring with it further institutional uncertainties.

5.3 Effective use of resources

If the state's capability to finance its expenditures through its own revenues is taken as an indicator of the efficient use of resources, the Mozambican government is still far from reaching this goal. Approximately one-half of the state's expenditures are financed by grants from donors. The transfer, management and monitoring of financial allocations from the Ministry of Finance and sector ministries to provincial and district administrations are in deficit to a large degree. The framework legislation for fiscal management is considered inadequate and incomplete. The budget contains no objectives whose realization could possibly be evaluated.

Decentralized accounting, part of which is still handled manually, and the lack of central registration of all current expenditures complicate the monitoring of the national budget's implementation. With PARPA the government is trying to create a favorable climate for the private sector by investing in the public sector, especially in the areas of human capital, development of the production infrastructure and institutional reforms. However, corruption has become an integral part of the political culture, and the continued failure to adequately fight corruption is detrimental to the investment climate. Although anticorruption legislation was passed and a corresponding working group has been formed within the Office of the Public Prosecutor, there have still been no results in the targeted fight against corruption.

5.4 Governance capability

Although the government has the necessary authority domestically to carry out reforms without any appreciable resistance, its organizational capability is limited by the conditions imposed by the international donor committee, especially the Bretton Woods institutions. Insisting on liberalizing the cashew sector drove the industry, which was just starting to recover from damage inflicted by the war, to ruin. In those areas where management leeway exists, changes are so limited by consideration of the interests of politically influential stakeholders that the political guidelines are maintained for the most part. When allocating resources, the government does take the effects of its policies into consideration, but not to a degree that would improve the allocative efficiency of the markets.

5.5 Consensus-building

Thus far, the government has primarily sought consensus for economic reforms within the donor institutions. Reaching a consensus on a political level is hindered primarily by the obstructionist policies of the largest opposition parties, which in turn makes the government less willing to negotiate. Although all actors are pursuing the goal of building a free-market democracy, consensus-building falls by the wayside in the quest for power or the attempt to maintain power. Despite various efforts, the government still has not been able to balance out regional disparities in development. The danger of the opposition using these regional cleavages as a political tool remains clear.

5.6 International cooperation

Mozambique is a shining example of cooperation with bilateral and international donors. It has implemented conditions set forth by the donors to reach the country's macroeconomic goals without delay while also using clever diplomatic dramatics to mobilize a network of donor organizations and keeping up these organizations' support over long periods of time.

The government is considered a reliable partner for international collaboration and is gaining importance in the region because of its reputation won on the international scene. The current chairmanship of the Southern African Development Community (SADC) committee for policy, defense and security and the chairmanship of the African Union (AU), which passes to Mozambique in July 2003, underscore Mozambique's growing power to effect change in the region.

6. Overall evaluation

Mozambique was faced with the worst possible originating conditions at the beginning of the transition process. A total of 92,881 former combatants had to be reintegrated into an economy brought low by 17 years of civil war. In addition, 200,000 workers have been laid off since the early 1990s as a part of the privatization process set out in the structural adjustment program (SAP). Assuming that approximately five additional people are dependent on each wage earner, about 1 million Mozambicans were hit by the negative side effects of economic liberalization.

The peace process begun in 1990 had to be transformed into a steady democratization of the country. The progress and evolution, which can be seen in both the market and politics, are remarkable under the circumstances mentioned here.

However, the political stagnation since the last elections in 1999 remains alarming. This blockade of the political reform process has had a negative effect on individual framework conditions for free-market development and inhibits democratic consolidation. Macroeconomic growth rates that even industrial nations can only dream of disguise the true situation.

7. Outlook

The local elections planned for 2003 present Mozambique with great challenges. Valuable time has already been wasted because of the paralysis in the political dialog on suffrage reform. Mistakes could be made in both the technical preparation and in the execution because of the time pressure; these mistakes could then be used by the opposition to fuel further suspicion. Despite the latest developments in RENAMO, currently it can be assumed that the party will participate in the next local elections. To have a realistic chance of winning, RENAMO must focus its efforts on serious voter education and mobilization of its adherents.

In the next parliamentary and presidential elections, in 2004, the key questions will be what could happen if the opposition were to win the election, and what developments are possible if FRELIMO were to win again. In the latter case, the best-case scenario would be that RENAMO maintains its obstructive policies and rhetoric and the stagnating and development-inhibiting political environment will be continued, and the worst-case scenario would have RENAMO reaching for direct destabilizing measures that do not rule out violence.

If the opposition was to win, and under the condition that FRELIMO is not just paying lip service to the democratic rules of the game and can accept defeat, it remains to be seen to what degree the state administration that is interwoven with the FRELIMO party machine can behave impartially and support a government by the former opposition. Particular attention should be given to the police, into which no RENAMO members were integrated as part of the peace agreement. Obstructive behavior by the state bureaucracy affiliated with FRELIMO or cleansing campaigns carried out by RENAMO in the administration would lead in both cases to a collapse of the state. With this background, it is essential that Mozambique face up to the following challenges, thereby maintaining the support of the international donor community:

- Depoliticization of the state bureaucracy and training of public officials in rule-of-law conduct.
- Creation of a win-win situation for both parties through constitutional reform, which would allow the party that won the majority of the votes in a province to appoint its governor. This would secure at least a partial victory for RENAMO even if it were to be defeated on a national level, allowing it the opportunity to gather governmental experience at the provincial level.

Thereby, the ruling party not only would demonstrate a desire to share power, but also would maintain zones of influence for itself in the provinces in the case of a loss on the national level.

- Promotion of enduring political alternatives that would force FRELIMO and RENAMO to resume their dialog and could encourage a consensus-oriented policy.
- Support for reforms to the justice system for more professionalism in the fight against crime and corruption.
- Effective promotion of socioeconomic development in central and northern provinces.

Mozambique's greatest challenge in consolidating democratic structures will be the re-establishment of links between political institutions and Mozambican society. Only this can stop the populace's progressive disillusionment with the existing political system and the danger of broad sections of society failing to identify with democratic structures in the medium term.