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In its timeous contribution to the debate on Mozambique’s development trajectory, *Political Economy of Decentralisation in Mozambique* focuses on the decentralisation of public administration as a means of state reform. Making the case for rethinking 20 years of decentralisation policy, it provides an evidence-based, critical analysis of the political, economic, administrative, fiscal and institutional determinants of Mozambique’s approach to decentralisation.

Four key factors crucial to understanding Mozambique’s political economy of decentralisation are analysed. Firstly, the authors examine the foundational factors – the historical structural determinants – which have maintained a political economy driven by the export of commodities and the rent-seeking culture of a clientelist administrative system. Secondly, the formal and informal rules of the game governing decentralisation are discussed, with a focus on the institutional and legal aspects of deconcentration, devolution and fiscal decentralisation at the macro, meso and micro levels. Thirdly, the book offers a thorough economic and political analysis of the here and now featuring the most salient contemporary issues, namely, negotiating peace and addressing the economic and fiscal crisis caused by a convergence of unfavourable domestic and international conditions. The last section comprises a stakeholder analysis in which the drivers and constrainers of decentralisation are identified.

The book concludes with scenarios and conceptual considerations that showcase the contribution decentralisation can make to mitigate state fragility and political tensions, increase the effectiveness of public service delivery and improve local governance – the necessary conditions for a more inclusive and democratic political economy.

*Political Economy of Decentralisation in Mozambique* will be of interest to political and economic analysts, policy-makers, and the general public.
Political Economy of Decentralisation in Mozambique

Dynamics, Outcomes, Challenges

Bernhard Weimer and João Carrilho
Acknowledgements

IESE would like to thank the following partners for their continuing institutional support:

Swiss Agency for Development and Cooperation (SDC)
Royal Danish Embassy
Ministry for Foreign Affairs of Finland
Irish Department of Foreign Affairs (Irish Cooperation)
IBIS Mozambique
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Acronyms

3CP Cities and Climate Change Programme (see: PCMC)
ADE Apoio Directo à Escola (Direct School Subsidy)
AICE Access to Information and Citizens’ Engagement
AIDS Acquired Immune Deficiency Syndrome
AM Assembleia Municipal (Municipal Assembly)
ANAMM Associação Nacional de Municípios Moçambicanos (National Association of Mozambican Municipalities)
AP Assembleia Provincial (Provincial Assembly)
AR Assembleia da República (National Parliament)
ATM Autoridade Tributária de Moçambique (Mozambican Tax Authority)
BRICS Brazil, Russia, India, China and South Africa
CB Concessional Borrowing
CC Conselho Constitucional (Constitutional Council)
CDG Conta de Gerência (Municipal Annual Account)
CE Conselho da Escola (School Council)
CEDSIF Centro de Desenvolvimento de Sistemas de Informação de Finanças (Development Centre of Financial Information Systems)
CEP Conselho Empresarial Provincial (Provincial Enterprise Council)
CFM Caminhos de Ferro de Moçambique (Mozambican Railways and Ports)
CGE Conta Geral do Estado (Annual State Accounts)
CIP Centro de Integridade Pública (Centre for Public Integrity)
CM Conselho Municipal (Municipal Council)
CNE Comissão Nacional de Eleições (National Electoral Commission)
CSO Civil Society Organisation
CSP Cuidados de Saúde Primários (Primary Health Care Centres)
CSS Cuidados de Saúde Secondários (Secondary Health Care Centres)
CTA Confederação das Associações Económicas de Moçambique (National Confederation of Mozambican Business Associations)
DANIDA Danish International Development Agency
DATA Departamento de Administração Territorial e Autarquica (Department of Territorial and Municipal Administration)
DNAL Direcção Nacional de Administração Local (National Directorate of Local Administration)
DNDA Direcção Nacional de Desenvolvimento Autarquico (National Directorate of Municipal Development)
DNPO Direcção Nacional do Plano e Orçamento (National Directorate of Planning and Budget)
DNT Direcção Nacional do Tesouro (National Treasury Directorate)
DNTF Direcção Nacional de Terras e Florestas (National Directorate of Land and Forests)
<table>
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<tr>
<th>Acronym</th>
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<tr>
<td>DPOPHRH</td>
<td>Direcção Provincial de Obras Publicas, Habitação e Recursos Hídricos</td>
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<td>DPPF</td>
<td>Direcção Provincial de Plano e Finanças</td>
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<td>DPS</td>
<td>Direcção Provincial de Saúde</td>
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<tr>
<td>DUAT</td>
<td>Direito de Uso e Aproveitamento da Terra</td>
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<tr>
<td>EDM</td>
<td>Electricidade de Moçambique</td>
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<td>EMATUM</td>
<td>Empresa Moçambicana de Atum</td>
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<tr>
<td>EMOCHM</td>
<td>Equipa Militar de Observadores Internacionais da Cessação das Hostilidades</td>
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<tr>
<td>ENH</td>
<td>Empresa Nacional de Hidrocarbonetos</td>
</tr>
<tr>
<td>ENHILS</td>
<td>ENH Integrated Logistics Service</td>
</tr>
<tr>
<td>FCA</td>
<td>Fundo de Compensação Autárquico</td>
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<td>FDD</td>
<td>Fundo de Desenvolvimento Distrital</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FE</td>
<td>Fundo de Estradas</td>
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<tr>
<td>FIIA</td>
<td>Fundo de Investimento de Iniciativa Autárquica</td>
</tr>
<tr>
<td>FIPAG</td>
<td>Fundo de Investimento e Património de Abastecimento de Água</td>
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<tr>
<td>FOCADE</td>
<td>Fórum da Sociedade Civil em Cabo Delgado</td>
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<td>Frelimo</td>
<td>Frente da Libertação de Mozambique</td>
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<td>GDM</td>
<td>Grupo de Dívida Moçambicana</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GIZ</td>
<td>Gesellschaft für Internationale Zusammenarbeit</td>
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<tr>
<td>GPA</td>
<td>General Peace Agreement (Rome 1992)</td>
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<td>GPG</td>
<td>General Purpose Grant</td>
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<td>HIV</td>
<td>Human Immunodeficiency Virus</td>
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<td>IASISA</td>
<td>Imposto Autárquico de Sisa</td>
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<td>IAV</td>
<td>Imposto Autárquico de Veículos</td>
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<td>IDP</td>
<td>International Development Partner</td>
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<tr>
<td>IESE</td>
<td>Instituto de Estudos Sociais e Económicos</td>
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<tr>
<td>IGF</td>
<td>Inspeção-geral das Finanças</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>INE</td>
<td>Instituto Nacional de Estatística</td>
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<tr>
<td>IPRA</td>
<td>Imposto Predial Autárquico</td>
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</table>
ISPC  Imposto Simplificado para Pequenos Contribuintes (Tax on informal economic activity)

JC  Joint Commission (peace negotiations)

KfW  Kreditanstalt für Wiederaufbau (German Development Bank)

LAM  Linhas Aéreas de Moçambique (Mozambican Airlines)

LAO  Limited Access Order

LEBOFA  Lei de Base de Organização e Funcionamento da Administração Pública (Basic Law on the Organisation and Functioning of the Public Administration)

LED  Local Economic Development

LNG  Liquefied Natural Gas

LOLE  Lei dos Órgãos Locais do Estado (Law on Local Units of the Central State Administration)

MAE  Ministério de Administração Estatal (Ministry of State Administration)

MAEFP  Ministério de Administração Estatal e Função Pública (Ministry of State Administration and Public Service)

MAM  Mozambique Asset Management

MCA  Millennium Challenge Account

MDM  Movimento Democrático de Moçambique (Democratic Movement of Mozambique)

MPD  Ministério da Planificação e Desenvolvimento (Ministry of Planning and Development)

MEF  Ministério de Economia e Finanças (Ministry of Economic Affairs and Finance)

MFP  Ministério da Função Pública (Ministry of Public Service)

MICOA  Ministério da Coordenação da Acção Ambiental (Ministry of Environmental Action Coordination)

MISAU  Ministério de Saúde (Ministry of Health)

MITADER  Ministério da Terra, Ambiente e Desenvolvimento Rural (Ministry of Land, Environment and Rural Development)

MOPHRH  Ministério de Obras Publicas, Habitação e Recursos Hídricos (Ministry of Public Works, Housing and Water Resources)

MP  Member of Parliament

MT  Mozambican Metical

NCB  Non-Concessional Borrowing

NGO  Non-Governmental Organisation

NHS  National Health Service

NODAEC  Normas de Organização e Direcção do Aparelho de Estado Central (Norms on Organisation and Leadership of Central State Apparatus)

OAO  Open Access Order

OE  Orçamento do Estado (State Budget)

OECD  Organisation of Economic Cooperation and Development
OIIL  Orçamento de Investimento de Iniciativa Local (Budget for Local Investment Initiatives)
OLE  Órgãos Locais do Estado (Local Units of the Central State Administration)
OSR  Own-Source Revenue
PAI  Presidência Aberta e Inclusive (Open and Inclusive Presidency)
PAO  Plano Annual de Actividades e Orçamento (Municipal Action Plan and Budget)
PAP  Programme Aid Partners
PARPA  Programa Acelerado da Redução da Pobreza (Poverty Reduction Action Plan)
PCA  Power and Change Analysis
PCD  Portos de Cabo Delgado (Cabo Delgado Ports)
PCMC  Programa de Cidades e Mudanças Climáticas (Cities and Climate Change Programme) (see: 3CP)
PDD  Projecto de Descentralização e Democratização (Decentralisation and Democratisation Project)
PDUT  Plano Distrital de Utilização de Terra (District Land Use Plan)
PEA  Political Economy Analysis
PEDD  Plano Estratégico de Desenvolvimento Distrital (Strategic District Development Plan)
PEND  Política e Estratégia Nacional de Descentralização (National Policy and Strategy of Decentralisation)
PERPU  Programa Estratégico de Redução da Pobreza Urbana (Strategic Urban Poverty Reduction Programme)
PES  Plano Económico e Social (Economic and Social Plan)
PESOD  Plano Económico Social e Orçamento Distrital (District Social-Economic Plan and Budget)
PFM  Public Finance Management
PNPFD  Programa Nacional de Planificação e Finanças Descentralizadas (National Decentralised Planning and Finance Programme)
PPFD  Programa de Planificação e Finanças Descentralizadas (Programme of Decentralised Planning and Finance)
PRODIA  Programa de Desenvolvimento Integrado para as Autarquias e as Zonas Rurais Circunjacentes (Integrated Development Programme for Municipalities and Surrounding Rural Areas)
PPIAF  Public-Private Infrastructure Advisory Facility
PPOSC  Plataforma Provincial das Organizações da Sociedade Civil (Provincial Platform of Civil Society Organisations)
PPP  Public-Private Partnerships
PRODEM  Programa de Desenvolvimento Municipal (Programme for Municipal Development in northern and central Mozambique)
PS  Permanent Secretary (Secretário Permanente)
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<th>Abbreviation</th>
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<tr>
<td>PSR</td>
<td>Public Sector Reform</td>
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<tr>
<td>REO</td>
<td>Relatório de Execução do Orçamento (Budget Execution Report)</td>
</tr>
<tr>
<td>Renamo</td>
<td>Resistência Nacional de Moçambique (National Resistance Movement)</td>
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<tr>
<td>SCO</td>
<td>Swiss Cooperation Office</td>
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<tr>
<td>SDAE</td>
<td>Serviços Distritais de Actividades Económicas (District Services of Economic Activities)</td>
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<tr>
<td>SDC</td>
<td>Swiss Development Cooperation</td>
</tr>
<tr>
<td>SDSMAS</td>
<td>Serviço Distrital de Saúde, Mulher e Acção Social (District Services for Health, Women and Social Welfare)</td>
</tr>
<tr>
<td>SDPI</td>
<td>Serviço Distrital de Planificação e Infraestruturas (District Services of Planning and Infrastructure)</td>
</tr>
<tr>
<td>SGA</td>
<td>Sistema de Gestão Autárquico (Municipal Financial Management System)</td>
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<td>SGACA</td>
<td>Strategic Governance and Corruption Analysis</td>
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<tr>
<td>SGM</td>
<td>Sistema de Gestão Municipal (Municipal Financial Management System) [predecessor of SGA]</td>
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<tr>
<td>SIDA</td>
<td>Swedish International Development Agency</td>
</tr>
<tr>
<td>SISTAFE</td>
<td>Sistema de Administração Financeira do Estado (State Financial Administration System)</td>
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<td>SME</td>
<td>Small and Medium-sized Enterprises</td>
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<td>SMoDD</td>
<td>Sistema de Monitoria de Desenvolvimento Distrital (District Development Monitoring System)</td>
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<td>SNTA</td>
<td>Sub-National Technical Assistance</td>
</tr>
<tr>
<td>SOE</td>
<td>State-Owned Enterprise</td>
</tr>
<tr>
<td>SPGC</td>
<td>Serviços Provinciais de Geografia e Cadastro (Provincial Geographic and Cadastre Services)</td>
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<tr>
<td>TA</td>
<td>Tribunal Administrativo (Administrative Tribunal)</td>
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<tr>
<td>TAE</td>
<td>Taxa por Actividade Económica (Levy on Economic Activity)</td>
</tr>
<tr>
<td>TDM</td>
<td>Telecommunicações de Moçambique (Mozambique Telecommunications)</td>
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<tr>
<td>UEM</td>
<td>Universidade Eduardo Mondlane (Eduardo Mondlane University)</td>
</tr>
<tr>
<td>UFSA</td>
<td>Unidade Funcional de Supervisão de Aquisições (Functional Unit for Supervision of Procurement)</td>
</tr>
<tr>
<td>UGB</td>
<td>Unidade Gestora Beneficiária (Beneficiary Management Unit)</td>
</tr>
<tr>
<td>UGE</td>
<td>Unidade Gestora Executiva (Executive Management Unit)</td>
</tr>
<tr>
<td>UGEA</td>
<td>Unidade de Gestão Executiva de Aquisições (Procurement Management Unit)</td>
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<td>UK</td>
<td>United Kingdom</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNICEF</td>
<td>United Nations International Children's Emergency Fund</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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<tr>
<td>US</td>
<td>United States of America</td>
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<tr>
<td>US$</td>
<td>United States dollar</td>
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<tr>
<td>UTRESP</td>
<td>Unidade Técnica da Reforma do Sector Público (Technical Unit for Public Sector Reform)</td>
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Map 1: Municipalities in Mozambique

Source: J Archibald, based on map provided by Ministério da Administração Estatal e Função Pública (MAEFP)
Preface

Severino Elias Ngoenha*

The book *Political Economy of Decentralisation* in Mozambique arrives at the right moment on the book market and in the hands of the reader. The major political, institutional and socioeconomic challenges that Mozambique and its people presently face represent an appropriate context to retrace the story of decentralisation and its perspectives for the country.

The book approaches the topic in a multidisciplinary and multisectoral manner and considers different viewpoints, including political, institutional and that of public administration, finances and society.

The authors look at the relationship between decentralisation and democratisation, a subject debated in political sciences: Does decentralisation correspond to a more advanced level of democracy? Regarding its life as a democracy, Moçambique is still a young country and the book provides a clear picture of the history of decentralisation from 1992 to today. Its basic argument is that the political class which has been in power since Independence systematically sought to limit or, on occasion, halt decentralisation. Is this thesis acceptable? And is it sustained by the evidence which the book produces?

In general, it is possible to reply affirmatively to both questions. The fact that the government has increased the number of districts, some of which perfectly overlap with the territory of the respective municipalities, is offered as proof to verify the central proposition. Furthermore, in the context of today’s political discourse around the future, the government’s reservation in increasing the number of municipalities constitutes one of countless demonstrations of how cautious the government’s approach to this subject is.

Looking at the subject dealt with in this book from a more philosophical angle, the following question emerges: How can the decentralisation process contribute, in a visible and significant way, to improving the well-being of Mozambique's populations, particularly the least favoured ones? The answer is not a simple one.

* PhD in philosophy; Director of the Doctoral School of Philosophy of the Pedagogical University, Maputo; Rector of the Technical University of Mozambique, Maputo.
The initiative of the “seven million”, implemented by the government under the leadership of President Guebuza, was advocated as a measure to combat rural poverty. Although some results have been achieved, studies have shown that most beneficiaries were hand-picked from among the most prominent members of local elites, and the rate of return on what should have been a loan with favourable conditions has been negligible.

The examples show that the impact of decentralisation is not always positive, implying a profound, systematic and rational political, institutional and economic process which needs to be guided by criteria of transparency and administrative rationality.

The book also reflects the interest and love which the authors have for Moçambique and its people. For the Mozambican co-author, the engineer João Carrilho, this affection is intrinsically linked to his many years of work as a professional in the state apparatus, including in the position of Vice Minister of Agriculture, as well as that of independent expert. His work concentrated on key questions relevant to all Mozambicans and for the development of the country: land use and management, and rural development. In the case of Bernhard Weimer, an academic of German origin, his interest is evidenced in the 25 years that he has lived and worked in Moçambique in positions such as advisor to the Ministry of State Administration, lecturer at the Universidade Eduardo Mondlane (UEM), manager of decentralisation support projects and as an independent consultant.

Not all readers will necessarily always agree with the arguments and conclusions put forward in this book, given their own analyses and convictions. However, even those who disagree with lines of thought offered in this book will acknowledge the enormous effort the authors put into analysing and producing data and evidence, as befits an informed and sober debate on a politically controversial subject. From that point of view, the book merits many readers, from all political persuasions and from all corners of the country.

Maputo, June 2017
Acknowledgements, Sources and Disclaimer

This book is based on a consultancy report with the same title, commissioned by the Swiss Embassy in Maputo in August 2015 and delivered in April 2016. The consultancy was conducted for MAP Consultoria, Maputo, by a team of three consultants: Bernhard Weimer (team leader), João Carrilho (senior consultant), and Liria Quelídio Langa (team assistant). The draft was peer-reviewed by José Jaime Macuane, who was responsible for quality assurance.

Given the study’s resonance with stakeholders in decentralisation in Mozambique, ranging from the government via political parties to civil society, academic institutions and development partners, the Swiss Embassy, in collaboration with Instituto de Estudos Sociais e Económicos (IESE), decided to have the study reviewed and published in both English and Portuguese. Bernhard Weimer, the main author and then team leader, undertook the final review.

The authors wish to express their profound gratitude to all women and men in Maputo, and the districts and municipalities in Cabo Delgado and Nampula provinces, who contributed to this study, by granting interviews, providing written comments, relevant literature, and who participated in meetings and seminars held during the work. Equally, their gratitude to the members of the Decentralization Working Group, presently headed by SDC, and to selected members of the Health Working Group, with whom, on two sessions (on 18 February 2016) a summary of the consultancy study’s findings was shared and who provided the team with valuable comments and additional insights. A special Thank You goes to the members of the Joint Commission and group of mediators set up for negotiating a peace agenda, with whom, in a lecture held on 28 September 2016, major findings of the study were shared and discussed.

The authors would like to thank the peer reviewer of the manuscript, Roberta Holanda Maschietto (University of Bradford/Universidade de Coimbra), for her competent, critical and sympathetic review of both of the original manuscript and the Portuguese translation. Her observations and suggestions resulted in a restructuring of the manuscript, as well as in the addition of substantive sections. Hence, the book differs quite substantially from the original consultancy study. Her guidance in the review was most useful and appreciated. They also express their profound gratitude to Vitor Santos Lindegaard, who with great competence and contextual knowledge translated the English version of the book into Portuguese.

The authors’ extend their gratitude to Leo Naescher, Head of Cooperation, Sven Stucki, Head of Governance Domain, and Nobre Canhanga, Programme Officer in
this domain, all at the Swiss Embassy, for their encouragement, valuable support, advice and proactive leadership during the consultancy, as well as in the planning and production of this book. The team would also like to thank the leadership and all officials at the Swiss Embassy and Cooperation Office in Maputo, the SDC head office in Berne, and the regional office in Kigali for their participation in meetings in which the team’s proposals, methodology and partial results were presented and discussed. The team would also like to thank Teresa Weimer, London, for the final copyediting of the manuscript.

A special muito obrigado goes to the Swiss Ambassador in Mozambique, Mirko Manzoni, and the Director of IESE, Prof. Salvador Forquilha and his team. In terms of both content and process, they always demonstrated their support for the project, convinced that this book would contribute to the ongoing debate around decentralisation in Mozambique as part of the solution to the challenges facing peacebuilding and socioeconomic development.

A note on sources
The report was written in the spirit of offering a comprehensive analysis not only to the client (SDC), but also to other stakeholders in the Mozambican decentralisation process, notably the government of Mozambique, local governments, organised civil society, and university lecturers and students. Being of an analytical nature, the study uses technical language with which some stakeholders might not be familiar. In line with the practice and ethos of social science analysis, an effort was made to write the report in the spirit of ‘doing no harm’, even if critical positions are reflected or are taken as conclusions.

All opinions expressed in this report, unless they are quotations, are exclusively attributable to the authors. They do not necessarily reflect the opinions of the institutions involved – the Swiss Embassy, the SDC in Maputo and MAP Consultoria – or of any of their staff. Any errors or misrepresentations of facts are the sole responsibility of the authors.

The report is based on information gathered and verified during interviews. In many cases the interviewees requested that the interviews be informal and confidential and they asked not to be quoted. In all other cases, the sources of information used or the opinions expressed in the study are cited in line with the established rules of social science research. In cases of contradictory information, the team endeavoured to corroborate the information through triangulation, i.e. through verification by another source.
About the authors

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PART I: Introduction

Underdevelopment has been a consistent feature of Mozambique during the past four decades. Currently, more than 60% of the population (16 million people) live in extreme poverty. Various statistics and indicators, such as those produced by the World Bank,\(^1\) the UN Human Development Index (UNDP, 2016) and recent studies (ISS, 2017), document the significantly high share of the population which lacks access to basic infrastructure (water, sanitation and electricity) and note that the country has one of the lowest life expectancies in the world. Educational attainment is the lowest in the southern African region and one of the lowest in the world. Despite rich soils and water resources, the country still cannot feed itself, thus depending on food imports. Eighteen of the 41 years of independence have witnessed political violence and civil strife. Other studies point to serious challenges to good governance, a high degree of corruption and the economic costs thereof, as well as illicit financial outflows and money laundering (CIP, 2016a; CIP & CMI, 2016; BIG, 2016). If properly managed and with benefits broadly shared, the natural and mineral resource endowments, particularly natural gas, would allow Mozambique to find a path out of endemic poverty. However, the country's track record and handling of the recent debt crisis have undermined the confidence of the Mozambican people, foreign partners and investors that the government will be able to turn the wealth into a blessing for all.

Focusing on decentralisation in analysing the country’s political economy, this book assumes that the chronic problems of state fragility and underdevelopment are partially caused by the structure and *modus operandi* of Mozambique’s political administrative system. Examining the country’s decentralisation reform policies and practices, the book argues in favour of rethinking the state, its structure and administration, deemed necessary for a transition from a Limited Access Order (LAO) producing cyclical violence to a more Open Access Order (OAO).\(^2\) Based on a thorough analysis of Mozambique’s decentralisation experiences and on evidence, some of it published here for the first time, the authors argue that democratic decentralisation needs to be considered a part of that trajectory.

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\(^2\) See North et al. (2010) for terminology; see also Part I, Section 2.3 in this publication.
This book, based on a study commissioned by the Governance Domain at the Swiss Cooperation Office in Maputo, Mozambique, aims at providing an in-depth analysis of the decentralisation process in Mozambique, its history, its stakeholders, drivers and restraints, as well as its outcomes.

Apart from providing the reader with a broad overview of the ongoing decentralisation process in Mozambique and its dynamics and outcomes, the book’s objective is to analyse, historically and structurally, the internal and external actors/agents – such as political leaders, civil servants, political parties, business associations, government, development partners – and their stakes in decentralisation. It also assesses how these share and deal with the relationships of power that influence and determine processes and outcomes of decentralisation. In doing this, the book seeks to assess both the formal frameworks – constitutional rules, codified and informal laws – and the informal rules and processes that have a bearing on decentralisation.

Hence, the reader will be informed about the reform challenges and current decentralisation reform dynamics in terms of the:

- ‘foundational factors’ shaping reforms (e.g. historic legacy, territory);
- formal and informal rules, regulations, policies defining decentralisation and multilevel governance;
- institutional arrangements framing the multilevel governance system (e.g. assigned functions, funds, human resources/capacities) as well as governance principles which define the quality aspects of the multilevel governance system (effectiveness and efficiency in terms of performance, transparency and accountability, participation and non-discrimination);
- dynamic of fiscal decentralisation, flux of funding, planning and processes, and its articulation between the various levels of the state administration; and
- sustainability of reforms.

Given the intrinsic historical correlation between conflict resolution in Mozambique and the decentralisation debate, the book also aims at investigating the nature of this linkage and the challenges to decentralisation reform. Thus, the following questions are addressed:

- Can decentralisation contribute to peacebuilding and consolidation in Mozambique?
- Who are the key stakeholders involved in peacebuilding and shaping the decentralisation reform processes, i.e. who is participating in negotiations and taking decisions and what are their positions (e.g. power sources, legitimacy), behaviours and motivations/interests, and who remains excluded?
It is hoped that the book will contribute to a broad public debate on a matter of importance to a broad spectrum of institutional actors and stimulate further academic research.

The book is structured in four main parts. In line with the objectives of the study and the agreed methodology, Part I familiarises the reader with the specific methodological approach and terminology used in the Political Economy Analysis (PEA) on decentralisation. Part II is dedicated to analysing power and change with a focus on decentralisation, its dynamics and outcomes. It distinguishes between and dissects ‘Foundational Factors’ or the ‘weight of history’ (Section A), the ‘Rules of the Game’ (Section B) and the ‘Here and Now’ (Section C). Particularly in Section B, the reader will find an in-depth analysis of the three key aspects of decentralisation in Mozambique, namely devolution/municipalisation, deconcentration and fiscal decentralisation. Section C looks at the present economic and fiscal dynamics as well as the political–military tensions and ongoing attempts to settle them through negotiations.

Part III contains an in-depth analysis of the main stakeholders across all levels of the Mozambican public administration (macro, meso and micro) and their roles as drivers or restrainers of decentralisation. The issue of incentives and disincentives for decentralisation is also addressed.

Part IV sums up the findings and scenarios for decentralisation reform. It then draws final conclusions, highlighting the importance of such reform for peacebuilding and the strengthening of the state, which is considered fragile and prone to violence given its exclusionary features.

1 Research Approach and Methodology

1.1 Research Approach: Power and Change Analysis

Political Economy Analysis (PEA) of a given country or sector is concerned with examining and understanding the political, economic and social forces and stakeholders, i.e. groups and individuals, insofar as these determine and/or contest the formation of policies, the allocation of resources and the distribution of outcomes. In other words, PEA attempts to compare relations of power in each society or segment thereof. Used in a development cooperation context, it allows practitioners, institutions and international partners to assess the dynamics of change and the associated risks for development assistance to a country or a sector. In this, PEA seeks to replace a uniform developmental model (one size fits all) with a tailor-made approach. Consequently, PEA studies are now used systematically as part of the elaboration of country and sector programmes, given that ‘problem-driven political economy analysis holds considerable promise to help development practitioners
identify what policies and strategies are most likely to succeed in addressing difficult and persistent development challenges. Therefore, numerous toolkits and studies have been developed and published to help practitioners conceptualise, direct, focus and evaluate PEA work (Copestake & Williams, 2012; McLoughlin, 2014; Moncrieffe & Luttrell, 2005; Fritz, Levy & Ort, 2014).

In Mozambique, a growing number of PEA studies have been conducted under the initiative of various bi- and multilateral development partners, generally with government and other stakeholders sidelined in the process and distribution of the studies. Among them are the Embassy of the Kingdom of the Netherlands, or EKN (ECORYS, 2008; EKN, 2010), the United Kingdom’s (UK’s) Department for International Development (DFID, 2011, 2013; Weimer, 2012c), the European Union (ADE, 2012) and the World Bank in cooperation with the Department for International Development (Yadav & Weimer, 2013).

In deviating from conventional approaches to PEA as defined in toolkits or methodological guidelines, the authors of the present study applied a broader, less problem-oriented and less common conceptual approach known as Power and Change Analysis (PCA). Its origins date back to the first decade of the new millennium, when, commissioned by the Ministry of Foreign Affairs of the Royal Dutch Government, PCA studies were conducted aimed at strategically assessing political economy structures and change dynamics in around 30 less developed partner countries, including Mozambique. In the case of Mozambique, a Dutch consultancy firm (ECORYS, 2008) conducted the study. All studies followed the same conceptual methodological framework, known as Strategic Governance and Corruption Analysis (SGACA). This was developed by the Clingendael Institute, a foreign policy think tank based in The Hague, in collaboration with the Institute of Development Studies in Brighton, Sussex, in the UK. The latter institution was responsible for developing the approach further into an analytical tool known as ‘power cube’, which helps to assess the levels, spaces and forms of exercising power in each society and polity (Gaventa, 2006; see Part I, Section 2.3).

The PCA/SGACA approach – associated with earlier initiatives to identify institutional drivers of change and to understand power relations, promoted by the UK and Swedish governments and the World Bank, respectively (Dahl-Østergaard et al., 2005) – tries to gain a profound understanding of the political, social, cultural and economic issues and stakes at play in a country and the power relationships between actors and agents of power which shape the outcomes of such processes. The approach also examines the incentives of these actors to effect or prevent change. It focuses particularly on the political commitment of holders of power and the impact on pro-

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4 https://www.powercube.net/an-introduction-to-power-analysis/.
poor change programmes and policies. As in the case of PEA studies, government and other stakeholders were hardly involved in PCA studies, which have primarily been initiated by the country offices of aid agencies to promote internal discussions and learning, rather than dialogue with external stakeholders (Dahl-Østergaard et al., 2005).

The present study is no exception. In fact, the original purpose of the PEA study on decentralisation was to elaborate on the Swiss Development Cooperation Mozambique Country Strategy, where government, Parliament, political parties, municipalities, etc. were initially only marginally involved. However, once produced, the report was shared with a carefully selected, limited audience. Only at a later stage did the Swiss Embassy decide to make the study public in the form of this book.

The PCA/SGACA framework used in this study first takes cognisance of the historical context or ‘foundational factors’ of the economic, political, social and institutional features of the Mozambican society and economy. Part II, Section A looks at the predominance and pervasiveness of the Mozambique Liberation Front (Frente da Libertação de Mozambique, or Frelimo) in government; state apparatus; economy and society constituting an LAO (North et al., 2010); the extractive, export-oriented, ‘porous’ nature of the economy and its dependence on external investment; markets; imports of capital, credit, etc. (Castel-Branco, 2010), coupled with a model of accumulation based on rents and rent seeking (see Part I, Section 2.3). These structural factors hardly change over extended periods of time. At present, the trajectory of the political economy and its support from outside is showing signs of potentially profound changes, slowly moving away from a ‘donor support for development’ paradigm to one of ‘resources and business for development’, given the start of exploitation of the large mineral and energy resources in Mozambique (Vollmer, 2013).

Secondly, PEA examines the established ‘rules of the game’ and institutional arrangements – both formal and informal – which govern decentralisation and the institutional relationships between levels and forms of decentralised units (Part II, Section B).

The third aspect to be considered is windows of opportunity for change and reform in the current context, in the sense of public affairs or events which affect, even threaten, the established order and ‘business as usual’ (Part II, Section C). Examples can be seen in the ‘social earthquake’, such as violent mass demonstrations over price increases (e.g. in September 2011), unpredicted electoral results (2014), the taking up of arms by the opposition in 2012/2013 and the initiation of peace negotiations between the opposition and the government.

Obviously, as suggested by Moncrieffe and Luttrell (2005), PEA also needs to look at the institutional architecture and intra-institutional relationships relevant for

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5 http://www.ids.ac.uk/project/power-and-drivers-of-change-analyses.
decentralisation, as well as at the relations between the public administration and the institutions outside it (political parties, civil society organisations [CSOs], donors and other stakeholders) which may have an (enhancing or constraining) influence on decentralisation. For this reason, the PCA is supplemented by a stakeholder analysis.

1.2 Research Methods and Fieldwork

For this study, the authors used an array of conventional social science tools and methods, including:

- Desk research and the review of relevant academic literature, as well as policy, strategy and programme documents (official and unofficial, published and unpublished), including literature on decentralisation and local government in Mozambique and elsewhere.
- Interviews with more than 100 key stakeholders such as national and local government, e.g. the Ministry of State Administration and Public Service (Ministério de Administração Estatal e Função Publica); the Ministry of Economic Affairs and Finance (Ministério de Economia e Finanças); statutory bodies responsible for audit and public finance management; parliament, the private sector (including business associations) and CSOs at national (macro), provincial (meso) and local (micro) levels, the latter including municipalities and districts (Local Units of the Central State Administration – Órgãos Locais do Estado). Given the ongoing political negotiations between the government and the National Resistance Movement (Resistência Nacional de Moçambique, or Renamo) at the time of research, representatives of the main political parties (Frelimo, Renamo and the Democratic Movement of Mozambique [Movimento Democrático de Moçambique]) and mediators were included as well. Four small focus-group discussions on specific themes, such as water and sanitation and CSO activities, were organised.
- The interviews were usually prepared by sending a credential letter to the institution whose representative was to be interviewed, together with a set of guiding questions. However, the interviews were conducted in an open-ended way, often in the form of a conversation and not necessarily always following the sequence of questions according to the guidelines. This allowed more ownership on the part of the interviewee. In some cases, due to sensitive issues or confidentiality, the conversations were held in a more informal setting, outside any office context.
- Fieldwork was conducted in Maputo, Nampula and Cabo Delgado provinces, in the latter two cases from 4 to 15 October 2015 (Table 1). Further interviews were conducted in Maputo from 29 November to 14 December 2015.
### Table 1: Fieldwork: Selected provinces, districts and municipalities

<table>
<thead>
<tr>
<th>Province</th>
<th>Cabo Delgado</th>
<th>Nampula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provincial capital</td>
<td>Pemba</td>
<td>Nampula</td>
</tr>
<tr>
<td>District</td>
<td>Mocimboa da Praia, Montepuez</td>
<td>Monapo, Nacala</td>
</tr>
<tr>
<td>Municipality</td>
<td>Mocimboa da Praia, Montepuez</td>
<td>Monapo, Nacala</td>
</tr>
</tbody>
</table>

Source: MAP Consultoria, 2016

On 15 December, an internal workshop was held at the office of MAP Consultoria to discuss the results of the fieldwork and the preliminary findings of the study with national decentralisation experts. The workshop’s focus was the stakeholder analysis.

#### 1.3 Limitations

Given the ambitious scope of the topic and analysis, on the one hand, and the limited resources/funding and time available on the other, the book obviously has several limitations. Firstly, it was not possible to include provinces, municipalities and districts other than those indicated above. Including other provinces would have necessitated a much larger team and budget. Secondly, for reasons of time and other constraints, the data collection planned in the municipality and district of Montepuez (Cabo Delgado) was not realised. However, very recent data on Montepuez were garnered from a baseline study on access to information, conducted by one member of the research team, with the explicit permission of the owner of the study, IBIS Mozambique. Thirdly, concerning financial and fiscal data, the study only covers data up to 2014, since data for 2015 were not yet fully available. However, in the process of reviewing the original study for the book project, some important data were updated, since new data became available at the beginning of 2017 (MAP Consultoria, 2017). What the authors consider the most serious limitation, a few exceptions notwithstanding, is that the book does not reflect the voices of members of the community, farmers or ‘ordinary’ villagers, in other words, those of everyday, ordinary people (Maschietto, 2016b). Thus, the space and focus of interaction between the modern, bureaucratic and administrative ways of ordering the Mozambican polity, on the one hand, and the ‘traditional’ way of coping with, challenging and contesting that ordering power remains underexposed and out of focus in the portrayal of decentralisation in Mozambique. The reader interested in that part of the picture is referred to other recently published works (Bertelsen, 2016; Maschietto, 2016b).

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6 The field visits in both Nampula and Cabo Delgado partially coincided with presidential visits to those provinces, with the consequence that several persons to be interviewed were not available or had to cancel their commitment at short notice.

7 The team would like to acknowledge this valuable support and thank Ericino Salema, representative of IBIS in Mozambique, for it. All information and data taken from this study are duly cited.
Finally, the reader will note that the book lacks a comparative perspective. The authors had to make the decision – not lightly taken – not to include such a perspective for the simple reason of lack of time and material resources to do so. Any reader interested in a comparative perspective may benefit from the recent publication edited by Dickovick and Wunsch (2014), of 10 case studies of African countries, including Mozambique, and containing a chapter which summarises the converging and differing trends and looks at policy implications (Dickovick & Riedl, 2014). The reader’s attention is also drawn to a recent consultancy study on Mozambique’s intergovernmental fiscal relations, which provides a desk research-based comparison between Mozambique and five other African countries (MAP Consultoria, 2017). Otherwise, the challenge of analysing decentralisation for state consolidation and peacebuilding in Mozambique in a comparative perspective is put firmly at the doorstep of national and international scholars.

2 Conceptual Framework and Terminology

2.1 Decentralisation: A Secular Trend to Consolidate Power?

In a recent interview, the renowned scholar of Mozambican history, Malyn Newitt, points to the need for some degree of power sharing and decentralisation in order to include significant sections of Mozambique’s population in statehood and the provision of adequate services. Newitt states that:

Mozambique emerged from the civil war with a winner-takes-all constitution which leaves significant sections of the country permanently out of power, and provinces, where the ruling party does not have a majority, without significant control over their affairs. The situation is made worse by the fact that Renamo has not renounced force as a political lever and by the fact that promises of decentralisation made at the time of the Peace Accord have not been realised (Newitt, 2017).

At the same time, Newitt sees the historically entrenched ‘claim to entitlement to rule’ by Frelimo, the dominant party in power since independence, and its historical narrative to substantiate this claim as an obstacle to a political settlement which would make the country more stable and inclusive.

Focusing on decentralisation, the point of departure and main argument of this book is that coherent decentralisation policies and programmes, in the sense of devolution and sharing of power and resources, have not always been in the interests of powerful groups within the ruling elite, used to exercising central power in all its
manifestations. The political elite’s decentralisation discourse needs to be interpreted as an instrument to extend the party and political and economic interests to lower levels of government, as part of what appears a liberal democratisation-cum-reform project aimed at consolidating its central hegemonic power rather than sharing it, and at the same time garnering international support for such ‘reform’. Nevertheless, the case for decentralisation can be made considering the periodic political contestation and instability resulting from the exclusionary claim to power, and the high degree of centralisation in decision-making and resource and rent accumulation which the country inherited from its colonial past and the immediate post-independence socialist experiment.

In a broader perspective, already in the second half of the 1980s and the early 1990s the centralised state in Africa was theorised as a major obstacle to implementing a social-economic development agenda (Wunsch & Olowu, 1990). Consequently, a considerable number of African governments, driven by a variety of motives, embarked on decentralisation programmes. These were largely supported by international bi- and multilateral partners that saw such programmes as a solution to various problems. The programmes were often promoted by the World Bank, which looked at the motives, merits, challenges, limitations and outcomes of decentralisation and local governance for the delivery of tangible developmental outcomes in terms of public services, poverty reduction, democratisation, governance and community participation, as well as social and political stability and peacebuilding on all continents. A vast body of literature emerged (see, e.g., Cheema & Rondinelli, 1984, 2007; Cheema, Nellis & Rondinelli, 1984).

James Manor’s (1999) influential book introduced a political economy dimension into the debate on decentralisation reform, revisited by Eaton, Kaiser and Smoke (2011) a decade later. Other authors drew attention to specific aspects of decentralisation, such as fiscal decentralisation (Bahl, 2000; Fjeldstad, 2001; Oates, 1999); democratic transformation (Crook & Manor, 1999; Olowu, 2003; Wunsch, 1998; Wunsch & Olowu, 2003); social sectors, notably health and education (Ahmad et al., 2005; Azfar et al., 1999; Mwabu, Ugaz & White, 2001); rural development, agriculture, forestry and poverty reduction (Crook, 2003; Parker, 1999; Ribot, 2002; Smith, 2001). Other authors thematised the implementation of decentralisation policies and programmes (Ahmad & Tanzi, 2003; Connerly, Eaton & Smoke, 2010; Shah & Chaudry, 2004), including donor support (OECD, 2004). Still other publications, taking political economy and institutional analysis further, examined the power relationship between central and local governments, including tendencies of recentralisation (Dickovick & Wunsch, 2014; Ribot; Agrawal & Larsen, 2006; Gershberg, 1998) and decentralisation and peacebuilding, notably in settings of fragile states (Brancati, 2009; Brinkerhoff, 2005, 2011; Weingast, 2014).
Mozambique, which initiated its drive towards democratic decentralisation or devolution after the Rome General Peace Agreement of 1992, was and is no exception to the decentralisation ‘trend’. Unlike the case of Angola, where the Lusaka Peace Protocol of 1994 refers explicitly to decentralisation under ‘National Reconciliation’ (in Annex 6), the topic of decentralisation did not feature explicitly in the Rome Agreement. However, during the two years of negotiations leading up to the Agreement – when then Minister of State Administration Aguiar Mazula was part of the Frelimo negotiation team led by Emilio Armando Guebuza – it became clear that a decentralisation reform of local government was necessary. This was not only to increase the effectiveness of government in providing public services, but also, through the choice of a devolution model for the reform (including local multiparty elections), to provide a political space for the rebel movement-turned-political party. To achieve such a reform and establish the necessary legal framework for it, the Ministry of State Administration (Ministério de Administração Estatal), supported by the World Bank, implemented a Local Government Reform Programme (Programa de Reforma dos Órgãos Locais) between 1991 and 1995. The Mozambican municipalities were conceived and born in this period (Weimer, 2012).

As early as 1999, Faria and Chichava, taking up some of the theoretical strands of the decentralisation debate, asked why decentralisation in Mozambique had been a policy choice in the post-civil war government’s developmental agenda since 1994. They identified three motives for decentralisation: to address the regional and intra-regional disparities of the country; as part of a post-civil war liberal reform aimed at re-legitimising the hegemonic power of Frelimo over the state; and to contribute to the democratisation and pacification of the country. Similarly, Morier-Genoud (2009) argues that decentralisation as part of Frelimo’s liberalisation and democratisation project, introduced after the failure of the centralist socialist project, needed to be understood as ‘a purposive historical act and not simply as an external imposition’ which allowed the hegemonic party ‘to shape democracy to meet its own ends, using the concept of preservation through transformation… and a liberal model of the economy, society and politics which permitted it to remain in power and even enhance its legitimacy’ (Morier-Genoud, 2009, p. 163).

In a much broader analytical perspective, Mozambique does not escape the general features said to characterise the political economy of fragile African states in general: competitive political settlements between elites, weak public institutions, and dependence on rents in various forms (including foreign aid, mineral resources,

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commodities and trade), with a culturally, ethnically and religiously diverse and stratified population linked to the elites via patron–client relations in a patrimonial system (see Part I, Section 2.3). In such political-economic settings, policies are likely to be adopted that facilitate rent seeking by individuals or factions within the political and economic elite of a given country, to the detriment of investment and effective and transparent delivery of public goods and services. For Mozambique and from a decentralisation perspective, these points have been analysed in detail by Weimer, Macuane and Buur (2012). Recent publications by the Instituto de Estudos Sociais e Económicos (Institute for Social and Economic Studies), the Centro de Integridade Pública (Centre for Public Integrity) and other research institutions have shown the fragility of the Mozambican state and its vulnerability to poor governance and corruption (CIP, 2014, 2016b; CIP & CMI 2016; Castel Branco, 2015b; Castel-Branco & Massarongo (2016a, 2016b). A picture emerges which shows a rent-seeking economy with competing elite interests, dependency on aid rent and credit together with a structurally weak public finance management system converging to weaken and fragment the policy making, policy execution and management, as well as service delivery capacity of the state. Instead, through the partidarização (partisanisation) of the state, public sector funds and employment are used to strengthen the ruling party, opposition is openly and covertly discouraged and militarily contested, and elections serve to legitimise the incumbent party (Niño & Le Billon, 2013). This assures the ‘entrenchment of powerful domestic groups that are not interested or compelled to renegotiate contracts, expand the fiscal base to include foreign corporations granted excessive tax exemptions or strengthen the state’s direct intervention particularly in the social sectors, industrialisation and agriculture’ (Niño & Le Billon, 2013, p. 25).

2.2 Decentralisation: A Way to Settle Conflicts and Strengthen Fragile States?

If we believe, as the historian Newitt does, that decentralisation is a necessary, but not sufficient, contribution to peacebuilding and the strengthening of conflict-prone fragile states, we are obliged to look at selected literature on that subject in an attempt to identify potential advantages of decentralisation for peacebuilding, socioeconomic inclusion and state consolidation. In doing so, we avoid focusing on federalism given that Mozambique’s constitution hinges on the notion of a unitary state. We focus instead on literature that produces evidence and experiences of decentralisation contributing to peacebuilding and reducing state fragility.

Several strands of argument emerge from a quick literature review. Firstly, Brinkerhoff (2011) suggests that decentralisation is, under certain conditions, a useful way of reducing conflict, for the following reasons:
Political Economy of Decentralisation in Mozambique: Dynamics, Outcomes, Challenges

a) ‘the existence of more than a single level of government in decentralised democracies creates multiple venues for the exercise of governance, and through the separation of powers can provide checks on actions at various levels…’;

b) ‘the existence of subnational governments creates multiple arenas for bargaining and political contestation, which can avoid “winner-take-all” dynamics by creating opportunities for minorities to win at the local level…’;

and

c) ‘decentralisation is an important means of state penetration, because it can extend the authority and capacity of the state beyond the centre and embed the state more broadly in society. Decentralised state structures that effectively provide services and security can enhance government legitimacy’ (Brinkerhoff, 2011, p. 139).

The last point is particularly relevant for the delivery of public services in areas where the state is fragile or absent or where sections of the society are excluded from such basic public goods for reasons of ethnicity, geographical remoteness or the excessive cost of delivering such services. Extending state functions and resources to lower levels of the public administration is also an important contribution to establishing subnational platforms for the active engagement of citizen and social groups with the state authorities and their local representatives. The point is that the local state authorities should have some degree of power and the resources and autonomy for decision-making, but citizens’ rights and the bargaining power of social groups and of local elites should also be formally recognised. This will eventually become the basis for a social contract: ‘even the most authoritarian and corrupt regimes need a functioning social contract to maintain power, but in fragile states that contract often contains the seeds of instability and potential state collapse’ (Brinkerhoff, 2011, p. 140). Thus, decentralisation has the capacity to promote the negotiation of social contracts at subnational level.

Reviewing a range of experiences (including in Sierra Leone, Cambodia and Afghanistan), Brinkerhoff (2005) contends that decentralisation and the strengthening of local government needs to contribute to state strengthening and the consolidation of fragile states in three dimensions. Firstly, rebuilding effectiveness contributes to the provision of service delivery and effective economic governance of the ‘bread-and-butter’ issues of public services (education, health, infrastructure, water supply), including transparency and anti-corruption measures regarding their management. Secondly, successful decentralisation will help re-establish local and national security by ‘dealing with the police, military and paramilitary units and private militias through a mix of rebuilding, professionalising, reforming and dissolving’ (Brinkerhoff, 2005, p. 6). Thirdly, decentralisation in postconflict states
needs to contribute to reconstituting legitimacy through ‘expanding participation and inclusiveness, reducing inequities, creating accountability, combating corruption and introducing contestability (elections)’ (Brinkerhoff, 2005, p. 5).

A second important strand of research on the relationship between decentralisation and conflict resolution focuses on types of political parties in democratic and electoral processes (Brancati, 2009). This is of relevance for Mozambique since the election of provincial governors is part of the current agenda of peace negotiations. Based on quantitative research and some case studies (India, Spain, Czechoslovakia), Brancati demonstrates that the likelihood of decentralisation reducing intra-state conflict is possible, but that its effectiveness in doing so depends on the shape of the political party and electoral system. If political decentralisation is to contribute to managing regional conflicts and the risk of secessionism, countries should design decentralised institutions that not only reduce the electoral strength of parties with a strong regional identity, but also prevent parties with regional power bases from overwhelming the political national arena. Decentralisation appears most successful in reducing intra-state conflict when statewide national parties dominate the political landscape and effectively integrate regional interests into their agendas. It is least successful when parties with strong regional or ethnic identities are in control. Such parties pose a considerable threat to countries during democratic transitions (Brancati, 2009).

Brancati identifies key variables for the successful contribution of decentralisation to peacebuilding: the proportion of legislative seats a region possesses; the number of regional legislatures in a country; the upper house election procedures; and the sequencing of national and regional elections. In the author’s view, to decentralise, in practical terms, means that countries must create subnational legislatures, host free elections, and decide how to distribute authority among various levels of government. Undeniably, these are expensive undertakings and deciding how to allocate authorities among levels of government is complicated. However, subnational legislatures already exist in many centralized countries, even though they do not have decision-making powers as they do in decentralized systems of government (Brancati, 2013, p. 228).

Discussing Brancati’s conclusions for the case of Mozambique implies considering three lines of political action or reform in the present constitutional context of a unitary state. Firstly, it would mean bestowing a degree of well-defined functions and resources to provinces as well as the ability to elect governors. Secondly, political parties would need to endeavour to reduce their regional bias in favour of national
issues. This could mean, for example, that the major opposition party, Renamo, would need to argue in favour of more provincial autonomy and elected governors not only in provinces in which it has claimed to have won elections, but in all provinces. Additionally, the hegemonic party in power since independence would need to reflect, programmatically, a more profound socioeconomic interest in electoral strongholds of the opposition and actively tolerate opposition parties’ activities in its own strongholds. Thirdly, it would imply a review of the electoral regime of the present representative system in favour of a mix between a first-past-the-post and the representational system for both the national and provincial parliaments, as well as a corresponding reform of the electoral administration. CSOs have already proposed the latter issues (Chaimite, 2016; de Brito, 2016).

Numerous studies (Jibao & Prichard, 2016; Putnam, 1994; Weingast, 2014) also show that fiscal decentralisation, partial local autonomy and a space for CSOs to contribute to debate and policy are key elements for the consolidation of the (local) state and for political stability. As Weingast and Pöschl (2013) have shown, this is particularly the case in political economies characterised by an LAO producing periodic instability, in which central governments constrain local governments and/or where local government representatives demonstrate free-rider attitudes or engage in the capture of socioeconomic benefits or corrupt practices. This is particularly the case when local government officials are subordinated to the dominant party, with their salaries being financed through fiscal transfers devoid of local accountability mechanisms, producing services and benefits of insufficient quality to the local electorate, taxpayers and business people. Putting a brake on the periodic political instability and conflict therefore requires a degree of decentralisation and well-defined and -enacted ‘rules of the game’ observed by all units and civil servants across the hierarchy of public administration, as well as well-defined functions and resources (Weingast, 2014).

Peacebuilding processes also need to recognise the potential threat of corruption, which may derail negotiated settlements, particularly when it comes to disarmament and the reduction of the size of the army, or reconstruction programmes. It may not be the topmost priority of a peacebuilding agenda aimed at finding a conflict settlement and agreement on a new political order, which may include decentralisation. There is no doubt, however, that in the longer term, anti-corruption programmes and action at all levels of the political administrative system are important ingredients for peace consolidation (Zaum & Cheng, 2012).

Once an agreement has been reached, monitoring adherence to the ‘rules of the game’, as well as incentives (and disincentives) for (lack of) compliance and an efficient, transparent system of public finance management and fiscal transfers are part of a solution to conflict settlement which includes decentralisation reform (Jibao & Prichard, 2016; Weingast & Pöschl, 2013).
In addition to an effective system of intergovernmental transfers, Weingast (2014) suggests further partial reforms, notably the:

- (Internal) democratisation of political parties aimed at avoiding domination by small national elites without much of encompassing interest, and excluding local elites. This implies that, for example, the selection of candidates standing for local or provincial government elections is left to local party entities and not to party headquarters. Examples are the Partido Revolucionario Institucional (Revolutionary Institutional Party) in Mexico and the Indian Congress Party in India, whose legitimacy and electoral successes suffered setbacks because of lack of internal democracy and the exclusion of local elites.

- Periodic coordination and monitoring of decentralisation policy and reform programmes by the major political forces, taking into consideration that the implementation of such reforms takes time beyond electoral mandates. This bestows a major responsibility for decentralisation reform on parliaments, auditing bodies and even CSOs.

- Clear and well-communicated definitions of competencies, functions and resources for each level of government in a system of subsidiarity which avoids ad hoc and discretionary allocation of resources by central government.

- Bottom-up democratisation, from local via provincial to national units, which stresses (horizontal and downward) accountability. This way local conflicts and crises can be resolved at the lowest level and do not build up to national crises that are difficult to contain.

In conclusion, we therefore agree with the above cited authors and others (e.g. Rocha-Menocal, 2009) that decentralisation can be part of a solution to state fragility, periodic conflict and political settlement aimed at turning an LAO to an OAO. Much will depend on the measure or degree and level(s) of decentralisation, and whether decentralisation reform is part of a peace agreement or not. It can be said that, particularly in Africa, radical decentralisation in the sense of federalism may enhance conflict, fragmentation and secessionism, particularly where there are parties with strong regional identities and when natural resource wealth is available or exploited in certain regions of a country, or when rights of religious and ethnic minorities are infringed upon, requiring central state intervention. On the other hand, not sufficiently decentralising power and resources may erode central government and its legitimacy and may thus contribute to the fragilisation of the state and the (violent) contestation for central power. It seems that a well-considered and negotiated middle way is called for.

It must also be kept in mind that decentralisation is not a panacea for successful peacebuilding and state consolidation. As noted above, decentralisation understood as
the regionalism of political parties may deepen conflicts. At the same time, successful peacebuilding through decentralisation needs to recognise the political dimension of the underlying problems it seeks to address. A mere administrative decentralisation (deconcentration) is hardly capable of doing the job (Heijke & van den Berg, 2011). Various authors agree that under conditions of distressing poverty, as well as lack of capacity and willingness for true devolution of power, decentralisation might achieve the opposite of peacebuilding and state consolidation (Crawford & Hartmann, 2008; Heijke & van den Berg, 2011).

It is the contention of this article that one of the main problems of decentralisation and local governance in Mozambique has to do with the fact that ‘the main policy to promote bottom-up governance dynamics has come from the top down, a problem that pervades peacebuilding activities more generally, in particular state-building reforms. This contradiction is key because, ultimately, the ‘top’ is usually interested in retaining power instead of redistributing it, especially in the case of post-war scenarios, where there is still deep mistrust among the main political forces’ (Maschietto, 2016b, p. 117). This contradiction is analysed further in Part II, Section B, of this book.

2.3 Terminology
The specific decentralisation terminology we use in this book is taken from the vast body of literature on decentralisation from the early 1980s onwards (Dickovick & Wunsch, 2014; Manor, 1999; Sheema & Rondinelli, 1984; Wunsch, 1998; Wunsch & Olowu, 1995). We subscribe to the simple distinction made, amongst others, by Manor (1999) and Dubois and Fattore (2009) between devolution, deconcentration and fiscal decentralisation since it best fits the Mozambican context. The term ‘devolution’, sometimes also referred to as ‘democratic decentralisation’, implies the devolution of power and resources to autonomous local governments. The term ‘deconcentration’ or ‘administrative decentralisation’ is used to describe a process in which human and financial resources are increasingly managed by lower levels of government subordinated to central government, without transfer of the power of the purse and that of (democratic) decision-making. ‘Fiscal decentralisation’ means the existence of a transfer of resources either through an intergovernmental fiscal system, i.e. via general-purpose grants and/or the transfer of taxation authority to lower levels of government, thus creating an own-source revenue (OSR) base for them.

Other concepts of decentralisation such as delegation, ‘decentralisation by default’ (Manor, 1998), privatisation, etc. are ignored since they are deemed not to be relevant in the Mozambican context and from the perspective of political economy analyses. In line with Tiebout (1956), Bailey (1999), Oates (1999) and Fjeldstad (2001), we depart from the premise that the purpose and comparative advantage of local governments is the production (and distribution) of basic public and administrative
services in sufficient quality and coverage to satisfy the needs of local citizens. To do this the local governments must have well-defined functions and fiscal resources. In this regard, fiscal transfers and an OSR base are necessary conditions (Bahl, 2000; Bird & Smart, 2002; Martinez-Vazquez, McLure & Vaillancourt, 2006; Weingast, 2014; Weingast & Pöschl, 2013). Under these circumstances, provision of services by local governments is more cost effective and subject to horizontal and downward accountability.

Since devolution and deconcentration are the main themes of an approach to decentralisation in Mozambique, their main building blocks and differences are summarised schematically in Table 2.

Table 2: Devolution and deconcentration: Main building blocks and differences

<table>
<thead>
<tr>
<th>Key elements</th>
<th>Process/Outcome</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Devolution</td>
<td>Deconcentration</td>
<td></td>
</tr>
<tr>
<td>Autonomy/Authority (fiscal, budgetary, assets)</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Subsidiarity/Intergovernmental administrative relations of tutelage</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Fiscal transfers (general purpose and conditioned grants)</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Revenue-sharing formula</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Own legal personality of local governments (public law)</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Multiparty election of leaders (mayors, administrators)</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Multiparty elections of representative assemblies</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Participatory approaches/Consultation</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Administrative authority</td>
<td>Yes</td>
<td>Yes (partial)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Weimer (2012b)

Beyond decentralisation and its constitutive elements, there are other important concepts intrinsic to the nature of the present PEA and thus often used in this book.

Power is a central category in our analysis using the PCA approach. This is not the place to delve into the theorising of power in political science and sociological literature. The vast body of scholarly literature on power, social and political change, and on institutional and comparative politics, is left aside (see Finnemore & Sikkink, 1998; Hall & Taylor, 1996; Levy, 2010; North et al., 2010; Whitfield, 2009).

For our purpose, we draw, in a simplified way, on elements and dimensions of power as ‘condensed’ and brought into focus by what is known as the ‘powercube’10

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10 https://www.powercube.net/analyse-power/what-is-the-powercube/.
(Gaventa, 2006). Other more complex theories of power have produced, for example, ‘hegemonic power’ as juxtaposed to civil society in processes of transformation of ‘organic’ crises (Adamson, 1980; Gramsci, 1971), or the elements of a ‘discourse of power’, conceived by the French philosopher Foucault, i.e. power which is all-pervasive and capable of ordering people, things and thoughts, and which includes the power to ‘discipline and punish’ (Foucault, 1995). In Part IV we briefly return to the issue of change in a hegemonic system of power as theorised by Gramsci.

For our analysis, we consider the powercube a useful tool for understanding and analysing social change and institutional relations, formal and informal, which interact, purposefully or unwillingly, to bring about social change. In this analytical framework, three dimensions of power are distinguished: the levels, spaces and forms of power, and their interrelationship.

Concerning the first dimension, power manifests itself at global, national and local levels. Like Habermas’ (1989) ‘public sphere’, the second dimension in the powercube tool, ‘spaces’, refers to ‘arenas’, ‘platforms’ and ‘channels’ in which bearers of power interact, contest positions and policies, and shape outcomes which impact on social change. ‘Closed’, ‘invited’ and ‘claimed’ spaces may be distinguished. The third dimension, ‘forms’ of power, is subdivided into visible forms (e.g. political-administrative institutions, parliaments, courts), invisible forms (e.g. informal arrangements of bearers of power to use their privileges to bar certain topics from becoming objects of public discussions) and hidden forms.

Examples in the case of Mozambique may illustrate the analytical usefulness of these distinctions. For example, powerless groups such as communities may have complaints and grudges against formal power holders but not have the (formally recognised) means, information and resources to interact with stakeholders such as governments and investors. However, they may have sufficient and effective (informal) invisible means to question, interfere in and jeopardise formal decisions that they do not agree with, or that are detrimental to their interests. Roasting cottonseeds, which prevents germination of the seeds, during forced cotton cultivation in colonial times is an example of effective hidden power; burning forests in large-scale forestry projects, observed in recent years in Niassa, is another (Kaarhus & Martins, 2012).

From our point of view, it makes sense to suggest, as Bertelsen (2016) does, that it is particularly the space at local level in which the visible, formally (legally) constituted power of modern government and administration interacts with – and contests – ‘traditional’ invisible and hidden forms available to local communities. This interaction is often highly conflictual as it is a way of ‘continuously emergent and violently challenged mode of ordering’. A telling example is the rejection of the

health authorities’ modern way of chemically disinfecting water sources in areas hit by cholera. This practice, perceived as an act of government poisoning the water (Pires et al., 2014), is violently rejected in some districts of Nampula Province. For their part, the health authorities deem this politically motivated disinformation. Another example is the poaching of elephants in protected areas as a community practice to cope with climatic adversities affecting small-scale agriculture (Givá, 2016).

Thus, the examples show that the Habermasian notion of a ‘public sphere’ – or, in powercube speak, public space – analysed for bourgeois society needs to be qualified in an African cultural setting. Contrary to the European notion of ‘public’ (Habermas, 1968), which is juxtaposed to ‘private’, Ekeh (1975) agrees that we can distinguish a private sphere, but makes the case for (at least) two publics. One is the civic public (institutions, statutory bodies, laws, territorial division, etc.), moulded after the colonial Portuguese model of public administration, and military and fiscal government. In general, this was restricted to urban and coastal areas (of the colonial penetration) – in the case of Mozambique, Ilha de Moçambique and later Lourenço Marques, which, after independence, replaced Lisbon as the pivot of the political economy. Ekeh (1975) labels the other public the ‘primordial public(s)’ of ethnicity, clan, community and family. According to this author, postcolonial governing elites are usually selectively composed of elites belonging to the two publics, often excluding elites from ‘primordial publics’ of certain ethnicities and clans.

While the civic public is, in the case of Mozambique, highly centralised, vertically structured, formally and legally codified, and institutionalised (and part of international government arrangements and agreements), it can be said to be discredited and delegitimised because of its connotation to the colonial past, opposition from liberation movements and its emerging postcolonial elites. This is one reason why the civic public is often institutionally fragile, having the character of isomorphic mimicry (Pritchett, Woolcock & Andrews, 2010): the institution, e.g. the police, has a name, a described and legislated function, a uniform, equipment and appears to have a congruence between form and content. But it does not, or only in a limited way, perform the police function of a modern state, and is often part of the problem (e.g. corruption, crime) rather than the solution. On the other hand, the ‘primordial public’ is hardly codified, if at all, and formalised, but it functions in a well-defined, hierarchic, often gendered way in which everybody knows his or her place, rights, duties and allegiances.

In contrast to Foucault, rejecting the dichotomy between ‘controlling/coercive power’ and ‘constructive/communicative power’, we use this simplified, pragmatic distinction for our analysis. This is in line with mainstream thinking on power.

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analyses, especially those promoted by aid and cooperation agencies such as the Swedish International Development Agency (Pettit, 2013), and an earlier version already practically applied in the case of Mozambique in Niassa Province (Åkesson & Nilsson, 2006). This distinction appears useful and is given preference over the more complex notions and theories of power referred to above. Both types of power are premised on the availability of sufficient resources and means (economic, fiscal, technological, military, etc.) to apply or ‘project’ power, and doctrines and policies of how to do this. It may be useful to introduce the dimension of a form of power that we label *foundational power*. It comprises elements of both controlling/coercive and constructive/communicative power and the control over a ‘foundational’ historical narrative. It is associated with the fact that one political movement, Frelimo (composed of other movements), managed to emerge successfully from the liberation struggle against colonialism (in alliance with other ‘authentic’ movements in the region) and struggles among nationalist rival movements as the founding movement of independence, in power ever since (Newitt, 2017). Based on historical merit, this form of power holds an exclusive claim on political, economic, coercive and other forms of power, and is therefore associated with the Gramscian hegemonic dimension of power. It is a key element to explain the ‘dominant party system’ in Mozambique (Salih & Nordlund, 2006).

Concerning the keyword ‘change’, the authors did not delve into the endless literature on change, a concept with many meanings and dimensions (social, economic, historical, cultural, ecological, etc.). For this study, we define change simply as a phenomenon of movement, of interaction between (contending) societal, natural, etc., forces, taking place in any given moment and everywhere. It is the only invariable/constant factor in life and its causes are manifold. In analysing and explaining social change, ‘agency – a group’s or individual’s ability to shape and affect their political and economic environment – is often juxtaposed to ‘structure’ (i.e. the material, contextual conditions which limit the range of interventions by societal actors). According to this school of thought, political change in Mozambique could be interpreted as the result of a sequence of structural conditioning through colonialism, leading to the emergence of Frelimo as liberation movement and its armed struggle (‘agent’), resulting in the change of structural political conditions, i.e. the taking of and remaining in power (see McAnulla, 2002, p. 286). However, the present study is not interested in analysing change as such, but in identifying political and economic (structural) causes of changes in the field of government and governance in Mozambique, as well as outcomes, under the assumption that Frelimo, its ideas, policies and actions have remained one of the key agents of change. In line with economic theory, domestic and international relations, it may be useful to distinguish long-term (structural), medium-term and short-term (conjunctural) changes or cycles.
Turning to PEA, the term ‘rent’ is often used. We understand this ‘as forms of income of individuals, (public and private) enterprises, and corporate organisations (including political parties) which is not necessarily the result of work/labour or generation of surpluses and use values, but rather due to strategic advantages, the resource endowments, and political and economic monopolies on resources including land and soil resources’ (Khan & Sundaram, 2000: 70). Rent seeking is thus ‘the expenditure of resources and effort in creating, maintaining, and transferring rents’ (ibid)). It can take legal (lobbying, contributions to parties) and illegal forms (bribes, nepotism, trade of influences, illegal political contributions), using up resources which are social costs. According to Moore (1998, 2004, 2008), rentier states in Africa obtain ‘unearned income’ in the form of strategic, mineral and land rents, as well as aid rents outside or at the margin of the tax system and without producing an equivalent of public goods and services. In the case of Mozambique, the authors of a recent PEA study commissioned by the European Union assess rent seeking in three dimensions (rents for the state, for the party and for the elite) and conclude: ‘access to rent-seeking opportunities is now a function of historical status and political loyalty, and has gradually moved to the core of Frelimo political settlement under Guebuza. There is fierce competition for the various parts of the cake, increased fear for exclusion and, in the absence of neutral conflict resolution mechanisms, it is the power of the strongest that prevails’ (ADE, 2012, p. 21).

Rent seeking is characteristic of a neopatrimonial system. Originally theorised by the German sociologist Max Weber to describe the mode of ruling by a small class of notables, this term describes a system of government which is dominated by a ruling elite directly exercising personal power over and controlling the bureaucracy, establishing bonds of allegiance to the ruling elite based on patronage and the use of state resources (Hawkesworth & Kogan, 2001). These ‘clients’ of the patron receive certain benefits in exchange for their support. Thus, the term ‘clientilist’ is used to describe the relationship between a patron who organises groups of clients. Patronage may take the form of bestowing upon the client privileges, financial or organisational benefits or access to resources and economic opportunities, in exchange for loyalty and allegiance. A significant gap may exist between the prevailing distribution of power and the clientilist obligations of the patron elites on the one side, and the structure of formal productive institutions, i.e. the formal economic and fiscal system, on the other. For this reason, opportunistic economic behaviour and all forms of rent seeking and predation, as well as corruption, are intrinsically part of a neopatrimonial–clientilist system and political settlements among its elites (Khan, 2010; Khan & Sundaram, 2000).

In using this term, we largely follow the definition used by the Crisis States Research Centre of the London School of Economic and Political Sciences. See http://www.lse.ac.uk/internationalDevelopment/research/crisisStates/download/drc/FailedState.pdf.
Finally, the term ‘fragile state’, introduced above, needs explanation. The opposite of a ‘stable state’, fragile statehood can be defined as dysfunctionality of one or more subsystems of such a state in generating, negotiating and implementing responses and solutions to social, economic, etc. challenges and problems, both domestic and international. In particular, state fragility is correlated with deficient capacity and resources to deliver basic services. This dysfunctionality generates conflicts and may result in a chronic structural fragility, and, in the worst case, a failed state. Factors contributing to state fragility are extreme poverty and inequality, lack of access to basic services (health, education) and land, exclusionary political, ethnic, military, etc. power coalitions, or LAOs producing rival institutions and political forces, warlordism, etc. In the worst case, a failed state cannot exercise its minimal functions due to lack of legitimacy, internal strife and civil war or economic and fiscal bankruptcy.

For the Organisation for Economic Cooperation and Development (OECD) state fragility implies heightened exposure to risk combined with a low capacity to mitigate or absorb these risks. This situation of vulnerability can lead to violence, conflict, chronic underdevelopment and protracted political crisis (OECD, 2015). In 2015, the OECD redefined its monitoring framework for state fragility, using five dimensions: violence, justice, institutions, economic foundations and resilience.
PART II: Power and Change Analysis

In this part, the Mozambican context is analysed by applying the methodology of Power and Change Analysis (PCA) (see Part I, Section 1.1). Typically for this approach, the key elements of ‘foundational factors’, the ‘rules of the game’ and the ‘here and now’ are discussed. Their analysis is necessary to understand the long-, medium- and short-term dimensions of the change that Mozambique is undergoing. Decentralisation forms only one aspect of the ongoing change process.

14 Concerning structure, some data and arguments, this section draws on Weimer et al. (2012) and on ECORYS (2008).
A. Foundational factors

Territorial, sociological, political, administrative and economic aspects of a structural nature are the object of analysis in this section. Changing slowly over time, these factors form the bedrock of the Mozambican political economy and circumscribe the constitutive conditions under which the dominant Frelimo (*Frente da Libertação de Mozambique*/Mozambique Liberation Front) party, itself a truly foundational party, and its elites attempt to negotiate, contest and consolidate power over people, territory and the economy through political settlements, both horizontally – with contenders at national and regional level – and vertically with local elites. The section ends with a discussion of the relationship between politics, the state and the economy from the perspective of decentralisation. Diverse studies on the political economy of Mozambique, notably Weimer et al. (2012) and ECORYS (2008), serve as primary analytical sources, together with interviews. Special attention is given to the foundational factors regarding land and communities. Other factors (e.g. borders, resource endowments, culture, religion) are neglected.

1 Territory and Land

1.1 Territorial Division

Mozambique is situated in south-eastern Africa on the Indian Ocean, along the Mozambique Channel which separates it from Madagascar, between 10° 27’ S and 26° 52’ S and 30° 12’ E and 40° 51’ E. According to the 2007 census, it has an area of 799 390 km² with a population of 20 366 795 inhabitants (51.7% female; average population density of 25 persons/km²). About 45% of the population is younger than 18 years of age. Population growth is 2.4% p.a. The cultural diversity is reflected in the more than 16 local languages in use besides the official language of Portuguese.

Maputo, the capital, has 1.1 million inhabitants (2007) and is situated in the extreme south of the country. Together with the adjacent industrial town of Matola (approx. 675 000 inhabitants in 2007), Maputo Province, together constituting the Greater Maputo Area, accommodates around one-tenth of the country’s population. This urban agglomeration is the central hub of the Mozambican economy.

In terms of administrative-territorial division, during most of its postcolonial period the country has been divided into 10 provinces, 128 districts and 23 urban centres, including the provincial and national capitals. The country’s territorial division is, to a considerable extent, based on the colonial zoning of Portugal’s ‘overseas territory’

15 The basic data are taken from http://www.ine.gov.mz/Ingles/.
16 Updated census data will only become available in 2018.
17 Data for 2006–2014 provided by the Mozambican Tax Authority (ATM).
Mozambique, effected in 1958, later confirmed by the independence constitution of 1995, and in principle reaffirmed by the constitution of 2005. The latter’s Article 7 states that Mozambique is organised in provinces, districts, administrative posts, localities and *povoações* (major rural settlements/townships).

Following initiation of the decentralisation legislation in 1994, 53 municipalities exist at present. In 2013, the number of districts was increased from 128 to 152. Ten of them coincide with the territory of 10 provincial capitals (except Maputo) and another 12 resulted from the subdivision of some existing large districts, respectively, respectively the elevation of administrative posts to the status of district, notably in Nampula, Zambézia, Tete and Manica provinces. The districts are subdivided into administrative posts, which in turn are subdivided into localities consisting of settlements (*povoados*), i.e. villages, hamlets and even *bairro* (wards in towns and cities). The unit of *povoação*, i.e. a larger settlement in the sense of a (rural) township, which by force of Law 2/1997 is eligible for the status of an autonomous *autarquia* (municipality) is, although constitutionally enshrined, ill defined in terms of territorial hierarchy and neglected in the 2007 census. As a unit comprising several *povoados*, it is deemed to be ‘situated’ between the locality (*localidade*) and village/hamlet (*povoado*). Table 3 gives an overview of the administrative units.

Table 3: Subprovincial administrative units

<table>
<thead>
<tr>
<th>Administrative Unit</th>
<th>No.</th>
<th>Average (per superior unit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>District (<em>Distrito</em>)</td>
<td>151</td>
<td></td>
</tr>
<tr>
<td>Administrative Post (<em>Pasto Administrativo</em>)</td>
<td>436</td>
<td>2.8 Administrative Posts/Districts</td>
</tr>
<tr>
<td>Locality (<em>Localidade</em>)</td>
<td>1,217</td>
<td>2.8 Localities/Administrative Posts</td>
</tr>
<tr>
<td>Major rural settlement/township (<em>Povoação</em>)</td>
<td>7,928</td>
<td></td>
</tr>
<tr>
<td>Minor rural settlement/village, hamlet (<em>povoado</em>)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: compiled by authors

One of the neglected foundational factors in the public debate of decentralisation is the fact that the geographical units of the existing administrative-territorial system have no defined geographical boundaries, i.e. they are not demarcated. Thus, the territorial boundaries of major and minor settlements (*povoações, povoados*), localities, administrative posts, districts and municipalities have no clear and known geographical

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18 At the time there existed 10 districts (today provinces), subdivided into 62 Concelhos, 46 Circunscrições and 175 Postos (administrativos) (administrative posts).
19 Initially 33 to which were added a further 10 each in 2008 and 2013.
20 Laws 26, 27 and 28/2013.
boundaries, a few exceptions notwithstanding. This not only leads to contestations in municipal elections about non-eligible voters in areas adjacent to municipalities (who have no voting right), or to conflicts about land and revenue resources. The absence of defined boundaries of the administrative-territorial units also implies the absence of a notion of formal authority, responsibility or custodianship over those areas, an inhibiting factor for effective local government and accountability. A peasant in a certain locality would often not know who their *Chefe de Posto* or Administrator is, except in cases of land conflicts. Exceptions are communities and their ‘traditional’ leaders who often know with some precision what their land and territory entails in terms of boundaries, resources and history, including the circumstances of its occupation, contestations and changes (Galli, 2003). Often local settlements carry the name of the historically dominant family and their leaders.

### 1.2 Land

The absence of valorisation and taxation of land in Mozambique is one of the most conspicuous foundational features of Mozambique’s political economy. It is moulded in a colonial economic model of accumulation based on the extraction of resources and labour, and associated with the rent-seeking behaviour of those elites who dominated it at various times and historical constellations over the past centuries (Castel-Branco, 2010).

From the point of view of Ricardian economic theory, all production factors (capital, labour, land) have a price on the market where they are transacted in a developmental process, i.e. interest in the case of capital, wage in the case of labour and ground rent in the case of land. These ‘returns’ for the use of production factors provide the state, when taxed, with a broad tax base. However, the Mozambican state, although constitutionally and legally the ‘owner’ and custodian of the land, does not derive much benefit from the value and use of the land in its different forms. Neither does the local community, affected by large-scale use of land in commercial agriculture or forestry projects, have tangible benefits in the sense of land rents or other forms of land-based income. One exception is communities’ legal entitlement to 20% of royalties in the case of timber logging. Another example is the Gorongosa National Park buffer zone where the populations receive 20% of the park’s profit. In the case of municipalities, they collect fees through issuing the licence of *Direito de Uso e Aproveitamento da Terra* (DUAT) or land-use title deed, but this source of revenue is exhausted when all the municipal land has been attributed. The annual

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21 The term ‘land’ or ‘ground rent’ assumes a distinction between the ‘use value’ of land (e.g. to produce food or construct houses, i.e. land as a production factor) on the one hand, and the commercial value, beyond the productive value, that is attributed to land on (formal or informal) markets, including those of land speculation. This commercial value is the result of demand, localisation of that land in relation to (urban) infrastructure and the quality of that land (fertility, quality of soils and subsoils, etc.) and projected economic expectations, e.g. by ‘hedge funds’. This value may be higher than the use value, opening opportunities of rent seeking and speculation (see Hubacek & van den Bergh, 2002).
foral or foro, a type of annual land-use fee due for land not being productively utilised (e.g. in construction, agricultural production), is most often not collected. The annual US$1 million fee collected by the state’s cadastral services for issuing the DUAT is ridiculously low, corresponding to the expenditure of the National Directorate of Land and Forests (Direção Nacional de Terras e Florestas, or DNTF) (DFID, 2013). Again, the collection of the annual foral is neglected.

Benefits accrue, however, to those, often representatives of the state, who acquire, often on a large scale, the land-use titles at low licence fees, and ‘sell’ them to (foreign) investors or use them as collateral for joint business ventures. The enormous difference between the actual use value of the land and the commercial or speculative value is not subject to taxation and represents a major source of rent for members of local and national elites.

According to economics professor Mosca, chairperson of the Observatório do Meio Rural the state as the legal owner of the land, has, paradoxically, never fully assumed that constitutional ownership over the most important public asset for socioeconomic development and a source of revenue, especially at local government level.22

Land is a finite resource, whereas the proceeds of its use in (sustainable) agriculture, forestry, etc. are not if it is properly managed. In Mozambique, out of a total of 80 million hectares (ha), 36 million ha are arable land, of which 15% is cultivated. Most of the cultivated land is held under customary norms or good-faith occupation by communities. Only 13 million ha (16% of the land mass of the country) have been delimitated as land where some 600 communities, or 10% of the estimated total number of communities, fully claim their rights. Apart from this area, the use rights (DUATs) of about 16 million ha (20% of the surface of the country) have been awarded to a total of less than 50 000 rights holders, representing less than 2% of the total rights holders in the country. Many of them are part of the political elite. The DNTF (2011, 2014) estimates that about 29% of land requested and awarded for agriculture and 23% of grazing land is unused. Worth noting is the stark difference between small and medium holdings or plots (averaging 1.4 ha/holding), mostly under customary tenure, on the one hand, and medium- to large-size holdings (averaging 320 ha/holding), on the other, which are subject to formal authorisation by provincial and/or national governments (INE, 2011). A recent study on the political economy of land management shows that land management has increasingly been centralised during the past decade (DFID, 2013).

The foundational characteristics of the land occupation structure include the low rate of change over time, even when there is land available to clear and use. This is mostly the result of political and sociocultural intra- and intercommunity arrangements (Brück & Schindler, 2009, as well as a trend to concentrate land use around rural

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22 Interview, 25/07/2013.
towns and markets, as well as transport and communication infrastructure, rather than expanding to generously available but poorly serviced and inaccessible land. This leads to rural–urban migration, overuse of urban and peri-urban land areas, sporadic and poorly serviced (peri-urban) settlements and the emergence of slums, associated with what Marx called an urban *lumpenproletariat* that seeks residual employment and income, mostly in the informal economy. The migration-related high rates of urban poverty and the lack of technical capacity, instruments and resources for urbanisation and systematic land-use planning, particularly in municipalities, are major challenges for both local and central government.

While in some areas of low population density land conflicts do not pose a notable strain on land governance institutions, in other more densely populated areas the potential for conflict is high and demand for formal recognition of land-use rights is on the rise. As the conflict potential grows, there is a noticeable trend to protect the ‘local’ interested parties – the *filhos da terra* (children of the land) as opposed to those ‘coming from outside’ (*vientes*). This distinction in the political economy of ethnicity associated with land and local governance (Chichava, 2008) has the potential to exacerbate local conflicts by promoting the idea of ‘ethnic citizenship’ or ethnic entitlement to land rights, in a unitary state with an established authority concerning land management and equal rights to land and its use for all citizens under the constitution. The reference to first-, second- and third-class Mozambicans in the political discourse and media aligned to the established power elites during the past few years thrives on that notion of ethnic citizenship. And the distinction between the ‘authentic’ and the ‘outsider’ population segments also partially explains highly contested elections, politically motivated violence and contestation between leaders in the case of municipalities such as Montepuez and Mocimboa da Praia in Cabo Delgado.

Hence, land is not only a place for housing or to practise agriculture to provide food. It also represents a space where (local and non-residential) elites exercise their power, often using it to contest other political and economic stakeholders’ claims to power for assuring livelihoods, rent seeking, exercising political influence, etc. This is particularly the case regarding investments in large-scale agricultural and forestry projects, extractive industries and associated infrastructure projects, which involve resettling residents – in these cases the battles around land may become fierce. Examples are conflicts in Cateme (in the case of the coal industry in Tete Province) (Mosca & Selemane, 2011), large-scale forestry projects in Niassa, in which the community burned down forest plantations (Kaarhus & Martins, 2012) and the case of the logistical base in Pemba Bay for the emerging gas industry in Cabo Delgado (see Part III, Section 6.2). In these and other cases, the local and provincial governments were only ill informed or informed late about the dimensions and implications of

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23 Interviews with A.C., Provincial Assembly, Cabo Delgado, 09/10/2015.
the projects negotiated in Maputo. They had little space to manoeuvre and influence negotiations or deals which would include their own interests.²⁴

From a decentralisation point of view, devolved management of land (and natural resources) has been absent from the debate and the policy framework governing decentralisation in both of its forms. Only recently did the introduction of the Land Information and Management System, supported by the US Millennium Challenge Fund, make considerable and innovative inroads into decentralised and devolved management of land, including the elaboration of (municipal and district) land cadastres and the IT-based issuing of DUATs. Combined with a participatory decentralised exercise of delimitation of territory, the mainstreaming of land-use planning in the districts via the District Land Use Plan (Plano Distrital de Utilização de Terra, or PDUT) introduced by the National Decentralised Planning and Finance Programme (Programa Nacional de Planificação e Finanças Descentralizadas, or PNPFD), the difference between terreno (land holding/plot) and território (territory/area) (Negrão, 2001) could be overcome. Further issues to be considered to make the ambitious project of Terra Segura²⁵ a success would be an element of community empowerment (juridical and material) and the institutionalised and transparent sharing of benefits arising from the productive use of land between the central and local state and the local community and local administration, e.g. by renting the land out against levying a land-use fee or tax. It would also make, in very practical terms, an important material contribution to enhancing debate and the scope of decentralisation of power and resources, without major changes to the legislation on land (Negrão, 2001). Additionally, it would certainly contribute to instilling a new dynamic in a highly diversified local economic development, since one of the important production factors and its benefits would partially shift to local elites, so far largely sidelined by the ongoing decentralisation process.²⁶

Regarding Mozambique’s economic geography, since colonial times a structurally distorted budgetary policy has given preference to the allocation of resources to state and public consumption (buildings), specifically in urban areas and particularly in the Maputo/Matola metropolitan area. Many of the major investments in road and railway, energy transport and other technical infrastructure associated with the extractive industry (mining, energy, timber) take place in provinces in southern, central and northern Mozambique, i.e. often far away from Maputo. However, all major (investing) enterprises are registered in Maputo, which from 1997 to 2007 absorbed 45% of total registered investment, even if the operations of the

²⁴ Interviews with senior official, Municipality of Pemba, and with a member of the Provincial Government of Cabo Delgado, 06/10/2015 and 10/10/2015.
²⁵ A government programme started by the Ministry of Land, Environment and Rural Development in 2015 which aims at securing and registering land customarily used by members of local communities, aiming at issuing up to 4 000 DUATs.
²⁶ Various interviews in Cabo Delgado and Nampula provinces, in the period between 5 – 15/10/2016.
companies occurred in those provinces endowed with natural resources. Maputo and Matola remain the central hub of all economic activity in the formal sector except for agriculture. And it is here where the industrial base for processing and manufacturing is located together with the ports with the highest turnovers, the headquarters of the financial and service sector, and where most of the Mozambican enterprises pay their taxes (except municipal taxes). Figure 1 gives the share, by province, of national revenue calculated as an average of all annual revenues (by province) collected by the Mozambican Tax Authority (Autoridade Tributária de Moçambique, or ATM) between 2007 and 2014.

![Figure 1: Contribution by province to national revenue collection by ATM (averages 2007–2014) (%)](chart)

Source: ATM, 2015.

2 Economy

The pattern of the present high rate of economic growth in Mozambique, around 7% from 1994 to 2015, is excessively concentrated and hinges on a limited set of export products, among them ‘point resources’ and investments in megaprojects, specifically in the energy and extractive sector. Several studies on various aspects of the political economy of Mozambique have shown that this impressive economic growth hides the fact that the economic structure, as well as the model of capital accumulation, has not changed much over time (Castel-Branco, 2012, 2015a, b; Mosca, 2011, 2013; Weimer et al., 2012).
Key factors of the ‘foundational’ economic structure are:

- A **commodity and export-led growth orientation** of the economy without notable domestic, inward-led industrialisation and strong intersectoral backward and forward linkages. This leads to an extractive type of economy, not only in the mineral and energy sector, but also in all other sectors linked to natural resources such as forestry, large-scale agriculture, fauna, etc.

- An extremely **open and ‘permeable’ economy** (Castel-Branco, 2015a) in which the share of exports and imports in relation to the Gross Domestic Product (GDP) has always been very high (above 80%) and in which large-scale foreign investment, especially in the extractive sector (in the broadest sense), not only benefits from tax incentives and other favourable arrangements but can also repatriate capital to the countries of origin. For example, the revenue from coal in Tete Province remained under 0.5% of GDP between 2012 and 2015 (Vines et al., 2015, p. 5). The openness of the Mozambican economy makes it particularly vulnerable to external shocks and volatile global markets, as the financial crisis in 2008 and the present drop in energy prices and the devaluation of the Metical against the US$ demonstrate.

- The permeable economy produces **limited benefits for the state (revenue), the domestic economy (diversification, inward industrialisation)** and the local communities. The net benefit from mineral and energy extraction (coal in Tete, gas in Inhambane Province) to the latter was only 2.75% of royalty payments in both 2013 and 2014 (Nombora, 2014; Vines et al., 2015, p. 70). Political and economic elites obtain their benefits and incomes not from production but from rent seeking associated with what Castel-Branco refers to as a ‘bubble economy’ of expectation and speculation linked to land and the extractive industry (Castel-Branco, 2015b). Although (increasing) exports (of aluminium, coal and electrical energy) dominate the trade balance, their contribution to GDP is low and they do not offset the increasing imports (of fuel, machinery, consumer goods and food), leaving Mozambique in a position as a structural net importer of goods and services since the middle of the last century. There are, however, some exceptions: in 2006 Mozambique registered its first trade balance surplus in decades due to the export of aluminium and gas, together with the classic commodities of cashew nuts, cotton, timber and fish, which are in decline.

- **Structural proneness to indebtedness with periodic debt crises** Historically, the Mozambican economy has witnessed periodic debt crises which have, on occasion, brought the economy close to collapse. Thus, the current economic crisis (see Part II, Section C, Section 1), in large part
attributable to the present unsustainability of the country’s sovereign debt, is
nothing novel in Mozambique’s economic history.

According to Rebucci (2001) and Hanauer (2012), in 1984, when the first
official debt statistics became available, Mozambique’s nominal stock of gross
external public debt was estimated to be about US$2.4 billion, corresponding
to 50% of GDP and triggering a first debt rescheduling negotiated with the
Paris Club of lenders and aid partners. By 1990, the World Bank estimated
total debt stock at US$4.6 billion and by 1995 it stood at US$7.5 billion.
‘When the civil war came to an end in 1993, Mozambique had the highest
debt burden per GDP in the world’ (Plank, 1993, p. 408).

Five years later, in 1998, Mozambique became a prime candidate and
beneficiary of the initiative for Heavily Indebted Poor Countries (HIPC). It
reached its completion point in 1999 (IMF & IDA, 1999). The aim was
to strike a deal between debt relief provided by international lending and
aid agencies against a commitment to introduce a comprehensive poverty
reduction programme, later to be known as Programa Acelerado da Redução de
Pobreza Absoluta (PARPA; Poverty Reduction Action Plan), to be supported
by the Programme Aid Partners (PAP). Initially, the government, supported
by national non-governmental organisations (NGOs) and researchers,
rejected this linkage, making the case for total debt cancellation. While the
International Monetary Fund (IMF) argued that the HIPC initiative would
involve debt relief of nearly US$3 billion in nominal terms, equivalent to
an estimated 70% of Mozambique’s GDP at the time, and reduce nominal
debt stocks to about US$1 billion,27 those opposed to it pointed out that
the debt service after HIPC would continue to represent a huge burden on
public finances, equalling an estimated 40% of Mozambique’s annual export
earnings, with the financing of PARPA, and notably health and education,
implicating additional and new indebtedness (Castel-Branco, 1999).

At present the external debt, which suffered a shift from public to private
sources again, is unsustainable. The acceleration of public and private debt
used to finance investments linked to the extractive industries and that of
unprofitable public and private enterprises owned by the state is impressive:
in the 10 years between 2006 and 2015, these debts grew by 60% and at a
rate 13 times that of the high growth rates nearing 10% per year (Castel-
Branco & Massarongo, 2016). It tripled from US$3.5 billion to more than
US$10 billion, not counting the more than US$2 billion of state-guaranteed
debts incurred by dubious, unprofitable security-linked private enterprises
(under forensic investigation at the time of writing). According to the

Mozambican Debt Group (Grupo de Divida Moçambicana, or GDM), an NGO quoting government figures, in May 2016 the total foreign debt stood at US$11.64 billion, equivalent to close to 70% of GDP.\textsuperscript{28}

As in the 1980s, it is obvious that the economy cannot sustain this overwhelming debt burden. Worse still, no international debt-alleviation scheme is in sight and the world economic environment is not conducive to dynamic and diversified Mozambican exports. The downgrading of the country’s creditworthiness by international rating agencies impacts negatively on necessary Foreign Direct Investment (FDI), with its negative consequences for employment, innovation, productivity increase and diversification of the economy.

Analysing the main causes of the structural indebtedness, we suggest three explanatory factors: war, a lack of an encompassing economic policy which aims at economic transformation through economic diversification, and exposure to practices of creditors and banks which are detrimental to Mozambique’s interest. In arguing this, we take factors such as the volatility of international commodity prices, as well as the vulnerability of the Mozambican economy to natural calamities (floods, droughts, etc.), as minor explanatory factors. Already in 2001, the IMF argued that the financing of the government’s war machinery was the main, although not the only, factor explaining Mozambique’s debt distress during the late 1970s and early 1980s. This prompted not only the government’s signing of the Nkomati Accord with apartheid South Africa, but also what was perceived as its ‘opening to the West’ after an unsuccessful socialist experience (Rebucci, 2001). And in the two mandates of the Guebuza government (2010–2015), the budget witnessed, year after year, a pronounced increase in military and security spending, to the detriment of productive sectors such as agriculture and rural development, with the social sectors (education and health) left to donor financing.

Concerning the second factor, various authors have highlighted the need for an alternative economic policy to that of the predominant export-oriented, resource extraction approach that produces growth without development (Castel-Branco, 2010, 2015a; Hanlon & Smart, 2008; Mosca, 2005, 2013).

The third factor, often overlooked, came into focus with the recent odious debts\textsuperscript{29} associated with state-owned private enterprises such as Mozambican Tuna Fishing Enterprise (Empresa Moçambicana de Atum, or EMATUM), Proindicus and Mozambique Asset Management (MAM). The credit agencies financing the credit, Credit Suisse and the Russian bank VGN, were all too willing to make a deal without the necessary due diligence. On the side of

\textsuperscript{28} Cited in http://allafrica.com/stories/201605040005.html.

\textsuperscript{29} In line with Williams and Isaksen (2016, p. 3), we understand by this term ‘debts contracted and spent against the interests of the population of a state, without its consent, and with full awareness of the creditors’.
public debt, the GDM highlights the fact that there is a dramatic increase in commercial debt, a fall of the grant element, a reduction of the average grace period from an average of 10 years in 2005 to six years in 2012, and to less than five years in 2015, coupled with a dramatic shrinking of the period of maturity from an average of 37 years in 2005 to an average of less than 20 years in 2015. Rebucci (2001) concluded that for the period up to 1999, creditors’ changing financing and refinancing policies contributed to the sharp rise of Mozambique’s debt burden.

- The Mozambican economy is a **typical consumption economy** rather than an economy based on investments for production and the domestic and international markets. Both private and public consumption continues to dominate the composition of the GDP, with household consumption expenditure having a higher share in relation to public consumption, with negative consequences for savings. Partly, therefore, investment measured by gross capital formation has remained structurally low, although it more than doubled from the 1970s to the present. It will continue to rise with the large-scale investment in liquefied natural gas (LNG), but it is unlikely to produce effects on industrialisation given the low propensity of such projects to create forward and backward economic linkages. This is a clear lesson learned from the scale of investment in the coal industry in Tete Province (Langa, 2015).

- The economy has continued to remain a **service economy**. The service sector, notably the railways and port systems used by neighbouring countries, has been dominating GDP with a weight of above 30% in the 1970s and 1980s, climbing to more than 50% from 1994 onwards. However, it also underwent dramatic structural changes in the sense that it is no longer the regionally oriented transport subsector of railways and port revenues that dominates the service sector, but the growth of banking, insurance and telecommunications, as well as air travel, tourism and domestic transport.

- **Agriculture**, notably the smallholder and family sector, is marginalised, but is the mainstay of around 70% of the population, absorbing about 80% of the labour force. Its contribution to GDP, at around 30%, is higher than that of industry at around 24% (KPMG, 2013). Small-scale farmers remain poor and suffer from having no voice (e.g. in parliaments and political parties), little tenure security, and lack of access to credit, technologies and extension services commensurate with their productive potential, resources and needs.

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The large-scale allocation of land to global investors for plantation agriculture and forestry and the established trade policies associated with powerful elites in the food trade business, together with deteriorating real terms of trade between agricultural output and (imported) inputs, work as disincentives for increased production and diversification in smallholder agriculture. There are a few notable exceptions, such as outgrower schemes in the sugar and tobacco industry (Buur, Mondlane & Baloi, 2011; Smart & Hanlon, 2014). The seminal title of Bowen’s (2000) book *The State against Peasantry*, which analyses peasant agriculture from the immediate post-independence socialist period to the late 1990s, maintains its validity. The dim prospects for small-scale agriculture contribute to the creation of an urban *lumpenproletariat*. It has been estimated that over the past 10 years, 15% of small-scale farmers abandoned their land, migrating to the slums in towns and cities, surviving there by informal peddling of cigarettes, airtime for mobile phones, etc.

- The economy of Mozambique and the associated *socioeconomic differentiation and stratification process* has always had an exclusionary effect on the Mozambican society and economy, especially on the peasantry. Put simply, the large group of rural smallholders and farmworkers is juxtaposed with the extremely wealthy groups of urban national elites. In between is a small, urban-based and salaried middle class associated with the state and the public service. The annual gross national income, estimated at US$530 (2012), is thus quite unequally distributed, vertically and geographically. The poorer group of rural farmers has an estimated average annual income of US$31 (in 2012). Although no systematic data on income inequalities are available and no adequate measuring methods are consistently applied, there is evidence that ‘measured inequality increase[d] by about 2.5 Gini points from 2002/03 to 2008/09’ (Arndt, Jones & Tarp, 2015). Consumption of food accounts for two-thirds or more of poor households’ total consumption – a figure that has remained unchanged during the past two decades. Those households spend around half of their overall budget on basic or core food products, whereas basic food items rank much lower in the consumption patterns of the higher and highest income brackets, which spend their income on non-food or luxury food items (Arndt, Jones & Tarp, 2015).

3 **Political-Administrative System**

3.1 **Public Administration**

An inherited highly centralised administrative system, or what Ekeh (1975) refers to as a ‘colonial civic public’ (see below), enhanced and maintained during the immediate
post-independence socialist phase (‘democratic centralism’), has been shaping Mozambique’s political-administrative system until today, the decentralisation system of devolved local governments in the early 1990s notwithstanding. It follows the principle of subordination and delegation rather than subsidiarity and devolution regarding the lower levels of public administration. Except for the municipalities created from 1997 onwards, this system has been maintained and modified only through a deconcentration reform in 2004, which produced the Law 8/2004, in which parts of the management and planning responsibility have been administratively decentralised, notably to district level. This deconcentrated model of management under central power and with little autonomy (and resources) for the subnational levels is all-encompassing, and includes not only the public administration but also public enterprises, notably those which deliver public services (e.g. EDM [Electricidade de Moçambique/Mozambican Electricity Utility], TDM [Telecomunicações de Moçambique/Mozambique Telecommunications], FIPAG [Fundo de Investimento e Património de Abastecimento de Água/Water Supplies Investment and Asset Holding Company]). In the case of the latter (and other public enterprises), verticality and subordination under central command and control prevent horizontal accountability to other stakeholders such as parliaments and civil society. Their track record of effective, efficient, lucrative and transparent economic management is quite doubtful as various recent studies by the Centro de Integridade Pública (CIP; Centre for Public Integrity) and debates in parliament demonstrate (see, for example: Nhamirre & Mosca 2014)... And they are part of a rent-seeking system which ensures that the interests of the Frelimo elites are satisfied.

At local level, central government agencies, OLE’s (Órgãos Locais do Estado/Local Units of the Central State Administration), public enterprises, municipalities, etc. intervene at the same time and in the same territory. A clear definition of functions and responsibilities is often not obvious or is lacking outright. Policies and strategies of key actors in service provision (e.g. EDM and FIPAG) are often not aligned with municipal urbanisation and expansion plans.

Concerning the macro structure, a Public Sector Reform (PSR) was carried out between 2001 and 2010 at a cost of around US$200 million (Scott et al., 2011). Main players were the Unidade Técnica da Reforma do Sector Público (UTRESP; Technical Unit for Public Sector Reform) subordinated to the Interministerial Council for Public Sector Reform (Conselho Interministarial da Reforma do Sector Público), composed of ministers of key portfolios. Aimed at contributing to a restructuring of central government institutions, incorporating decentralisation as an overarching theme of reform and better responding to the needs and expectations of both citizens and the

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32 Functions of local and central government actors can be either complementary (mutually exclusive), competitive or delegated.
markets, the PSR included a functional analysis of almost all ministries and analyses of both the macro structure of government and of a wide array of interministerial commissions (Scott et al., 2011). However, the outcome of the reform and its cost efficiency have been questioned for several reasons, particularly by donors who supported both the reform and the government’s Poverty Reduction Strategy Paper, the effectiveness, efficiency and outcomes of which were meant to be increased by the reform.

The analyses commissioned by UTRESP estimated that from 1986 until 2003 around 110 new governmental organisations (ministries, secretariats, institutes, etc.), including 44 interministerial commissions (commissions, institutes, units), had been established, most of them created and staffed at central level and many of them fallen into disuse. By the end of the PSR, the number of interministerial commissions was reduced to 19, but the number of ministries and ministers had been increased.

Despite these changes, and with certain exceptions concerning the Ministry of Education, the National Road Administration and the Road Fund, the sector ministries (Health, Public Works and Habitation, Agriculture, etc.) remain vertically organised and do not necessarily correspond to the functional and resource needs of improved service delivery (quality and coverage of services), improved transparency, access to information, accountability and involvement of the private business sector, especially in service provision at local level. These ministries and public enterprises, each with its own organisational culture, have been compared to discrete, isolated ‘multi-floored silos’, with little communication within and amongst each other, even at the level of the Council of Ministers and central government. Often supported by sector-wide approaches, they are in favour of neither direct budget support (to the Ministry of Finance) nor decentralisation, since they fear losing access to and control of their own budgets. For these reasons, their heads have been equated to the ‘nobles of fiefdoms, not always showing loyalty to their king, nor much love for their subjects’.  

The exceptions notwithstanding, deconcentration meant neither the transfer of autonomy and resources, especially for capital investment, nor that of accountability to lower levels of government, as is the case with municipalities. The same applies to a significant extent to public utilities. Although sectorally better integrated and resourced, the PSR has not achieved district governments with the ability and degree of autonomy to respond to an articulated demand of local stakeholders (farmers, traders, investors, etc.). Various sector analyses, e.g. on rural water supplies (Forquilha, 2013) and on agriculture (Forquilha, 2015), and several interviewees confirm this perception.

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33 Personal communication with retired senior government official, Maputo, 12/12/2017.
34 Interviews with two councillors, Pemba Municipal Council, 05/10/2015, and with senior staff member and advisor, Nampula Provincial Government, 13/10/2015.
If we define reform of the public sector as an irreversible structural change of interinstitutional relations in the public sector, both horizontally (i.e. at national level) and vertically (at subnational level), the PSR achieved little. The changes at macro level were modest and not necessarily all attributable to the PSR and the vertical system of government remained hierarchical, vertical and top-heavy, despite efforts and changes towards decentralisation. The changes were poorly aligned with the material interests of local stakeholders, notably in the field of service delivery.

Neither this legislation and the associated deconcentration process nor the constitutional reforms of 1990 and 2004 did away with the principle of vertical subordination of lower-level public administrative units. According to Article 252 of the constitution, civil servants are subordinated to their hierarchical superiors, to whom they owe obedience. Introduced in the years immediately after independence, this was reconfirmed in 1981 by the norms established for the organisation and leadership of the central state administration, NODAEC (Normas de Organização e Direcção do Aparelho de Estado Central/Norms on Organisation and Leadership of Central State Apparatus).35 Also, NODAEC's principle of double subordination is maintained regarding the Permanent Secretary (PS) at provincial and district levels. This means that the PS, e.g. at the provincial level, is subordinated to both the provincial governor and the central government, i.e. the Ministry of State Administration and Public Service (Ministério de Administração Estatal e Função Publica, or MAEFP).36 If we include the organisational verticality of the predominant party and its embeddedness with the state apparatus (see below), we may even speak of a triple subordination.37 In the PS’s office, the Department of Territorial and Municipal Administration (Departamento de Administração Territorial e Autarquica, or DATA) is the hierarchical superior of the district PS (who is also formally subordinated to the district administrator and informally to the district secretary of the Frelimo party). DATA also exercises support and control of the municipal mayors and their council, holding de facto the function of what can be compared to what once was known as the Provincial Directorate of Support and Control (Direcção Provincial de Apoio e Controlo, or DPAC), formally abolished in 2003.

Finally, it should be noted that the slow decentralisation and deconcentration process did not affect essential bits and pieces of the ‘software’ in use for managing, planning and monitoring government action and programmes at macro level. Decentralisation therefore does not automatically mean the deconcentration and devolution of the existing management and information systems. The fuzziness, or absence, of well-defined subnational territorial boundaries, typical for a colonial-type administration and maintained in the postcolonial period, has already been

35 NODAEC, Decree 4/1981.
36 Before 2015 it was split into the Ministry of State Administration and the Ministry of Public Service.
37 Interview with senior member of Provincial Government, Cabo Delgado, Pemba, 7/10/2015.
discussed above. Other examples are the centrally managed e-SISTAFE (Sistema de Administração Financeira do Estado/State Financial Administration System), which until today does not have a territorial classifier for each of the municipalities (important for the transfer of the FCA [Fundo de Compensação Autárquico/Municipal Equilibration Fund] and FIIA [Fundo de Investimento de Iniciativa Autárquica Municipal Investment Fund]), which would also cater for the information needs of central government on, for example, the municipal performance in managing expenditure and own-source revenue (OSR). Nor is it aligned to the fiscal and budgetary management needs of the municipalities, efforts by projects undertaken since 2007 toward such a system notwithstanding. Furthermore, the administrative and territorial organisation of the ATM, the National Statistics Institute (Instituto Nacional de Estatística, or INE) and the Notary Services (Conservatória de Registo e Notariado) of the Ministry of Justice ignores districts and municipalities as distinct units for data collection and information provision. Presently it is hardly possible to obtain data from these entities, for example of certain direct taxes collected, resident holders of a tax identification number (NUIT) or property transactions per municipality.

3.2 Local Government and Communities
At local level, government and public administration face the challenge to interact with local communities and leaders. It is there where visible, invisible and hidden forms of power are exercised and contested, often vehemently (Part I, Section 2.3). Hereditary rulers and paramount chiefs, part of the national elite in African countries such as Botswana, Ghana and Namibia, where they have their own representative structure at national level (Mijiga, 1998), did not play a leading role in the Mozambican colonial and postcolonial history. This does not mean, however, that hereditary rule of dominant families, particularly in rural areas, never existed. As the study by Galli (2003) demonstrates, such local leaders are part of what Ekeh (1975) referred to as a ‘primordial African public’ (Part I, Section 2.3). They are powerful as autochthonic custodians of land and natural resources, and as institutions that maintain social and religious equilibria and relations of exchange with the outside world of the ‘civic public’ (i.e. the state and public administration, investors and traders). Even if materially poor, they have considerable hidden power.

The co-option of such local African ‘traditional authorities’, community leaders and régulos (‘little kings’) into the political administrative system was initially not foreseen at independence, but instead their abolition, including their

38 E.g. by the USAID-funded PROGOV municipal support project (2005–2008) or the P-13 and Municipal Development Programmes (Programa de Desenvolvimento Autárquico) running between 2008 and 2014, respectively, pool-funded by Austrian Development Cooperation, the Danish International Development Agency and Swiss Development Cooperation.
‘obscurantist’ practices of dispensing justice, resolving conflict, initiating boys and girls into adulthood and managing land. The Salazarism ‘Estado Novo’ established by Salazar in the late 1940s had attempted to instrumentalise these authorities when introducing indirect rule, gleaned from British colonies, based on the system of régulos. Given Frelimo’s antagonism towards them, they tended to openly or clandestinely support the Renamo (Resistência Nacional de Moçambique/National Resistance Movement) campaigns during the civil war. Following the General Peace Agreement (GPA), a role in the Frelimo-led system of governance was sought for them. From 2000 onwards, based on Decree 15/2000, they were integrated into the local political-administrative structures, together with local representatives of the Frelimo party such as the Secretários de Bairros (heads of wards). This was an attempt to ‘reclaim the state authority’ at local level (Buur & Kyed, 2006). Formally recognised by the MAEP, respectively the provincial governments, they of have consultative, controlling and mobilising functions for the state, the government and Frelimo, e.g. in times of electoral or health campaigns. These leaders are bestowed with uniforms, a bicycle and a salary and take office in public official ceremonies. They also play a key role in issuing documents for public and private affairs, such as identity and voter cards, residence permits for foreigners or providing credentials for opening a bank account. To a considerable extent this integration follows the colonial pattern of integrating traditional authorities into a local administration with little downward, but substantial upward, accountability (Buur & Kyed, 2006; Kyed, Buur & da Silva, 2007).

At present, there are around 45 000 formally recognised community authorities at district level and below, organised in hierarchical tiers corresponding to the level of subnational administrative units (districts, administrative posts and localities) (Table 4).

Table 4: Community leaders by tier

<table>
<thead>
<tr>
<th>Tier</th>
<th>Level of administration</th>
<th>No. of community leaders (approx.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>District</td>
<td>6 300</td>
</tr>
<tr>
<td>Second</td>
<td>Administrative Post (Posto Administrativo)</td>
<td>10 700</td>
</tr>
<tr>
<td>Third</td>
<td>Locality (Localidade)</td>
<td>28 000</td>
</tr>
</tbody>
</table>

Source: compiled by authors

There are variations across provinces. For example, Cabo Delgado Province has no third tier of community leaders, and in other provinces the introduction of a fourth tier at the level of Povoado or settlement is being considered.
3.3  

O Estado

An intrinsic relationship between Frelimo and the Mozambican state emanates from the historical circumstances of the independence struggle. On the one hand, Frelimo targeted the colonial state, attempting to dismantle it in 1977 in the immediate post-independence period (escangalhamento) and transform it into a socialist 'peoples' state' with a centrally planned economy based on social justice and socialist relations of production. Under the leadership of Frelimo, the 'New Man' (Homen Novo), especially in its function as representative of the state and party, as a subject of history, was to replace the backward and obscurant mind of the object oppressed by colonialism. Yet, in achieving its transformational objectives, Frelimo had to instrumentalise the very state it fought against in the liberation struggle. Thus, while 'the gap between the modern state and the communities only became wider', as the scope of the independent state became larger, it was 'what had been inherited from the colonial period' that formed the backbone of the new state, which struggled to live up to expectations: ‘The upsurge of needs and demands in the aftermath of colonial rule in the independent states placed a heavy burden on the state machinery that was not prepared to cope with it’ (Monteiro, 2002, p. 3). Especially in the economic field, it was difficult to shape the state and make it responsive in accordance with the new political and economic agenda. As Monteiro said with hindsight:

Although this entailed a change in the nature of the function and style of management inherited from the colonial bureaucracy, the structure and methods of the state remained the same. It was not the economy changing the management style of the state – it was the other way around (Monteiro, 2002, p. 3).

The polity Frelimo grafted upon the base structure of the colonial state in Mozambique is not just any other common, sovereign state with a territory, a people, an economy and administrative system, and a monopoly of coercive power. It was meant to be much more than that: a collective entity *sui generis*, an entity called *Estado* (State, with a capital letter), in opposition to a social contractual arrangement among citizens with individual and collective political rights and duties entrusted to the state as a collective expression of the citizens’ interests and rights (Newitt, 1993, p. 445). This *Estado* epitomises a supreme, unquestionable (discursive and coercive) power of ‘ordering people, things and ideas’ (Dillon, 1995, p. 323), with a monopolistic claim on resources, administration, justice, violence, creed and even dress code: a collective being endowed with its own reason, the ‘State's Reason’.

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39 This section follows Chapter 2.2 in Weimer et al. (2012). In Portuguese, *Estado* (State) is always capitalised, as are months, names, gods, etc.
The relationship between state and party was, as such, both simple and complex. On the one hand, the party led and gave direction to all state activities where the state was perceived to be a willing, ever-ready servant executing the political and ideological programmes of the party. On the other hand, the vanguard party and its political heads often did not trust the state personnel or bureaucrats. This was partly because many of those who became state functionaries came from the more educated sections of the population emerging after 1960, when the Portuguese regime began to use more resources in training and hiring Africans in an attempt to create an African bourgeoisie, notably in positions of state clerks, as well as health, education, rail, transport and port functionaries. This contrasted with the higher echelons of the state and the economic domain dominated by those of Asian, Goan or Portuguese origin.

An often conflictual relationship between state and party became a relatively constant feature of how power would be organised in Mozambique over time. Despite the multiple reforms initiated from the mid-1980s aimed at restructuring the state, disentangling state and party, producing a multiparty democracy governed by adherence to the principles of good governance, and so forth, the kind of relationship has been one of party dominance and continual reliance on the state to carry out Frelimo party policies. Therefore, control over the state and its bureaucrats has been an overall preoccupation of Frelimo and, despite relaxation at certain periods of time, control has constantly been reasserted. Especially under the two Guebuza mandates, there was a clear tendency to subordinate the state and all institutions, including the president of the country and the army (Igreja, 2015), under the power of the party. This triggered renewed armed action by the Renamo opposition, and the inclusion of the depoliticisation of the state apparatus in the agenda of negotiations between the government and Renamo at the Joaquim Chissano International Conference Centre (see Section C, 2.2), as well as the tabling of a bill to this effect in Parliament by the Democratic Movement of Mozambique (Movimento Democrático de Moçambique, or MDM). It also led to a major conflict within Frelimo, in which the neo-Leninist doctrine of placing the party above the state institutions was labelled as unconstitutional.  

Despite the new state features Frelimo ‘constructed’ after independence, the state’s emerging polity gives continuity to the ‘structural logic of the colonial state’: a state with few citizens but with subjects, independent of a dynamic society, legitimised via the control of territory, resources, the economy and people, with ‘liability to work and guardianship as the currency used by the state to realise its

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40 For example, by the constitutional lawyer Gilles Cistac, assassinated under unclear circumstances in Maputo on 3 March 2015, or by the senior Frelimo member, former minister of labour and member of the Frelimo delegation at the Rome peace negotiations with Renamo, Teodato Hunguana, in a widely broadcast TV interview. See http://opais.sapo.mz/index.php/politica/63-politica/34184-teodato-hunguana-contraria-armando-guebuza.html.
claim to rule’ (Macamo, 2001, p. 79, translation by authors). This resulted in the continuation of what Newitt described, for the late period of colonial rule, as a highly centralised civic, tax and political-military administration in Mozambique ‘that would promptly and effectively respond to the levers in Lisbon’ (Newitt, 1993 p. 451), with the difference that now the levers are operated in Maputo. In an interview with the research team, the former minister of state administration, Alfredo Gamito, questioned the service-delivery capability of the present state by provoking a debate on the following question: What followed, after the escangalhamento (deconstruction/destruction) of the colonial state decided by Frelimo in a Central Committee meeting in Nacala in 1976? What replaced it? The sobering answer is that the Mozambican state has never been profoundly transformed in substance, even though decentralisation in the wake of the Rome peace process was meant to contribute to a rethinking of the state towards more democratic legitimacy, more administrative and fiscal autonomy and an increased ability to deliver the most essential public services (Weimer, 2012).

4 Frelimo

4.1 A Foundational Movement Turned Political Party

One of the most important, if not the decisive, foundational factors of Mozambique’s political economy has been and continues to be Frelimo. The party emanated from a coalition of independence movements turned into a Front, and celebrated its 50th anniversary in 2012. It has been in power since independence in 1975 and in its elites’ own understanding, the party is the shaper, even ‘owner’, of Mozambique’s contemporary history, the dono do país (owner of the country). That the party and the ruling party elite are also the main beneficiaries of the political economy institutionalised by the state and government, is considered ‘natural’ and evident due to the party’s historical mission as the liberator from the shackles of colonialism. The words of retired General Chipande, the Frelimo soldier credited with firing the shot that signalled the beginning of the liberation struggle in Mozambique, are clear: ‘we are entitled to get rich since it was us who fought for independence’.

Frelimo’s liberation struggle, as well as its strategies to face the ‘Leviathan’ of the colonial state, i.e. its project of state- and nation-building along nationalist lines using socialist rhetoric up to the mid-1980s, has been well documented (Hall & Young, 1997; Monteiro, n.d.; Newitt, 1993). Labelled, after the transition from a one-party...
state (1975–1994)\textsuperscript{43} to a formal multiparty democracy (1994–), as a ‘predominant state party’ (Dinerman, 2007, p. 6) or a ‘ruling party in a dominant party system’ (Salih & Nordlund, 2006, p. 5), it constitutes the foundation and cornerstone of political and economic life in Mozambique. Thus, the present political system of Mozambique could be labelled \textit{de facto}, not \textit{de jure}, a single-party state. Despite the strong trends towards centralism and the invocation of its character as founder of the Mozambican independent state and nation, stemming from its nature as a militarily organised liberation movement, and from its Marxist-Leninist past, Frelimo appears to be in constant fear of losing its grip on the country. This fear partly stems from the signals which emerged during the 1980s, that destabilisation initiated by the Rhodesian regime and taken over by the apartheid regime after 1980 was not only waged by ‘enemies of the revolution’, but also reflected internal dissatisfaction among the peasantry, the ostracised bourgeoisie, etc. This fear of losing hegemony over people, territory and resources, i.e. the fear of having to share power, continues in relation to the armed rebel movement turned political party, Renamo. This is not only manifest in relation to political competition in a multiparty system, but also motivated the backtracking on Frelimo’s ambitious decentralisation project enacted by the then one-party Parliament in 1994.\textsuperscript{44} These fears were carried over into the multiparty system when they became election-driven (Weimer, 2012).

Frelimo’s power over people, territory, economy and institutions, its power to shape politics and policy, as well as its discursive power, both nationally and internationally, has been instrumental to staying in power for more than 30 years. One of the factors is its alliance with like-minded foundational parties, particularly in southern Africa. The diversity of external relations notwithstanding, Frelimo has successfully managed to cultivate special relationships of friendship and solidarity with those parties. It has very strong ‘fraternal’ ties with the former liberation movements in Angola (\textit{Movimento Popular de Libertação de Angola}/People’s Movement for the Liberation of Angola), Namibia (South West Africa People’s Organisation), South Africa (African National Congress), Zimbabwe (Zimbabwe African National Union Patriotic Front), and with the foundational party in Tanzania (\textit{Chama Cha Mapinduzi}). They are, as is Frelimo, the main political force of the dominant party systems in their respective countries.

\textsuperscript{43} At the time, Frelimo was organised along Leninist principles, whose characteristic elements are, according to political science theory (Colas, 2006, p. 429): democratic centralism, top-down decision-making, control of the state, the economy and security (military and police), identification of the internal and external enemy, internal control concerning ‘infiltrators’ with subsequent purification of suspects, a militancy of the political discourse – of ‘fight against the declared enemy (colonialism, imperialism, “armed bandits”, corruption, poverty, etc.’ and absorption of civil society. Some of these elements are still alive and/or have been reintroduced through the reform of the party by its former chairman, Guebuza, from 2003 onwards.

\textsuperscript{44} Reference is made to Law 3/1994.
The other key to success is its high degree of institutionalisation and coherence, and its capacity to resolve internal cleavages through political settlement using the state’s resources and networks of economic influence and power, associated with a handful of families of liberators of the land and people. Children of Frelimo liberation fighters are entitled, by the party’s statutes, to inherit that status, i.e. to be considered Frelimo veterans. Despite certain regional cleavages, ideological ‘currents’ and a diversity of interests, as well as the different ethnic and religious backgrounds of its members, it has been a highly unified party. It is noteworthy that, in contrast to many other African countries, no presidential candidate in Mozambique can count on an ethnicity-based majority of voters (as is the case in Zimbabwe or Namibia), which forces candidates to seek alliances across ethnic and regional boundaries. So far, centripetal forces holding the party together have been stronger than the centrifugal forces, and it is noteworthy that the party has not split, nor have any senior members been expelled or left despite harsh treatment at times. Thus, de Renzio and Hanlon (2007, p. 8) state that ‘there are no expulsions or splits, and all factions remain inside the party. Neither have the highly corrupt been expelled, nor have the outspoken opponents of corruption left the party to set up an alternative political force’.

Newitt (2017) points out that Frelimo has avoided becoming an ethnic party, although, in regional terms, it has been dominated by social and political interests from the south (Maputo, Gaza, Inhambane) and Cabo Delgado, neglecting those from the centre of the country. The highly diverse ethnic, cultural, linguistic and religious landscape of the country, with no numerically dominant ethnicities or religion, has helped to prevent any ethnic group taking superiority over others. Historically, and under the conditions of the liberation struggle, Frelimo forged itself into a non-tribal and non-racial movement. Whether this is still the case is debatable, considering the political discourse of the Frelimo leadership up to 2014, which suggested a distinction between Mozambicans of first, second, etc. ‘breed’. The party has on various occasions show its ability to review some of its own early ideological positions, e.g. on traditional authority or on religion. However, attitudes concerning citizens outside Frelimo, intellectuals, critics, etc. have not changed much over time. They are connoted with the opposition or even enemies, making them targets of verbal or physical attacks. This points to the widespread practice of dominant or authoritarian regimes identifying and blaming an external enemy for their own shortcomings in an attempt to keep the party united. A more constructive way to promote unity is to subject party affairs and politics to criticism and self-criticism, a practice said to have vanished under the last mandate of former president Guebuza. Newitt (2017) highlights two other factors which hold the party together: the existence of Renamo as a potential electoral (and military) threat.
convinces members of Frelimo to close ranks, while the party’s long tenure of power means that it can sustain its client base in a political system that has become increasingly patrimonial.

The high degree of coherence and institutionalisation of the party was reinvigorated during the two mandates of former president Guebuza (2004 to 2014). As president of the country and a chairman of Frelimo, he is credited to have reactivated the Frelimo party cells in the public administration and the army, and reconfirmed the subordination of the state to the party in the party statutes (see below). He is also considered to have used the state and government machinery to enhance, in an ‘exaggerated and self-serving way’, the economic interests of companies associated with his family in various fields of the economy, notably those related to extractive industries (mineral and energetic resources), key utilities (electricity, telecommunications), real estate and industries (construction). As a result, the cracks in the party have deepened, internal power struggles, including along regional lines, have become more visible and open contestations for potential sources of rents between founding members of the party have been witnessed. Beyond that, the political-military conflict with Renamo intensified up to mid-2016 (see Section C, 2.1).

4.2 Politics, Economy and Power

We have already noted the lack of a clear distinction between the ‘civic’ and ‘party public’ on the one hand, and the business (private) sector, on the other – not in terminology, but in practice. This is another structural feature of Mozambique’s political economy. With very few exceptions, at independence many businesses were put under the control of the state (and party) or transformed into state companies, later labelled public companies. Today, in fact, and not only in strategic sectors such as mining and energy resources extraction, distinguishing between the interests of top decision-makers in the executive, the bureaucracy, the public and private companies is a futile academic exercise, as a study by CIP demonstrates: the key actors have or had stakes in all four spheres (Machel, 2012). They work in complex networks, which have three pivotal centres associated with the names and families of the two most recent presidents and the widow of the first president of the country (Chivangue & Cortez, 2015). Thus, party elite groups and important individuals aligned to the party control directly (via investment holdings) or indirectly (via the state and public enterprises) the commanding heights of the economy. In this net of private and public economic interests, public enterprises (known as parastatals) and autonomous public institutions play a pivotal role, especially in railways and ports, energy generation and transmission, telecommunications, etc. They have a key role.

45 Personal communication with a retired senior government official, Maputo, 12/12/2016.
46 João Ferreira dos Santos (agriculture) and Entreposto (vehicles, etc.).
47 Armando Guebuza, Joaquim Chissano and Graça Machel.
to play vis-à-vis the ruling party coalition as providers of lucrative jobs and positions, as well as funding mechanisms. The Mozambican parastatals operate with high capital outlays, are important macroeconomic players and represent a considerable part of the public investment volume and, thus, the national demand for goods and services. There is no consistent and transparent information on them, especially not regarding those involved in the extractive and energy sectors, in which not only state enterprises (like electricity, EDM and the National Hydrocarbon Company [Empresa Nacional de Hidrocarbonetos, or ENH]) but also enterprises linked to the political elite or nomenklatura have stakes (Hanlon & Mosse, 2009; Machel, 2012). Often, they are isolated or insulated from public scrutiny by, for example, the Auditor General or the Procurement Oversight Unit in the Ministry of Economic Affairs and Finance (Ministério de Economia e Finanças, or MEF). It has been suggested that the parastatals provide ‘dramatic opportunities for corruption’, posing serious fiduciary risks (Lawson et al., 2008, p. 12). Donors consider the public enterprises as ‘black boxes’ in relation to accountability and transparency in the field of Public Finance Management (PFM), notably procurement (Weimer & Macuane, 2011, p. 15).

The privatisation of the economy and the state by rent-seeking elites linked to the ruling party emerged after the brief socialist phase, particularly in the aftermath of Mozambican adherence to the Bretton Woods institutions following the signing of the Nkomati Accord (1984) and the acceptance of the Standard Berlin Clause in agreements with the European Union and its member states. This opened the way for privatisation of state enterprises and for the massive aid flows from both multi- and bilateral aid agencies. The economic reforms coupled with aid created the business elite that emerged at the time, probably spearheaded by Guebuza, whose nickname, attributed by some of his ‘comrades’, was ‘Guebusiness’. Members of the Frelimo ruling elite used privatisation and other government policies as a means both to maintain a strong state presence in the economy (Pitcher, 2002) and to accumulate private wealth (Hanlon, 2002; 2004; Hanlon & Smart, 2008). Out of these processes, an embryonic business group is slowly emerging that forms a key constituency of the ruling party coalition. Particularly with the advent of mineral resource exploitation, some of the key elite factions are fighting for the control of investment opportunities, concessions and contracts for infrastructure development, land and real estate, etc. but also over control of power within the party and over parts of the state and public enterprises. The strong dominant-party coalition Frelimo once was is gradually

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48 According to the legislation, they are subject to the procurement rules in force if they are 100% owned by the state. The autonomous institutions of the state, e.g. Instituto Nacional de Segurança Social (INSS; social security), Fundo de Apoio a Reabilitação Económica (economic rehabilitation fund, or FARE), and the public enterprises (Caminhos de Ferro de Moçambique/Mozambican Railways and Ports, EDM – electricity, TDM – telecommunication, etc.) are not systematically covered by the state financial system or regularly supervised by the state (Pessoa, Azevedo & Nascimento, 2010) or subject to regular state audits (CIP, 2010), although the procurement legislation treats these institutions on a par with those of the public administration.
turning into a competitive, clientelistic party coalition, with in fighting among factions. However, it continues to exclude other segments of society outside the realm of the party and state (Weimer & Macuane & Buur, 2012).

Frelimo’s elites dominating the economy, politics and policies has turned their party into what may be considered a third type of ‘public’, in the sense of a ‘party public’, often posing as a secular ‘primordial public’ or a big family or clan. It is composed of its members with allegiance to the civic, ‘primordial’ and, increasingly, to what may be an ‘economic public’ (parastatals, public enterprises, private enterprises of public entity shareholders, public private partnerships [PPPs], etc.). The civic public, i.e. the state and its resources and rents (partially provided by donors), is subordinated to the ‘party public’.

The governing elites straddling these publics tend to settle political conflicts and contest their relative power positions by redistributing resources, influence, privileges, information, etc. from the civic to the party and business publics along clientelistic lines and to certain loyal but not all ‘primordial’ elite(s), with some of them, regionally or ethnically clearly identifiable, excluded. As shown above, nepotism, rent seeking, corruption and the emergence of a kleptocracy are part of this redistribution, which may even lead to competitive clientilism (Macuane, 2010) and intra-elite conflicts. Political settlements for stabilisation/consolidation of power are made, formally and informally, between factions of elites of the various publics, provided sufficient sources of rents are available.

As demonstrated, Frelimo’s dominance over the state is also a consequence of the party’s adherence to the Leninist principles of organising the party, government, the state and society at large. The state is subordinated to the party, and has a tendency to absorb under the party’s hegemony other societal forces or the society at large, the latter organised in the form of mass organisations (of women, teachers, youth, workers, etc.). A true opposition party is not tolerated, and neither is an alternative, independent political opposition, e.g. in the form of a political party, foreseen. Rather, from this perspective, the latter two appear as (internal) ‘enemies’ to be contained, subdued, and, if necessary, co-opted. Therefore, the party elite dominates (central) government, power, the economy and the management instruments of the civic public/state (army, police, public finances, statistics, legislation, land, natural resources, etc.). This leads to a situation of asymmetrical information, which, according to Stieglitz (2012), is detrimental to dynamic and inclusive economic development.

5 Conclusions

We have seen that key features of the colonial state and economy have changed slowly since independence. One could not have expected otherwise under the conditions under which the country gained its independence, and Frelimo, the foundational
party, assumed its seminal role as *dono do país*, to a significant extent, of its land and resources – in partnership with foreign capital. Various reform projects produced little effect regarding a true reform in the sense of irreversible change of interinstitutional relations and the geography and sociology of power. Some progress was made regarding decentralisation, but ‘decentralising a centralism’ associated with the predominance of one political party in control of the central state and much of the country’s resources, and with less encompassing interests in the past years, is a formidable task.

The economy, with preference given to the ‘economic public’ of the public enterprises, parastatals, etc., is in principle also subordinated to the interests of the party and the state. However, this occurs without necessarily appropriately considering the conditions under which the economy can thrive and a tax base be established which is able to sustain the cost of maintaining and enhancing the state and its public services. The interests of small and medium-scale enterprises (SMEs) and those of the peasantry in agricultural transformation in the rural areas are ignored. As we have seen, especially the latter is an important ‘arena of political struggle’ (Galli, 2003, p. 12). Boone (2003) argues that by limiting the non-state private (agricultural and manufacturing sector) elites, the powerful elites controlling the central state and its resources and rents put a brake on a potential alternative model of capital accumulation capable of supporting and sustaining the development of powerful local elites.

The dependence of the ‘economic public’ associated with the party on the state in terms of contracts, subsidies, investments, access to, and coverage of credits is problematic, since state enterprises and rent-seeking practices of elites often ignore the principles of efficient, effective, transparent, accountable management and economic decision-making. The limited or absent profitability of such state-related enterprises is one of the reasons for budget deficits and indebtedness. In Mozambique, the cases of Mozambican Airlines (*Linhas Aéreas de Moçambique*, or LAM), TDM and EDM would fall into that category. The other reasons lie in the fact that in the PPPs the rent-seeking elites do not invest their own capital, but resort to the government to assume the investment risks and the provision and prepayment of necessary credits. A good case in point is EMATUM, in which the owners of this private company resorted to the Eurobond market to obtain a US$850 million credit guaranteed by the Mozambican government, which the company is unlikely to ever pay back out of the (unlikely) proceeds of its business operations, leaving the state with a considerable additional debt burden which eats into limited concessional grants. Thus, the ruling state class alliance and its elites across the various ‘publics’ run the long-term risk of state failure and bankruptcy, unless international partners such as China, donors or institutions such as the IMF help to bail out the fragile economy by injecting fresh money in various forms of concessional and non-concessional credits. The other way of injecting money to
sustain the elites, not necessarily the state, is to attract FDI for mineral and energy resource extraction, and for megaprojects.

In the case of intra-party contestation and conflicts, parts of the elite are ‘recycled’ (Macuane, 2010) in the various forms of ‘publics’ dominated by the party, in ‘exercises’ of political settlement. This leads to a political and economic order which is hardly accessible to other (national and local) elites pertaining to the various ‘publics’. The result of this process constitutes what North et al. (2010) label Limited Access Order (LAO), as opposed to Open Access Order (OAO). At best, members of the excluded elites may be co-opted. In the worst case, violent contestation is resorted to by those excluded, as the ‘second civil war 2012–2013’ (Igreja, 2015) demonstrates (see Section C, 2.1). In Mozambique, the challenge for the ruling coalition is that of a permanent political balancing act, on the ‘knife’s edge’ in the ‘permanent shadow of political violence’ (Levy, 2010; North et al., 2010), given the structural limits to the distribution of wealth, on the one hand, and social pressure by excluded groups contesting the organisation of power in society, on the other.

Thus, over the last three or four decades, little has changed in the structure on which Frelimo’s power is based, or in the way it exerts control over territory, people and resources. As the Mozambican sociologist Elísio Macamo succinctly observed more than 10 years ago: ‘plus ça change, plus c’est la même chose’ (the more there is change, the more it remains the same) (Macamo, 2001). There were three occasions when those excluded wrested some degree of recognition of their interest and concessions from the predominant elites through armed action. The Nkomati Accord (1984) and the Rome General Peace Agreement (1992) can be interpreted as political settlements resulting from violent contestation by Renamo (and its backers, in the case of the Nkomati Accord). Renamo’s armed contestation of Frelimo’s hegemony in Gorongosa and Muxungue in Central Mozambique in 2012 and 2013, leading to an Internal Peace Agreement (September 2014), can be seen as another attempt at forcing the hegemonic elite alliance to open up the LAO.

In sum, Mozambique’s political economy and the way it is managed and ‘owned’ has produced and consolidated over more than four decades of state fragility instead of consolidating the state. This is the case despite various reform initiatives and generous foreign aid. The recent events around the odious debts have brought the fragile state to the brink of failure and financial bankruptcy (see Section C, 1).

Under the circumstances of the cumulative weight of foundational factors analysed in this section, decentralisation may, soberly assessed, only play a limited role in contributing to structural change, maybe by democratising the local power structures solidified in 40 years of a dominant-party state and economic elite alliance. It shows that regime change is possible at the local level, i.e. in municipalities run by the opposition, and by partly allowing local elites to participate and have a say
in local and national affairs, albeit in a limited way. If the political struggle of those excluded shifts from political violence to addressing the issue of rethinking the state – its function as provider of public services, its fiscal base and in its territorial dimension of government – then the decentralisation, with its high degree of path dependency, its mixed outcomes and notions of recentralisation, may have a chance to be revisited. The proposal by the opposition parties in Parliament to review the constitution and introduce autonomous provinces may represent such a window of opportunity. The following sections (Rules of the Game; Here and Now) analyse this and other aspects.
B. Decentralisation: the Rules of the Game

1 Introduction

In this introductory section, we set the scene for the discussion of the rules of the game for decentralisation by characterising some, but not all, features of the interaction of key institutions of the state. The interested reader is therefore referred to other studies which more profoundly analyse the formal and informal institutional rules that govern the relationships between the executive, the legislative and judicial powers, the security apparatus, the media and civil society organisations (CSOs) (see, e.g., ECORYS, 2008).

The rules of the game define the formal, legal framework for the relationships between the state and citizens and between institutions within the state, between the executive, Parliament, justice, media, civil society, etc. The overall framework is the constitution of Mozambique and the body of laws and bylaws (regulations). The 1990 constitution represents a turning point from the post-independence one-party state to a pluralist one. Until then the lines between the executive and legislative branch and the judiciary were blurred. In the post-independence constitution, the president of the Republic was the head of the government, of the state and the speaker of the legislature, the Popular Assembly. Interestingly, the Frelimo Party Central Committee, along with the president, the Cabinet and Members of Parliament (MPs), also had the prerogative of legislative initiative. The 1990 constitution formally reversed this situation and defined the separation of powers, with formal, clear boundaries between the three powers. This was confirmed in the 2004 constitution, which emphasises the idea of separation but also interdependence of powers in its preamble.

The 1990 constitution and its 2004 replacement are liberal democratic constitutions with some features typical of socialist or social democratic constitutions (e.g. on natural resources and land), which guarantee basic rights such as political rights (universal suffrage), civil rights (such as the press and association freedoms), *habeas corpus* and protection of human rights. The constitutional precepts related to the fundamental rights are in harmony with the Universal Declaration of Human Rights and the African Charter on Human and Peoples’ Rights, as stated in Article 43 of the 2004 constitution. The 1990 constitution also in a way addressed the shift to the market economy in its Chapters III and IV. For example, land continues being the property of the state. The constitution defines four types of property: state, public, private and joint (public/private).

A *presidential system*, foreseeing a strong president, is another trait of the Mozambican constitution. The president has the prerogative to appoint the prime minister, the presidents of some key courts (such as the Supreme Court, the country’s highest judiciary body), the Constitutional Council and the Administrative Court, as
well as the provincial governors who, in turn, appoint the district administrators. The president also appoints the attorney general, the president of the National Electoral Commission, and chairs the State Council, an advisory body also including the leader of the opposition, some MPs, former presidents and the prime minister. Apart from that, the Presidency has some exclusive advantages in the legislative process, through the exclusivity to use a simplified mechanism that allows it to present bills to the legislature which must be included in the agenda of the next session for immediate discussion.

Since the first multiparty elections in 1994, brought about by the constitutional reform of 1990 and the Rome GPA, multiparty democracy and regular general and local government elections have been an established part of the rules of the game. The Mozambican electoral democracy has been characterised by fragile electoral institutions; frequent changes of the electoral legislation and rules; a plethora of small, opportunistic parties without funding and without genuine programmes or any chance to win a seat in Parliament; a ruling party deeply entrenched in state institutions; a dominant opposition party with an active military apparatus and often aggressive discourse; as well as repeated, well-documented attempts at electoral manipulation and fraud. These factors constitute impediments to electoral competition and representativeness, reduce the effectiveness of the institutional checks and balances and contribute to the slow pace of progress towards consolidation. In that sense, Mozambique is a case of democracy stalled between transition and consolidation, the so-called ‘dominant power systems’ (Carothers, 2002, p. 11ff). This represents a hybrid regime because of its combination of authoritarian and democratic elements (Diamond, 2002). With the dominant party not relinquishing its claim to hegemonic rule and actively seeking to limit the political space of its competitors, democratisation in Mozambique is thus another case of movement ‘from abertura to closure’ (Joseph, 1999).

All general elections since 1994 (Figure 2) produced two major outcomes: firstly, they reproduced the political dominance of Frelimo, and secondly, they reaffirmed what is a two-party Fre-namo system, in which the two signatories of the Rome GPA not only dominate the political competition in Parliament and elections, but also the national agenda. It is this competition which eventually decides over matters of peace and war, control over people and territory, the allocation of resources, access to benefits, inclusion and exclusion, reconciliation and potential for conflict, to the exclusion of other parties and CSOs at large, holding the Mozambican population hostage. The ‘second civil war’ (Igreja, 2015) between the Frelimo government and the Renamo party between 2013 and 2014 only confirms this assessment (see Section C, 2.1).

49 Composed of Frellimo) and (Re)namo.
As stated above, Frelimo maintained its political dominance which enabled the party to produce legislation which often emanated from the Executive (central government), corroborated and approved by the Frelimo Political Commission and enacted with the Frelimo majority in the National Parliament (Assembleia da República, or AR). Obviously, this is intended to consolidate its position, power and interests in what we labelled an LAO. The legislation regarding decentralisation is no exception.

As noted, informal relations are part of the rules of the game, for example, between the Frelimo party, the state and the economy. Thus, political, administrative and economic actors play their role not only by recognising the formal rules defined by the ‘civic public’, but also by ‘playing the game’ to circumvent the formal rules according to non-publicly codified rules, defined in the other ‘publics’ referred to in the previous section. Especially in a rent-seeking and clientilist-patrimonial system, informal and formal rules are therefore incongruent with the economic and political practice of key actors at the margin or outside of and in contradiction with the formal rules. A good example is the fact that land is sold on an informal (black) market, although the constitution and the land law prohibit such transactions.\(^{50}\) Another example is the manipulation of procurement rules in favour of bidders whose offers do not meet the legal,

\(^{50}\) This is epitomised by the popular saying that ‘land is not sold, it is only bought’.
etc. requirements or in which the formal rules were manipulated (DFID, 2011). Thus, corruption can be explained in part as using the space for manoeuvring which exists for representatives of both state agencies and businesses, by ignoring or circumventing the formal rules and adhering to the (informal rules) which they have established. Impunity for culprits is widespread in a state like Mozambique, where the sense of citizenship and associated rights are not exercised by all Mozambicans; where the justice sector (including the Anti-Corruption Office) is institutionally weak, underresourced and dependent, in budgetary terms, on the executive; and where the criminal investigation police (*Policia de Investigação Criminal*, or PIC) have only recently gained more clout and independence, having been formerly part of the executive (Ministry of Interior). The CIP has documented many such cases.

In the first subsection, we focus on the (formal) rules of the game for decentralisation. In the second, these will be complemented by discussing two examples of informal rules: the Open and Inclusive Presidency (*Presidência Aberta e Inclusiva*, or PAI) promoted by President Guebuza, and the importance of the local basis for access to positions of power within Frelimo.

2 Decentralisation: Legislative and Policy Framework – an Overview

2.1 Institutional Framework and Forms of Decentralisation

In Mozambique two different contents of and approaches to decentralisation coexist, cast in the Mozambican constitution since its partial amendment in 1996 and specific legislation (Law 2/2007, 3/2004): devolution or democratic decentralisation, and deconcentration or administrative decentralisation. The first is legally and in terms of policy framed as the development of municipalities. These are bestowed with a certain fiscal and administrative autonomy and have regular elections for mayors and assemblies, while the latter, the local bodies of the (central) state (OLEs), are subordinated institutions with little autonomy, but with some deconcentrated managerial and administrative functions.

Figure 3 gives a simple overview over the structure of local government (before the increase in the number of districts).

The two components of decentralisation were and are part of the established policy discourse and the programmes of consecutive governments, including that of the present Nyusi government. There it is part of Pillar 1 (‘consolidation of democratic rule of law, good governance and decentralisation’), one of three pillars

51 Specifically related to decentralisation, the Five-Year Plan of the Nyusi government defines the following objective: ‘Continue the reform and capacity development of the local administrations, municipalities and provincial assemblies’. 
supporting the implementation of the government’s Five-Year Plan.\textsuperscript{52} It also stresses the ‘innovation’ of integrated and intersectoral focus which attempts to avoid sectoral or vertical governance approaches.

Decentralisation also features in the PSR (2000–2010). While the topic of devolved (municipal) governments was considered outside the scope of the PSR (with the exception of the capital city Maputo), the legislation on OLEs (Law 8/2003) emerging in the early years of the PSR was also not duly reflected in the Terms of Reference of the ongoing functional reviews of the key ministries, having had the status of a cross-cutting theme like HIV/AIDS. However, the functional analyses triggered some changes at local government level regarding administrative and managerial deconcentration. As a result, the former district directorates doubly subordinated to the line ministries, and the sectoral directories in the provincial

\textsuperscript{52} Its priorities are: a) the consolidation of national unity, peace and sovereignty; b) Human and social capital development; c) Promotion of employment and improvement of productivity and competitiveness; d) Economic and social infrastructure development and, finally, e) Ensuring sustainable and transparent management of natural and environmental resources.

Figure 3: Structure of territorial administration

\begin{itemize}
\item Provincial
\item Districts
\item Municipalities
\end{itemize}

Provinces: plan, coordinate and monitor district activities, plus infrastructure and other tasks of provincial interest.

Districts and municipalities: typical urban services (water, sanitation, streets, etc) plus tourism, sport, culture. Devolution of primary education and health responsibilities is foreseen for municipalities. Districts act as agents of provinces and central government in the provision of education, health and social services.

government were regrouped into four to five district services. Also, the district governments received more managerial authority and financial resources to manage human resources. Finally, the district’s role in planning and budgeting was formally recognised (i.e. the elaboration of five-year strategic district plans and annual plans and budgets), together with the obligation of the district governments to consult with citizens’ groups via Consultative Councils (CC) at district level and below.

2.2 Decentralisation Strategy and Gradualism

Only 14 years after the commencement of the decentralisation process in Mozambique, the government, under donor pressure in the budget support framework and the Decentralisation Working Group, formulated a Decentralisation Policy and Strategy (Política e Estratégia Nacional de Descentralização, or PEND), approved in 2012 and considered valid at present. The absence of a strategic and programmatic document with a clearly set out hierarchy of objectives, targets and options made it difficult to monitor any progress made in decentralisation and assess its impact, notably on service delivery, budgeting and financial management and participation of citizens in local government.

The term ‘gradualism’ played a prominent role in the decentralisation debate. In its technical, policy dimension, it means following a cautious path to and sequencing of decentralisation steps, contrary to a ‘big bang approach’. It implies reviewing and gradually building, step by step, upon experiences gained with a first phase of decentralisation, to avoid the risks of a potentially ‘treacherous road with potholes’, notably regarding fiscal decentralisation (Shah & Chaudry, 2004).

But in the Mozambican debate, gradualismo, enshrined in the decentralisation legislation, was used as a wide-open, flexible and non-committal approach by government to decentralisation that served the purpose of political rhetoric and opportunities (Buur, 2009). It served to justify the postponement – or acceleration – of the process whenever it suited the informal rules of the game set by Fre-namo.

It was also meant to link and bring together the two vectors of decentralisation, devolution and deconcentration, in the sense of gradually expanding the devolved local governments in number, scope and resources. One type of gradualism therefore holds that an increasing number of municipalities are being created, the respective territorial units, i.e. district centres (vilas), being taken out of the deconcentrated units of OLEs. As a result, the number of municipalities increased from 33 (1997) to 43 (2008) and stood at 53 in 2014. The second type of gradualism means the gradual transfer of functions and resources presently held by OLEs, i.e. the

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53 Plano Estratégico de Desenvolvimento Distrital and Plano Economico e Social e Orçamento Distrital (PESOD).
54 Interview with senior official, MAEFP, Maputo, 20/10/2015.
government, to the municipalities, especially in the field of primary education and health, upon request and in line with the stipulations with a legal decree for that transfer. So far, only a few municipalities (e.g. Maputo, Matola, Xai-Xai, Chokwe, Pemba, Beira) have received such functions and resources, and are producing very mixed results.

2.3 Main Events and Timeline

Table 5 gives the timeline of decentralisation in Mozambique.

Table 5: Decentralisation in Mozambique, 1994–2015: Timeline and events

<table>
<thead>
<tr>
<th>Year</th>
<th>Devolution</th>
<th>Deconcentration</th>
<th>Fiscal decentralisation</th>
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<tbody>
<tr>
<td></td>
<td>• Gradualism</td>
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<td>• Intergovernmental municipal fiscal relations</td>
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<td></td>
<td>• Constitutional amendment (1996)</td>
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<td>• FCA and FIIP</td>
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<td></td>
<td>• Municipal legislative package (1997)</td>
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<tr>
<td></td>
<td>• 33 municipalities created (1997)</td>
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<td></td>
<td>• Municipal elections, Renamo boycott (1998)</td>
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<tr>
<td>1999–2006</td>
<td>• Alternation of municipal government: five Renamo-run municipal governments (2003)</td>
<td>LOLI and bylaws</td>
<td>• District as budgetary unit – PESOD</td>
</tr>
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<td></td>
<td>• Technical and administrative municipal services regulated (Decree 51/2004)</td>
<td>District government with services and with human resources management (6 &amp; 5/2006)</td>
<td>• OILL/FDD</td>
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<tr>
<td></td>
<td>• Representative of central government in municipalities (Decree 65/2003)</td>
<td>• CCLs formally established</td>
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<td></td>
<td></td>
<td>• Participatory planning = PEDDs</td>
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<td>• Provincial observatories and CSO platforms</td>
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<tr>
<td>2007–2009</td>
<td>• Decree 33/2006 – transfer of functions and resources from OLE to municipalities</td>
<td>Provincial parliaments established and elected (2009)</td>
<td>• Law 1/2008: Reform of municipal finance law with broadening of tax base (Código Tributário Autárquico)</td>
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<tr>
<td></td>
<td>• Legislation on management of urban land</td>
<td>▪ TA decentralised to provincial level (1st instance)</td>
<td>• OLE’s sectoral funds (health, education, roads, water)</td>
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<td></td>
<td>• 10 new municipalities ‘Vilas’ (2008); Total: 43</td>
<td>▪ 3rd municipal elections – weakened opposition</td>
<td>• FDD in all districts (Decree 90/2009)</td>
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<td></td>
<td>• Municipal tutelage passes from central to provincial government (governor)</td>
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<tr>
<td>Year</td>
<td>Devolution</td>
<td>Deconcentration</td>
<td>Fiscal decentralisation</td>
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<td>----------------------------------------------------------------------------</td>
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<tr>
<td>2010–2015</td>
<td>• Municipalities with UGEA for procurement&lt;br&gt;• SGM developed, tested and shelved&lt;br&gt;• PEND&lt;br&gt;• PERPU (for provincial capitals only)&lt;br&gt;• 10 new municipalities (2013); Total: 53&lt;br&gt;• 4th municipal elections 2013 – opposition reaffirms</td>
<td>• PNPFD&lt;br&gt;• Sistema de Monitoria de Desenvolvimento Distrital (SMoDD; District Development Monitoring System)&lt;br&gt;• Lei da Divisão Territorial</td>
<td>• District services as UGBs linked to e-SISTAFE&lt;br&gt;• UGEAs in all districts</td>
</tr>
</tbody>
</table>

Source: based on Macuane (2014)

Notes: PPFD = Programa de Planificação e Finanças Descentralizadas/Programme of Decentralised Planning and Finance; LOLE = Lei dos Órgãos Locais do Estado/English translation; CCL = ???; PEDD = Plano Estratégico de Desenvolvimento Distrital/Strategic District Development Plan; OIIL = Orçamento de Investimento de Iniciaiva Local/Budget for Local Investment Initiatives; FDD = Fundo de Desenvolvimento Distrital/District Development Fund; TA = Tribunal Administrativo/Administrative Tribunal; UGEA = Unidade de Gestão Executiva de Aquisições/Procurement Management Unit; SGM = Sistema de Gestão Municipal/Municipal Financial Management System; PERPU = Programa Estratégico de Redução da Pobreza Urbana/Strategic Urban Poverty Reduction Programme; UGB = Unidade Gestora Beneficiária/Beneficiary Management Unit.

2.4 Redefining the Scope: Further Legislation

In 2012, the Basic Law on the Organisation and Functioning of the Public Administration 7/2012 (Lei de Base de Organização e Funcionamento da Administração Pública, or LEOBA) was enacted, unnoticed by the public. This piece of legislation has far-reaching implications. It not only defines the structure, principles and rules of the game governing the Mozambican public administration, with an emphasis on its top-down hierarchical structure (Article 16) and the ‘unity of action and directive powers’ vested in the central government (Article 8), but also redefines decentralisation by considerably widening and diluting its scope. This may be a result of the Portuguese understanding of the word autarquia, i.e. institutions that are managed or governed independently. A Portuguese speaker or lawyer may not understand why that terminology is attracting the following criticism. However, this needs to be explained and the point made that territorial ‘autarquia’ should not be mixed up with other types of ‘autarquias’.

As can be expected, deconcentration is defined in relation to the principle of delegation or transfer of powers, originating from higher levels of state authority to lower levels (Article 5). However, it is not considered a form of decentralisation.

In Section VIII (Article 67), decentralisation is understood as encompassing not only the municipalities (and excluding OLEs), but also other public entities. The ‘basket’ of decentralised units thus includes:
• Autarquias Locais (municipalities);
• The entities of the indirect state administration with administrative and financial autonomy, under government tutelage. These are enumerated in Article 74, e.g. the Central Bank, public institutes, public foundations created by the Council of Ministers, public funds and state-owned enterprises (SOEs);^57
• Public institutions of higher education (e.g. Universidade Eduardo Mondlane, or UEM); and
• Public associations, e.g. the Association of War Veterans (Associação dos Combatentes da Luta de Libertação Nacional, or ACLLN).

This very wide understanding of decentralisation lumps municipalities together with a variety of ‘minor public entities’ (Article 6) created by the state, including profit-making ones and the central monetary authority. These are said to be ‘different’ or separate (Article 6) from the state and its administration, which maintains oversight and tutelage functions. From the point of view of the efficiency of local government and service delivery in the Mozambican public administrative system, this lumping together of municipalities with entities with an utterly different scope and mission is unfortunate. It not only cements an artificial division between *autarquia* and state, as if the latter would not have classic state functions of production and distribution of local goods and services at local level. It also prevents the necessary thinking of decentralisation as a process of service delivery in a system of subsidiarity, in which functions and resources are allocated to that level of state administration where the comparative advantage is highest in terms of cost efficiency, budget management and participation of citizens, and where the decentralised function is reassigned to the higher level only when the lower government level fails to produce the expected outcomes. In such a system, local competencies, authority and resources for service delivery may be defined and legally framed as exclusive, complementary to those of higher-level governments or competing with them. Finally, by excluding deconcentration, respectively delegation, as a form of decentralisation, and by mixing ‘*alhos com bugalhos*’ (‘garlic and acorns’), the law appears to be using confusing terminology, contrary to the established and widely used concepts.

From a decentralisation perspective, this piece of legislation is also problematic since it breathes the spirit of centralism and, even in its phrasing, emulates

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55 E.g. the Water Regulating Council (*Conselho de Regulação do Abastecimento de Água*, or CRA).
56 Examples are the various sectoral development funds in the fields of housing and habitation (*Fundo de Fomento de Habitação*, or FFH), agriculture (*Fundo de Fomento Agrário*, or FFA), fisheries (*Fundo de Fomento Pesqueiro*, or FFP) or water (*Fundo de Investimento e Património de Água*, or FIPAG).
57 Such as the electricity utility EDM, or the national railways (*Caminhos de Ferro de Moçambique*, or CFM).
terminology which reminds the reader of the principle of ‘democratic centralism’ characteristic of Frelimo’s socialist phase and enshrined in the NODEAC Decree of 1977. LEOFOA uses the terms ‘citizens’ and ‘those administered’ interchangeably. While it accepts modern notions of citizenship, citizens’ participation in decision-making and the role of citizens and CSOs in the supervision and monitoring of government actions on the one hand, and their rights of access to information on the other, it does so in a patriarchal and prescriptive way for individuals and groups of people. Political parties are explicitly excluded from being part of collegial bodies of the public administration tasked with participatory decision-making and monitoring of state activity (Article 14). This not only reflects a blind spot concerning Frelimo’s domination of the decision-making bodies in the public administration, but is directed against the opposition parties. It confirms their exclusion as political entities in public life from participatory processes of local government management at the local level of the OLEs.

2.5 Redrawing of Municipal Boundaries?
The recent creation of new districts, an additional 24 to the initial 128, some of which coincide with municipal boundaries, can also be interpreted as a move to limit the roles and powers of municipalities in favour of OLEs. As analysed above, the boundaries between districts and municipalities are not geographically demarcated and are hence contested. The research for this study and the interviews produced evidence that the present bifurcated model of decentralisation is highly conflictual. Representatives of municipal and district governments feel that the model led to an ‘amputation’ of their respective territory, and the district administrators lament the fiscal fragmentation due to devolution, in that the ‘commanding heights’ of the local economy and revenue base in the urban centre of the district (vila sede) was transferred to the newly created municipalities. Now the struggle appears to be focused on municipal boundaries. At the National Conference of District Administrators (9–11 December 2015) in Nacala, the minister of MAEFP, Carmelita Namashulu, encouraged the district administrators to denounce and curb alleged ‘abuses’ by municipal governments in general and those governed by the MDM opposition by making use of the legal powers invested in them. The minister is quoted as saying: ‘The municipality can never pose itself against the power of the state, which is in the hands of the administrator’. She is also quoted as saying that the municipal boundaries were ‘out of date’ and would be readjusted according to a bill on territorial boundaries drawn up in her ministry to be submitted to the AR

58 For example, NODEAC of 1977 speaks of ‘unidade e concentração da direcção política’ (unity and concentration of political directive power), whereas LEOFOA (2012) uses the term ‘unidade de acção e poderes de direcção’ (unity of action and directive powers) in the hands of the central state authority.

for legislation. If approved, this bill, which at the time of writing had been tabled at the Council of Ministers, would result in limiting the territorial boundaries of several municipalities in favour of the district administration. Municipal revenue would be affected in two ways: firstly, the OSR base would be diminished (in favour of the district), and secondly, the FCA transfers would also be lessened since the size of municipal territory (together with population) is one of the criteria in the allocation formula of FCA. It remains to be seen what the political impact of the new law is likely to be, should it be enacted.

The redefinition of municipal boundaries together with earlier claims that municipalities were often unable to meet their service delivery obligations are part of a discourse aimed at reverting municipal powers and territory to the district. From a decentralisation process point of view, this represents a reversal of the principle of gradualism, or a regression, since the principle of gradualism as defined by law is that of progression in the number of municipalities and the local government functions and resources attributed to them.

2.6 Outcomes

Regarding an assessment of the outcomes, the only ‘official’ and comprehensive attempt to gauge the impact of decentralisation (in the sense of municipalisation) and to identify its achievements, challenges and bottlenecks was a study financed by some ‘decentralisation donors’ (including the World Bank and the German Agency for International Cooperation [Gesellschaft für Internationale Zusammenarbeit, or GIZ]) in collaboration with the then Ministry of State Administration (Ministério de Administração Estatal, or MAE). The study was published a year after its completion (ANAMM & World Bank, 2009). It concludes that there has been a modest improvement in service delivery, but that there is still a long way to go with regards to improving service delivery, better management of key areas of municipal activity (financial and fiscal management) and urban planning and land-use management. It also suggests that the municipalities are underresourced and need to have more resources, using their own tax base and through transfers, if they want to make a qualitative leap forward.

More recent studies (Weimer, 2012b; Weimer & Reaud, 2014) by and large confirm these conclusions, but also argue that despite the decentralisation rhetoric and some progress made in service delivery, there has been a clear lack of political interest from the ruling coalition of the Frelimo elites in advancing with devolution. Instead, they prefer the deconcentration of management approach, which maintains, in the last instance, the clout of the central state over decision-making and resource allocation and distribution. This preference also implied a partial recentralisation. While maintaining a populist decentralisation rhetoric, the formal and informal rules of the game for decentralisation were altered in favour of a return to the more centralist
The ruling party and its government’s preference, particularly during the two mandates of President Guebuza, is for top-down administrative decentralisation, i.e. delegation and deconcentrated local governments subordinated to the central state, rather than devolution. In a way, this has closed the circle back to the mid-1990s, with the difference that constitutionally embedded municipalities have survived, albeit with reduced space to manoeuvre.

The deconcentration approach and its outcome was not properly assessed and evaluated in a comprehensive manner. Only the support projects for the distinct phases of the decentralised planning and financing programmes were partially subject to assessments and evaluations by various partners. The PNPFD was never finally evaluated by all supporting stakeholders together. The World Bank’s final assessment was only completed at the end of 2015 (World Bank, 2015). It is therefore difficult to draw a sober conclusion on what legislation 8/2003 on OLE and the various support projects for decentralised district planning and financing and the money spent on them really produced in terms of relevance, value for money and impact, particularly regarding service delivery.

3 Devolution or Democratic Decentralisation? Municipalities

3.1 Introduction

To date, 53 municipalities have been created in three phases (1997: 33; 2008: 10; 2013: 10). Another 121 district centres (vila-sede) could be turned into municipalities, under the assumption that all urban areas, i.e. cities, towns and district centres, are priorities for municipalisation, given their endowment with minimum conditions making them eligible. Working on that assumption, this means that so far less than one-third of the potential total of municipalities has been established.

Another type of autarquia is already covered by the legislation: the povoações. In constitutional terms, they correspond to the territorial area of the administrative centre (sede) of the administrative posts. This type of autarquia is unlikely to be created soon, for various reasons. On the one hand, their territorial and administrative space is not completely geographically defined (delimited) to date and there is at present little political inclination by central government to make their establishment a priority in the government’s plans and programmes (see Part IV, Section 2).

3.2 Municipal Elections

Multiparty local government elections for mayor and the municipal assembly have been held regularly since the first municipal election in 1998. The latter should

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60 Interview with senior official, MAEFP, Maputo, 20/10/2015.
have occurred in 1996, but was delayed three times given the reshaping of the institutional framework for decentralisation, with the formal intention to make the decentralisation legislation compatible with the constitution, but informally to limit the opposition’s role in local government (see below). The Renamo opposition not only abstained from voting in favour of the municipal legislative package (*Pacote Autárquica*) in Parliament in 1997, but also boycotted the 1998 elections (as it did the 2013 municipal elections). The voter participation was extremely low in 1997 (15%), but increased thereafter: to 28% in 2004, 46% in 2008 and steadying in 2013 at the 2008 level (46%), i.e. below the 50% mark also observed in the national elections in 2009 and 2014. Alternation of municipal governments through elections was observed in several municipalities. In 2004, Renamo won the municipal elections in Nacala, Ancoche, Ilha de Moçambique, Beira and Marromeu, and in 2008 MDM won in Beira and Quelimane, adding Nampula City and Gurue in the 2013 municipal elections, only after a second electoral round in the case of the latter.61 These were necessary after major irregularities were discovered in favour of the dominant party.

It should also be noted that sitting mayors were changed during their mandates, not by elections but by what transpired to be ‘informal instructions’ from the headquarters of the dominant party, executed by the MAE. This was the case in the municipalities in Cuamba, Quelimane and Pemba, where the mayors declared that they were forced to retire from their functions for health reasons. In all three towns, by-elections were held in December 2011. For a more profound analysis of local government elections and ‘municipal regime change’, its causes and consequences, the reader is referred to Nuvunga (2012) and to Do Rosário (2012) for the illustrative case of double regime change in Ilha de Moçambique.

### 3.3 Functions and Resources

The legal framework is enshrined in the constitution under Title XIV *Poder Local* (local powers), in the basic law on autonomous local governments (2/1997) and in other specific legislation62 and foresees a democratic model of separation of legislative from executive powers. The former is embodied by the Municipal Assembly (*Assembleia Municipal*, or AM), the latter by the directly elected mayor (*Presidente do Conselho Municipal*, or PCM) and the Municipal Council (*Conselho Municipal*, or CM), whose members, defined by law according to the size or category of the municipality, are chosen by the mayor. The AM’s leading role is to discuss, suggest changes and approve the annual municipal action plan and budget (*Plano Annual*

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62 Key pieces of legislation are Law 2/1997 (basic law), Law 7/1997 (on government tutelage) and Law 11/1997 (on municipal finances and patrimony). The latter was replaced by Law 1/2008, which was followed up with Regulation 63/2008 on the Municipal Tax Code because of a municipal tax reform in 2007/2008. For details on other pieces of relevant legislation and decrees by the Council of Ministers, see Chiziane (2008, 2011).
de Actividades e Orçamento, or PAO) and the annual municipal accounts (Conta da Gerência, or CdG), as well as elaborate and approve the municipal statutes, i.e. the rules and regulations which define the interaction between the municipal government and the citizen. The AM’s regular sessions are public.

The functions attributed to municipalities by Law 2/1997 are in the following areas, in which they are supposed to satisfy their citizens’ demand for public service provision (see also ANAMM, 2016):

- Socioeconomic development;
- Environment, basic sanitation, and quality of life;
- Public services in water supplies;
- (Primary) health;
- (Primary) education;
- Culture, leisure and sports;
- Municipal policing (public security);
- Urbanisation, construction, habitation.

However, de facto, not all responsibilities have been translated into devolved functions with the corresponding resources. So far, the municipalities execute the following key functions (ANAMM, 2016):

- Organisation and construction of markets;
- Licensing of local economic activities;
- Management of municipal land, including issuing land-use licences (DUAT and construction licences);
- Construction and maintenance of roads;
- Management of solid waste;
- Municipal policing;
- Management of cemeteries.

Only in exceptional cases are municipalities involved in the management of water supplies, urban electrification and primary health and education services. This topic is discussed further in the stakeholder analysis in Part III.

The municipalities finance the execution of their functions and annual PAOs through three main sources of finance: transfers from central government, OSR and donations/aid. In principle, they are also entitled to credit (from both suppliers and financial institutions), which must, however, be duly authorised by the Ministry of Finance. Few municipalities have benefited from credit financing, and not necessarily in a transparent way. Municipal finances are discussed in Section B, 5.5.
3.4 International Support

Concerning international support for municipalisation, various donor-financed support projects have been targeting selected municipalities since the second half of the 1990s (see Borowczak & Weimer, 2012). Despite an initial array of smaller projects, some without strategic orientation, targeting a few municipalities selected by the respective donor and with little alignment and coordination amongst them, the support has now been concentrated into the following main support programmes:

- **Programa de Cidades e Mudanças Climáticas (PCMC)**,63 financed by the World Bank (with minor participation from the government of Mozambique (MAEFP) with an amount of up to US$120 million. Running from March 2012 to December 2017, it covers 19 municipalities in southern and central Mozambique (World Bank, 2012). For several reasons, the programme started only in 2014. Technical assistance is provided by a consultancy firm.64

- **Programa de Desenvolvimento Municipal (PRODEM; Programme for Municipal Development)**, gradually supporting 23 municipalities in northern Mozambique, runs from 2015 to 2017, with an indicative financial envelope of US$26 million pool-funded by the Danish International Development Agency (DANIDA), Irish AID, Swiss Development Cooperation (SDC) and Swedish International Development Agency (SIDA). An extension into a second phase, until the end of 2019, depends, among other factors, on whether the international partners accept the recommendation of an external mid-term evaluation to do so. The review was completed in early 2017. Project management and technical assistance are provided by an international consulting company.65

- The GIZ-financed programme Decentralisation for Rural Development (2014–2018), which provides technical assistance to selected municipal and district governments in the provinces of Manica, Sofala and Inhambane in the field of Good Financial Governance. It is associated with the Programa de Desenvolvimento Integrado de Autarquias e as Zonas Rurais Circunjacentes (Integrated Programme for the Development of Municipalities and Surrounding Areas, or PRODIA), financed by the financial aid branch of Kreditanstalt für Wiederaufbau (KfW), a German development cooperation. Implemented by a consulting company, it foresees the establishment of a Fund for Municipal Development, i.e. financing investments in infrastructure.

- The recently divulged World Bank Country Partnership Framework (CPF) for 2017–2021 foresees, under objective 10 (promoting inclusive urbanisation

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63 Cities and Climate Change Programme (3CP).
64 Cowater, Canada.
65 Cowi Austral, Maputo/Copenhagen.
and decentralisation), activities which aim to ‘Contribut[e] to inclusive urbanization and decentralisation and enhanc[e] accountability of local governments through policy reform, institutional development and pro poor investment’ (IDA/IFC/MIGA, 2017, p. 32).

MAEFP’s idea is to have all these programmes eventually merge into one National Programme of Urbanisation and Municipalisation under its leadership. However, from the point of view of project managers involved in two of the above programmes, the ministry, and particularly the National Directorate of Municipal Development (Direção Nacional de Desenvolvimento Autarquico, or DNDA), has not always demonstrated ownership and the necessary leadership qualities, let alone the technical capacity to coordinate and oversee such a programme.66

4 Deconcentration/Administrative Decentralisation: OLEs

4.1 Institutional Framework
The legal framework for the non-devolved forms of local administration and their deconcentrated units, i.e. the law on OLEs, was enacted in 2003 (Law 8/2003) with the bylaw on its regulation following in 2005 (Decree 11/2015). Together with Decree 6/2006, which structures the deconcentrated service provision, this led to the operationalisation of the OLE law, referred to as LOLE. It foresees ‘typical’ local government functions, e.g. the provision of educational and health services, and reorganises and bundles the former district directorates of the line ministries into four to five district services. These are:

- District Services of Economic Activities (Serviços Distritais de Actividades Económicas, or SDAE);67
- District Services of Planning and Infrastructure (Serviços Distritais de Planificação e Infra-estruturas, or SDPI);
- District Services for Education, Youth and Technology (Serviços Distritais de Educação, Juventude e Tecnologia);
- District Services for Health, Women and Social Welfare (Serviços Distritais de Saúde, Mulheres e Acção Social, or SDSMS);
- District services composed of up to two former district directorates to be defined according to specific local needs (e.g. fisheries in coastal districts), in consultation with the provincial government.

66 Interview with members of management team in PRODEM and in PCMC, Maputo, 7/2/1996 and 10/2/1996.
67 Thus, for example, the SDAE is a merger of the district directorates of agriculture and of commerce and industry.
These changes, however, are not of a structural nature covered by the constitution. Therefore, the coming to power of the Nyusi administration and its merger of ministries at central government level had repercussions for the district governments: the services needed reshuffling to reflect the new ministerial mergers, a task which took more than one year.\textsuperscript{68}

The factors which triggered the operationalisation of deconcentration bylaws included the results of the 2003 municipal elections, which produced five municipal governments run by Renamo, as well as the coming to power of Emilio Guebuza, who in 2004 had won the presidential elections. Guebuza, a known sceptic of the devolution approach to decentralisation, a staunch supporter of centralist control, as well as critical of Renamo inroads into the political economy and the security apparatus following the 1992 GPA (Igreja, 2015), is said to have taken a 'personal interest' (Scott et al., 2011, p. 18) in pushing through the OLE legislation to strengthen control of central government over subnational administrative units.

The nine years between the establishment of the first municipalities and the OLE legislation becoming functional were seen, on the one hand, as a period of gaining experience with the new municipal forms of local government. The general expectation was that, based on that experience, more municipalities with increasing functions and resources would be established, according to the principle of gradualism. On the other, it took time to conceive of and design a piece of legislation which would be compatible both with the 2005 constitution and the municipal legislation of 1997. A further challenge was to reflect on the role of the provinces as intermediary institutions at the meso level of public administration, a process which was discontinued by including provincial governments in the LOLE, maintaining their constitutional role as subordinated OLE entities charged with executing central government decisions, as per Article 114 of the constitution. Articles 262, 263 and 264 define the OLEs’ main function as representing the state at local level for administration and socioeconomic development of the respective territorial units as well as guaranteeing national integrity and unity.\textsuperscript{69}

The passing of the OLE legislation, also covering provinces, strengthens the central government by deconcentrating or delegating management functions, on the one hand, but maintaining control and command over policy programming and execution, as well as the budget, on the other. Article 2 of Law 8/2003 alludes to the principle of a vertically integrated hierarchical structure, a point reinforced by the more recent Decree 21/2015 and by LEBOFA (7/2012).

\textsuperscript{68} Interview with Antonio Mapure, Permanent Secretary of the Cabo Delgado Provincial Government, 6/10/2015.

\textsuperscript{69} Also reflected in Article 2 of Law 8/2003.
4.2 Changes Observed

The impact on service delivery by OLEs remains limited given their lack of institutional autonomy, a noteworthy revenue base and investment funding. The central state and SOEs, via the delegated local agencies, remain responsible for the delivery of public services through the deconcentrated local government units of territorial administration. The degree of decentralisation of functions and resources thus remains limited. A public expenditure survey conducted by a World Bank team in 2014 concludes that despite the district governments having nominal functions of local service provision in the field of education, health, water and sanitation, solid waste management, agriculture and rural development, ‘the services provided are at very basic levels or are almost non-existent, because districts are mostly in rural areas and due to lack of resources’ (World Bank, 2014, p. 112). Most of the deconcentrated spending is used for personnel costs and the purchase of fuel, goods and services, i.e. the recurrent budget items. Our own analysis of health and water and sanitation in Part III, Section 2.4, and other studies, e.g. on agriculture and rural development (Forquilha, 2015; World Bank, 2014), confirm these conclusions. An exception is the education sector which receives the largest share of sectoral spending, reflecting deconcentration of the payroll to the district level. The World Bank study considers the delegation of educational personnel and payroll management to the district governments a major achievement of the deconcentration reform of 2003.

Other noteworthy achievements attributable to the LOLE are the systematic mainstreaming of participatory district strategic and operational development planning, i.e. the production of the PEDD and the annual PESOD. The consultation processes leading to the production of these basic planning documents are subject to the participation of the CCs at district and subdistrict levels, together with representatives of CSOs and the formally recognised Community Authorities, established by Decree 15/2000. CSO-driven Development Observatories and NGO fora at provincial level are involved in a monitoring function. The systematic introduction of PEDDs, PESODs and community consultation was complemented by capacity-building support (training manuals, etc.) provided by the PNPFD and its predecessor projects, as well as by defining the district as a budgetary unit in the budgetary management system (e-SISTAFE) and as the basis for (bottom-up) development planning. The introduction of land-use planning (PDUT) about the law on territorial management is another major achievement.

As studies show (e.g. Forquilha, 2009; Forquilha & Orre, 2012), the CCs are often influenced by both the officially recognised community leaders at district level and below, and by community representatives with close links to the ruling party and/or proxy organisations such as the Mozambican Women’s Organisation (Organização da Mulher Moçambicana). Under the discourse of decentralisation, their participation
in local government activities and planning reflects, on the one hand, a struggle for enhancing political clientilism and elite capture. On the other hand, it is also seen as an attempt to articulate the genuine interests of rural communities, who have little voice in a centralist setting and a state that is distant and sometimes absent. The institutional involvement of political parties other than Frelimo in local politics and planning is not foreseen by LOLE.

In line with evaluations of the impact of the deconcentration reform (A Politécnica, 2010; Scott et al., 2011) we can conclude that despite its institutional and financial constraints, the deconcentration process contributed to some notable changes at district and subdistrict levels. A balance would take the following factors into consideration:

- The establishment of local government structures which are more integrated and cost efficient, but not necessarily aligned to local needs;
- The possibility of recruiting staff locally, which is happening in the case of provincial and district governments and particularly in the education sector;
- Decentralised management of FDD, sometimes referred to as OIIL (see Part II, Section B, 5.3), and of parts of the recurrent sectoral budgets (e.g. in education), as well as a limited part of capital expenditure, e.g. in the case of road construction and maintenance. The district administrators’ collective claim to be given more responsibility for managing investment funds, e.g. for school buildings, road construction and maintenance,\(^{70}\) shows that they are crucially aware of insufficient funding for service delivery;
- The strengthening of the strategic planning process at the local level through more participation of local communities in the preparation and approval of the district strategic plans and annual plans and budgets;
- The establishment of local CCs at the subprovincial levels, including in all 152-district government and lower level bodies (administrative posts and villages) and the involvement of CSOs in district planning;
- The institutionalisation of participatory mechanisms of monitoring and accountability in resource allocation, financial and human resources management and public service delivery. In this context, various initiatives merit special mention, including the CIP to track district government expenditure and the provincial CSO platforms and development observatories;
- An increase in the transfers of financial resources from central to district governments, at the cost of provinces (see Section B, 5.1).

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From the point of view of practitioners with experience in local administration and government, the major impediments to the better performance of subprovincial OLEs are fourfold.\(^{71}\)

Firstly, the organisational structure of the district services is inadequate for effective service delivery. The main reasons are the merging of functional responsibilities in the district services while supervision is maintained by two different entities, as well as the fact that the management of financial resources is not done by the services themselves. Instead, it is done by the permanent secretary of the district government since, with few exceptions, those services do not have the status of a UGB in the e-SISTAFE and are not yet linked to an e-SISTAFE terminal. This causes high transaction costs.

Secondly, by design the district government reflects in its structure a sectoral, top-down approach and not an integrated, horizontal approach to local government, limiting its discretionary power in decision-making. This point was particularly stressed by the advisor to PNPFD in Nampula Province, who emphasised that the recent approval of the organisational structure of the provincial government (Decree 21/2015) will have the effect of further exacerbating this shortcoming.

Thirdly, as already mentioned, there is a severe shortage of funding for investment necessary for enhancing public services and the mobility of staff required for reaching out to remote areas.

Fourthly, the technical quality and institutional capacities of district governments and services, including administrators, are limited. This is a result of politically motivated nominations and frequent transfers of key staff, as well as insufficient technical competence, rigour and professionalism. Systematic work on district statistics and annual comprehensive analytical reports appears an exception.

One could add the limited, yet growing, capacity of districts in land-use planning, land management and cadastral services, a crucial point from the point of view of both local communities and national and foreign investors. Effective decentralisation of land-use management instruments is limited to some districts, municipalities and provincial geographical and cadastral services (Serviços Provinciais de Geografia e Cadastro, or SPGC) in northern and central provinces (Cabo Delgado, Nampula, Niassa and Zambezia) which benefited from technical assistance provided by the US-financed Millennium Challenge Account (MCA) up to 2013.

4.3 International Support

International support for deconcentration and capacity building for district governments was provided through the PNPFD\(^{72}\), from 2010 to 2015. This national

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\(^{71}\) Interviews with former Minister of State Administration, 29/09/2015, and with senior official, Provincial Directorate for Planning and Finance (Direcção Provincial de Plano e Finanças, or DPPF), Provincial Government of Nampula, 13/10/2015.

\(^{72}\) See Appendix for details.
programme was based on previous experiences gained in three regional PPFDs, using a well-designed and thoroughly tested approach which was piloted by the United Nations Capital Development Fund in Nampula Province, supported by SDC and the Embassy of the Kingdom of The Netherlands (EKN). The PNPFD was financed by SDC, Ireland and the World Bank (all common-fund donors), as well as the GIZ and United Nations Development Programme (UNDP) as non-common pool partners with an estimated US$50.5 million. Executed by a programme management unit hosted in the Ministry of Planning and Development (Ministério de Planificação e Desenvolvimento, or MPD), the initial national driving forces of the PPFD and the PNPFD were the national directors of Budget and of Local Administration in the then Ministry of Finance (MF) and the MAE, respectively.

Based on interviews, the mid-term evaluation of 2013 (Metier, 2013) and the final evaluation report produced by the World Bank (2015), the results and impact of PNPFD can be summarised as follows:

- The overall attainment of the planned results was mixed, or in the words of the World Bank report, ‘moderately satisfactory’.
- The programme’s strongest points were identified as the capacity-building support to mainstream district planning, namely the PEDD, PESOD and PDUT, leading to best practice; the high degree of PESOD budget execution and the introduction and mainstreaming of the SMoDD, focusing on the degree of implementation of the PEDD and PESOD targets. Other achievements were the local execution of public work contracts managed by district UGEAs and approved by the TA, i.e. advances in external control of spending, as well as the management of knowledge and documentation and dissemination of information.
- The weak points are the less than effectively structured organisation of CCs and their deficient interaction with the district government in matters of planning, monitoring and information sharing; the insufficient link of district budgetary management to e-SISTAFE; weak internal control and less than targeted collection of local revenue; and the untimely submission of annual financial accounts to the TA.
- While the World Bank evaluation considers government ownership as a critical factor accounting for the moderate success, one of the interviewees was highly critical of the absence of leadership and support by the senior management of

73 For an analysis of these and other donor-funded decentralisation support programmes, see Borowczak and Weimer (2012).
74 In 2015, MPD and MF were merged to form the MEF.
75 Interviews with former technical advisor to PNPFD, UNDP, 30/09/2015; senior official, DPPF, Provincial Government of Nampula, 13/10/2015; and senior official, Direcção Nacional do Plano e Orçamento, MEF, 08/12/2015.
the ministry to the PNPFD in phases where such support would have been necessary, e.g. concerning a national system which links, through e-SISTAFE, the planning process to budgeting. Establishing that link is one of the present priorities of the MEF.

Of concern is the missing link between the planning, budgeting and service delivery, which PNPFD did not manage to establish. This is attributed, on the one hand, to the missing link between planning and budgeting, and between the PESOD elaborated at local level and the planning and budgeting process in the framework of the Social and Economic Plan (Plano Económico Social, or PES) and the annual State Budget (Orçamento do Estado, or OE), elaborated and decided upon by central government, on the other. The PESODs, collected and reviewed by the provincial government and transmitted to central government, are not necessarily reflected in the PES and OE; nor are the budgets for the districts allocated through e-SISTAFE.

Another factor which explains the lack of service delivery capacity is the fact that rural development, cross-sectoral and service delivery-oriented by nature, was institutionally not part of PNPFD, although initially it was part, as a national directorate, of the same institution (MPD). It had migrated there from the Ministry of Agriculture, only to be transferred in 2010 from MPD to MAE and, in 2015, from there to the Ministry of Land, Environment and Rural Development (Ministério da Terra, Ambiente e Desenvolvimento Rural, or MITADER). This institutional migration shows that cross-sectoral thinking, action and discussion on rural areas, where most Mozambicans live, has no apparent institutional home. Institutional instability also means programme, budget and service instability.

Finally, one of the shortcomings which explains the modest impact of PNPFD on service delivery is related to the change in the nature of the FDD. Originally designed as part of the PPFD approach to finance public infrastructure as per the priorities in the PEDD and PESOD, in 2006 it was given a completely different logic by President Guebuza, who transformed it into a fund for individual livelihood support on a project and credit basis, despite the fact that all management instructions for the original FDD had already been shared with the district governments by MF and MPD. Because of this, the whole PNPFD completely lacked the underlying rationale of its original design aimed at providing services and contributing to local employment and income generation (see section on FDD below). From the critical perspective of one of the ‘founding fathers’ of the PPFD approach, the PNPFD was therefore a failure and did not do much to either promote decentralisation or local economic development.76

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76 Interview with senior official, MEF, Maputo, 02/11/2015.
A successor programme to PNPFD is desirable, from the point of view of officials in both MEF and MAEFP. The deputy national director for Planning and Budget in MEF stresses the need to address three issues in any successor programme. The first is the missing link between PESOD and e-SISTAFE, and between planning and budgeting, across the hierarchy of public administration, i.e. from local to central level. This implies, in practice, a fully-fledged, integrated decentralisation of the PFM system in planning, budgeting, budget execution and its consolidation. Secondly, there is a need to consider the introduction of, and emphasis on, a performance-based component, to encourage districts to improve on their fiscal management and accountability practice. Finally, a territorial perspective of service delivery entails both municipalities and district governments as key actors, with both meriting support for coordinated planning and investment. This last issue is pertinent, since both districts and municipalities compete for resources and service delivery functions, exacerbating a conflictual situation between the two. This may constitute a major challenge – or opportunity – to redesign the Mozambican system of local government. It would also reduce the existing conflict potential and competition between district and municipal governments which is a direct result of, and intrinsic to, the chosen bifurcated approach to decentralisation, in which the original unitary approach to territorial (district) government foreseen by Law 3/1994 was abandoned for political reasons.

One may add to this agenda the argument in favour of increased revenue resources for district governments, as argued, for example, by the World Bank’s public expenditure analysis (World Bank, 2014) and claimed by district administrators, and/or a return to the original logic of the FDD. Considering this, we now turn to the rules of the game pertaining to fiscal decentralisation.

5 Fiscal Decentralisation

5.1 Introduction
Decentralisation of functions to lower levels of government without the decentralisation of resources makes little sense, despite the observation that this often happens. For reasons of history and the nature of their rent-seeking political economy and clientilist systems, many African governments are inclined to decentralise certain functions of government and service delivery, but to maintain control of the available fiscal resources. Mozambique is no exception.

Figure 4 shows that decentralisation of budget resources (recurrent and capital expenditure) over the past seven years only happened in a significant way from provincial to district level, without changing the resources allocated to the central

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77 Interview with senior official, National Directorate of Planning and Budget, Maputo, 08/12/2015.
Two conceptually different components, which often occur in a complementary combination in an intergovernmental fiscal system, may be distinguished as being part of fiscal decentralisation. The first is the decentralisation of part of the national tax base to the lower levels of government. It gives the local authority the task to organise itself to be able to make use of it by administrating, collecting, budgeting and accounting for their OSR. The latter usually consists of two types of revenue: fiscal revenue, such as taxes on vehicles, property, etc. and non-fiscal revenue, such as licence and user fees.\textsuperscript{78}

The intergovernmental fiscal transfers from central to local budgets represent the second component in the intergovernmental fiscal system. In it, the central government periodically transfers a certain determined percentage of its total budget to lower levels of government, based on a legislated formula for allocation and distribution. This may be done in the form of block grants or general-purpose grants, or as conditioned grants, i.e. transfers for a determined use and purpose (e.g. road construction, building schools, school feeding programmes), or both.

\textsuperscript{78} For an excellent overview of Mozambique’s tax system, see ACIS (2011).
In the case of Mozambique, an intergovernmental fiscal system only exists in relation to the municipalities, based on legislation proper, i.e. a legal entitlement, and a revenue sharing formula or a legally enshrined percentage. This is part of the municipal finance Law 11/1997 and its subsequent reform in 2008, which produced Law 1/2008 and the municipal revenue code (Código Tributário Autárquico) enshrined in Decree 63/2008. It contains the above-mentioned components typical for such a system (MAP Consultoria, 2017; Nguenha, Raich & Weimer, 2012).

It should be noted that the data for assessing the municipal intergovernmental fiscal system are scattered and not always coherent. The municipal budgets and their annual accounts (Conta de Gerência, or CDG) are not systematically published or made available on municipal or national websites in the rare cases where they exist. The MEF’s data on FCA and FIIA transferred to municipalities appear to not be systematically harmonized with that reflected in the municipal budget documents. This leads to inaccuracies in the databases (MAP Consultoria, 2017). Further, not all transfers to municipalities or other forms of financing are fully reflected in the municipal budgets and accounts. A case in point are the transfers to the newly created municipalities (in 2013), which received funding from central government for basic municipal infrastructure and equipment (offices, etc.). These are systematically reflected in the national budget and traceable through e-SISTAFE, but much less systematically so in the beneficiaries’ budgets. The same is true for contributions in kind (e.g. buses for municipal transport) acquired via central government and ‘donated’ to certain municipalities, as well as for credits authorised by central government for certain municipalities. In the same vein, it is not easy to know exactly the formula according to which the ‘decentralised part’ of the Road Fund (Fundo de Estradas, or FE) is distributed among municipalities and what amounts are budgeted. This extra support, often granted informally to municipalities, and the allocation criteria are not systematically documented and made publicly available at either central government level or in the municipal budgets. We need therefore to assume that the data used for the analysis of municipal finances in Section 5.5 below is incomplete and does not necessarily show the real and full picture of fiscal decentralisation to municipalities.

Concerning the relative weight of transfers and investments made by actors (autonomous funds such as FE, Administração de Infraestruturas de Água e Saneamento (Administration of Water and Sanitation Infrastructures, or AIAS); Fundo de Desenvolvimento dos Transportes e Comunicações (Transport and Communication Development Fund, or FTC) who do not use the intergovernmental transfer system, this is estimated to have averaged around a minimum of 30% of all transfers to all municipalities in the period 2011 to 2014 (MAP Consultoria, 2017). This recent study thus contributes to a more comprehensive assessment of the intergovernmental transfer system. Its main conclusions are reflected in Section 5.5.
5.2 OLE Fiscal Resources (1): Focus on Districts

The OLEs are not part of an intergovernmental fiscal system in the sense alluded to above. They receive their budgetary resources from central government as annual dotações (allocations) defined by the MEF, which are part of the state budget (Orçamento do Estado, or OE) and approved by the AR, not by a local assembly, as is the case in the municipalities. There is no legal entitlement, since the OLEs are organically part of the direct administration under the central government hierarchy (LEBOFA, Section VII). The MEF uses a formula to determine the annual allocations. In the case of the provinces the weighted allocation criteria are population size (70%) and poverty as measured by a multidimensional indicator (30%) (see Rosenfeld, 2012). In the case of calculating the FDD per district, the criteria are population (30%), size of territory (20%), own revenue collection (15%) and poverty levels (30%) (World Bank, 2014, p. 111).

As noted in the previous section, the budgetary priorities defined in the local PESOD are not necessarily reflected in the budget envelope available to districts for financing recurrent expenditure. The OLE budgets are delivered through the e-SISTAFE to the OLEs, which receive an annual initial transfer and budgetary ‘reinforcement’ when necessary or available. This online system linked to the Unified Treasury Account (Conta Único do Tesouro) permits the tracking of revenue transfers and expenditure at local level by central government according to various classifiers (e.g. economic, functional, by funding source, etc., including the territorial one for the OLEs). The OLEs have hardly any revenue base of their own, as can be seen from Table 6.

Table 6: Structure of own revenues for provinces and districts, 2012

<table>
<thead>
<tr>
<th>Subnational level and type of revenue</th>
<th>Million MT</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Province</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provincial own-revenue collection (receita própria)</td>
<td>402</td>
<td>1.4</td>
</tr>
<tr>
<td>Provincial shared-revenue collection (receitas consignadas)</td>
<td>301</td>
<td>1.1</td>
</tr>
<tr>
<td>Provincial transfers (dotações)</td>
<td>27 792</td>
<td>97.5</td>
</tr>
<tr>
<td>Total</td>
<td>28 494</td>
<td>100.0</td>
</tr>
<tr>
<td>District</td>
<td></td>
<td></td>
</tr>
<tr>
<td>District own-revenue collection (receita própria)</td>
<td>90</td>
<td>0.5</td>
</tr>
<tr>
<td>District transfers (dotações)</td>
<td>20 117</td>
<td>99.6</td>
</tr>
<tr>
<td>Total</td>
<td>20 208</td>
<td>100.0</td>
</tr>
</tbody>
</table>


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79 This opinion differs from that of the authors of the World Bank expenditure review.
80 According to the World Bank (2014, p. 112), ‘the dimensions used to calculate multi-dimensional poverty are: consumption (30%), potable water (15%), sanitation (15%), health (20%) and education (20%)’.
The OLEs' own-source revenues consist of the National Reconstruction Tax (Imposto de Reconstrução Nacional, or IRN) dating back to 1987 (Decree 4/1987), of fees for licences (e.g., for bicycles, timber felling, charcoal production, trading) as well as conditioned revenue (e.g., user fees charged to patients at hospitals). Theoretically, the IRN, a simple poll or head tax on the economically active part of the population, is to be collected annually at district level and shared between the district and the provinces. But in practice, the IRN is not only outdated, but also hardly collected. It costs more to collect than it yields in revenue and it is quite unpopular since it reminds citizens of the forced head taxation during colonial times. Its contribution to national revenue is negligible and the ATM is considering discontinuing IRN collection altogether.

The major part of other, non-fiscal sources of revenue collected, including user and licence fees, needs to be transferred to the national tax authority, since the OLEs have no fiscal autonomy.

There is a clear need to increase revenue for district governments to safeguard their key function of basic service provision. This costs excessive amounts given the large territories they must cover, with the cost structure across the district (and provinces) hardly known and not explicitly taken into consideration in the central government's resource allocations. There are various hypothetical ways of increasing district revenue. The World Bank (2014) suggests two modalities. The first is an increased effort by the district administration to collect and administer licence and user fees. In our opinion, these should be retained at district level and not transferred to provincial and central government, as is presently the case. The second proposal is to extend the municipal tax reform of 2008 to districts, i.e., to allow them to have their own tax base. The World Bank study is quite clear: 'by implementing a formula-based approach, provinces and districts would potentially have greater autonomy to deliver public services in line with local needs' (World Bank, 2014, p. 123). From a legal point, this would require giving them that financial autonomy – an idea that was contained in the initial decentralisation legislation of Law 3/1994. From a technical and institutional point of view, the districts would have to invest in minimum revenue administration of their own, or would have to forge a cooperative relationship with the ATM, who would oversee the technical aspects of tax administration on behalf of the districts.

5.3 The District Development Fund

A major source of finance for the districts is the Fundo de Desenvolvimento Distrital (FDD). As shown in the sections above, a district financing facility was established

81 Its municipal equivalent is the Imposto Pessoal Autárquico (IPA).
82 http://macua.blogs.com/moambique_para_todos/2009/12/imposto-de-reconstru%C3%A7%C3%A3o-em-vias-de-elimina%C3%A7%C3%A3o.html.
in 2006 in the form of OIIL, with an initial across-the-board annual endowment of 7 million MT for each of the districts. This followed the enactment of LOLE, the recognition of the district as central for bottom-up planning and as a budgetary unit, as well as the personal political interest of President Guebuza in promoting a deconcentrated form of local government. It was renamed FDD in 2009 by Decree 90/2009, in which the allocation criteria were also defined. The FDD funding is also transferred via e-SISTAFE. The funds are to be used for poverty reduction through private livelihood activities in the form of projects to be submitted to, and approved by, the district government upon the recommendation of an evaluation commission (Comissão Técnica de Avaliação de Projectos, or CTAP) and with members of the district CC having a say in the decision-making process. The disbursements are made by the district administration based on credit, which, once repaid, would feed the FDD, turning it into a rotational funding facility. The interest rates vary between 3% and 7% per month or 36–84% per year (MAE, 2011).

The municipal equivalent to the FDD is PERPU, which, following the same modus operandi, targets urban poverty in the provincial capitals. In fiscal terminology, this represents a conditioned grant to the municipality which then transforms it into a private loan to the beneficiary with an approved project. Over the past nine years, up to US$450 million was spent on the FDD, US$200 million between 2006 and 2011, equivalent to around 2% of the budget (Sande, 2011).

The establishment of the FDD is an achievement attributable to the deconcentration process, according to some interviewees, but other observers consider it a failure. The former see merit in the fact that the FDD provided the district with an important source of revenue. They recognise that the FDD produced some tangible effects on poverty reduction and employment creation (Metier, 2009), despite some of the shortcomings (discussed below). There is the understanding that these weaknesses can be eliminated over time and the FDD can, and should, in principle be maintained and improved.

The more critical voices provide three arguments.83 Firstly, the original purpose of the FDD to provide funding for local infrastructure development and public goods and services emanating from the PEDD and PESOD was altered. As shown above, the public investments and works projects financed by FDD were to be preferentially executed by local contractors, with the desired positive effect on local employment and income generation to reduce poverty. However, since President Guebuza’s decision, announced during a PAI in Gaza Province in 2006, this logic was substituted by one aimed at complementing or ‘reinforcing’ private livelihood initiatives and projects, based on a revolving credit administered by the district government. This not only virtually

83 Interviews with senior official, MEF, Maputo, 02/11/2015, and John Barnes, former senior advisor, PNPFD, Maputo, 30/09/2015.
turned the district administration into a local development bank – to the dismay of national private finance institutions for rural agriculture-based activities such as GAPI (a rural development finance facility) – but also led to numerous projects supported by FDD which were not economically viable and/or were of a consumptive rather than investment nature. Thus, from an investment perspective, precious resources were wasted. Diverse studies have shown that many FDD beneficiaries often were directly or indirectly linked to the ruling party (Forquilha & Orre, 2012; Sande, 2011) and that the rate of repayment of the credit was very low, below 10% of the credit volume in both the FDD (Matusse & Pimentel, 2013; Metier, 2009) and the PERPU. This means that the underlying assumption of a revolving credit system was, and remains, flawed. To increase the repayment rate, some district governments resorted to threatening the use of coercive measures to assure debt repayments by beneficiaries, with negligible effect.

Based on the more critical views on the FDD, we concur with Forquilha and Orre (2012) that this facility was turned into a politically driven public financing mechanism for enhancing Frelimo’s clientilist local networks and for the ‘buying of votes in elections’. In a comparative perspective, the FDD, its purpose and modus operandi more resemble a politically driven discretionary rural constituency and livelihood fund aimed at keeping ruling parties in power, a modality practised in some countries in Asia and the Pacific and supported by China and Taiwan, rather than a deconcentrated investment and services-funding facility for district governments, as the term suggests.

The future of the FDD appears uncertain for some of the reasons addressed above, but also for the fiscal crises the Nyusi government faces in the years to come. From an analytical perspective, the FDD only marginally contributed to its objective of poverty reduction and failed in sustaining the rotational character of the credit scheme, given the low repayment rates. It also did not entirely produce the expected political effects of influencing rural voting patterns in favour of Frelimo, at least in those provinces in which Renamo won without a constituency funding facility.

Most interviewees, including senior functionaries in MAEFP and MEF, were sceptical regarding the continuation of the FDD in its present form. Feasible alternative scenarios include a return to the original FDD purpose of financing district infrastructure and public works in line with PEDD and PESOD priorities, and reallocating the FDD finances, or parts thereof, for rural development (under MITADER) or for increasing the volume of the decentralised Road Fund. This indicates a converging of opinion towards recognition of the need to increase public

84 Interview with former senior official, MAE, Maputo, 12/10/2015.
85 For example, in the case of Solomon Islands, the Rural Constituency Livelihood Fund (RCLF) financial endowment for financing local constituencies, financed by the Republic of China (ROC), i.e. Taiwan, is much larger than the budgetary transfers from central government to local governments. See Weimer (2013).
resources to districts for producing public investments and goods, the present fiscal
constraints permitting.

5.4 OLE Fiscal Resources (2): Focus on Provinces

In this section, we analyse the geographical distribution of revenue generation
and expenditure by province. The regional disparities and unequal distribution of
resources among provinces have been of concern to government and Parliament. This
also provides a background to better understand the politics in the initiative by the
opposition parties to claim more autonomy for some provinces (see Section C, 2.3).

We define total expenditure as domestic and externally financed annual expenditure
for public investment and recurrent expenditure (salaries and services). The term
‘overall revenue’ refers to all fiscal revenue generated by the ATM (all national direct
and indirect taxes, trade levies and fees), except municipal OSR. In what follows, per
capita expenditure and revenue per province is analysed, with the assumption of an
annual population growth of 2.4% in line with INE statistics (INE, 2015).

The following analysis of revenue by province suffers from the non-availability
of disaggregated revenue data by source of revenue per province. It was not possible
to obtain these data from the ATM. If it had been available, it would have enabled
the authors to exclude the port-based trade-related revenues (customs, export levies,
etc.) which distort the overall picture of revenue generation given that these sources
are location specific, i.e. are generated in a few major ports and entry/exit points for
merchandise and services. These locations are Maputo, Matola, Beira and Nacala. It
also would have allowed more accurate demonstration of the geographical origin of
the revenues arising from mineral extraction. Thus, the following considerations and
figures are illustrations rather than an exhaustive analysis. Nevertheless, they show the
inequalities in the per capita values between provinces regarding both revenue and
expenditure. Figure 5 gives values for the last year for which data are available (2014).

Figure 5 shows that Maputo Province has the highest per capita revenue. If
Maputo City had been included, its per capita revenue would be even higher,
above 74 000 MT. The lowest per capita values are registered for Niassa, Zambezia,
Inhambane and Gaza provinces. The prominence of Maputo is explained by the fact
that the cities of Maputo and Matola are where central government resides and the
ATM has a strong presence, but also where most of the large enterprises operating
in Mozambique’s provinces and districts, especially megaprojects, are registered and
pay taxes. As shown above, this is a structural feature of Mozambique’s political and
economic geography. These cities are also the major ports of the country and entry
points for imported goods, particularly from South Africa. Sofala, too, has high per
capita revenue collection, given Beira Port and the Beira Corridor (important for
trade with the landlocked neighbouring countries).
Zambezia, Niassa and Gaza have the lowest per capita revenue, of less than 300 MT. The concentration of revenue collection in the capital Maputo and Maputo Province is a reason for reflecting on incentives to decentralise the registration of enterprises to those provinces where they operate, and create the public administrative capacity for this and their taxation, or for ‘de-Maputising’ the Mozambican public administration. This is also in the interest of the private sector, which at least partially supports more autonomous provinces. As it stands now, Maputo is the centre where most fiscal benefits of economic activity throughout the country accrue. In this, it has replaced Lisbon as the hub of income accrual generated in the then colony of Mozambique.

Analysing the pattern of per capital spending by province, we can discern the distribution patterns of the budget and provincial inequalities. Per capita expenditure in 2014 was highest in Cabo Delgado, Maputo and Niassa, and lowest in Zambezia and Nampula.

In comparing per capita revenue with per capita expenditure, we can illustrate the net transfer of fiscal resources per province. In Figure 6, the percentage of per capita expenditure over per capita revenue is given for all provinces. A rate of 100% means that the revenue generated in this province contributes in equivalent terms to the expenditure allocated to this province. A value above 100% implies that the

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Figure 5: Per capita expenditure and per capita revenue by province, 2014 (MT)*

- **Province**
  - Niassa
  - Cabo Delgado
  - Nampula
  - Zambezia
  - Tete
  - Manica
  - Sofala
  - Inhambane
  - Gaza
  - Maputo

- **Per capita Revenue (MT)**
- **Per capita Expenditure (MT)**

* Excluding Maputo City

Source: ATM and MEF
Figure 6: Ratio per capita expenditure/per capita revenue by province (averages 2010–2014) (%)*

<table>
<thead>
<tr>
<th>Province</th>
<th>Per capita expenditure/per capita revenue (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Niassa</td>
<td>600</td>
</tr>
<tr>
<td>Cabo Delgado</td>
<td>500</td>
</tr>
<tr>
<td>Nampula</td>
<td>400</td>
</tr>
<tr>
<td>Zambezia</td>
<td>300</td>
</tr>
<tr>
<td>Tete</td>
<td>200</td>
</tr>
<tr>
<td>Manica</td>
<td>100</td>
</tr>
<tr>
<td>Sofala</td>
<td>0</td>
</tr>
<tr>
<td>Inhambane</td>
<td>0</td>
</tr>
<tr>
<td>Gaza</td>
<td>0</td>
</tr>
<tr>
<td>Maputo</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: ATM, Annual State Accounts (Conta Geral do Estado, or CGE)

* Excluding Maputo City

Figure 7: Per capita expenditure and poverty levels by province

<table>
<thead>
<tr>
<th>Province</th>
<th>Per capita expenditure per province, average 2010–2014 (100MT)</th>
<th>Absolute Poverty Index (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Niassa</td>
<td>25</td>
<td>0%</td>
</tr>
<tr>
<td>Cabo Delgado</td>
<td>20</td>
<td>5%</td>
</tr>
<tr>
<td>Nampula</td>
<td>15</td>
<td>10%</td>
</tr>
<tr>
<td>Zambezia</td>
<td>10</td>
<td>15%</td>
</tr>
<tr>
<td>Tete</td>
<td>5</td>
<td>20%</td>
</tr>
<tr>
<td>Manica</td>
<td>5</td>
<td>25%</td>
</tr>
<tr>
<td>Sofala</td>
<td>5</td>
<td>30%</td>
</tr>
<tr>
<td>Inhambane</td>
<td>5</td>
<td>35%</td>
</tr>
<tr>
<td>Gaza</td>
<td>5</td>
<td>40%</td>
</tr>
<tr>
<td>Maputo</td>
<td>5</td>
<td>45%</td>
</tr>
<tr>
<td>Maputo City</td>
<td>5</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: CGE, MPD
allocation of expenditure (per capita) to a province is above the revenue generated by that province, whereas a value below 100% means that the province's revenue generation is above the (per capita) expenditure allocated to it. In the first case, the province is a net receiver of resources, while in the second case it is a net financer of expenditure.

Figure 6 shows that the provinces of Niassa, Gaza, Inhambane, Zambezia, Cabo Delgado and Manica are net fiscal beneficiaries, whereas Nampula, Tete, Sofala and Maputo (Province) are net losers.

If we include the absolute poverty line from the 2007 survey in our analysis, we see that the distribution of expenditure per capita does not reflect the poverty patterns, a conclusion also drawn in the World Bank expenditure survey of 2014. Figure 7 shows a stark contrast between Zambezia, the province with the highest poverty levels and lowest per capita expenditure, and Maputo City and Cabo Delgado Province with the inverse picture.

In the authors’ opinion, this pattern, constant during the past years, reflects the consequences of the incremental annual allocation of provincial budgets, but not the distributional functions of the budget process and structural inequality. In the incremental budgeting approach, the previous (structural) distortions are carried forward and cost differences between provinces in the production of public services and the running of provincial governments are not fully considered. A solution could be a ‘zero budgeting approach’ or an ‘extraordinary one-off budget exercise’ (McCoy & Cunamizana, 2008, p. 21) linked to a costing exercise, which would allow readjustment of the distribution pattern for resource allocation.

Given the stark differences between provinces in resource availability, on the one hand, and between endowments of natural resources (mineral, energy, agricultural, water, etc.) on the other, a case can also be made for a formula-based interprovincial compensation fund. Contemporary African history provides many chapters which show that without equilibration mechanisms between provinces with an abundance of resource wealth (e.g. Cabo Delgado in the case of Mozambique) and less well-endowed provinces (e.g. Gaza), the risk of regional tensions, civil war and even separatism is real and high. It is not by coincidence that the Renamo bill aiming at the establishment of autonomous provinces contains the proposal that 50% of the revenue generated by extractive industries in a province should remain in that province. And senior Frelimo politicians in Cabo Delgado Province, acutely aware of the potential ‘political curse’ of the province’s gas wealth in terms of increased conflict and struggles over access to a share of it, have studied cases of conflicts leading to separatist tendencies, to draw lessens from those experiences for domestic safeguards.
against conflicts around the distribution of benefits and the delimitation of boundaries emanating from resource extraction.87

Such an interprovincial compensation fund facility would in our opinion need to be part of a coherent, integrated, intergovernmental fiscal system covering all subnational units of the Mozambican public administration, i.e. provinces, districts and municipalities.

5.5 Municipal Finances

5.5.1 Allocation Criteria and Trends
As shown in the introduction to this section, municipal finances benefit from a mature intergovernmental fiscal system which combines transfers with an own tax base. The picture, however, is incomplete since there are other types of transfers and investments into public services at municipal level that are not systematically covered by municipal financial statistics (MAP Consultoria, 2017).

The transfers have four subcomponents, namely the annual General-Purpose Grant (GPG, or FCA) which is limited by law to 1.5% of the national fiscal revenue, the FIIA, the Urban Poverty Reduction Fund (for 10 provincial capitals and Maputo City only) and conditioned grants, such as a part of the National Road Fund.

Table 7 summarises the main elements of the grant system and the criteria for their calculation.

87 Interview with member (Frelimo) of the Provincial Assembly of Cabo Delgado, 06/10/2015. The interviewee was part of a delegation that visited Angola, Nigeria and Tanzania/Zanzibar on a study visit.

Table 7: Criteria for resource allocation to municipalities

<table>
<thead>
<tr>
<th>Source of financing</th>
<th>Criteria and weighting for resource allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Compensation Fund (FCA)</td>
<td>Population (75%) and size of territory (25%)</td>
</tr>
<tr>
<td>Investment Fund for Local Initiatives (FIIA)</td>
<td>No formula, but used in analogy to FCA</td>
</tr>
<tr>
<td>Strategic Programme for the Reduction of Urban Poverty</td>
<td>Fixed aspect: 55% of total resources are distributed equally.</td>
</tr>
<tr>
<td>(PERPU) for 11 municipalities</td>
<td>Variable aspect: size of urban territory (10%), population (40%), urban food poverty</td>
</tr>
<tr>
<td></td>
<td>(40%) and collection of local revenue (10%)</td>
</tr>
<tr>
<td>Road Fund</td>
<td>Density of the road network in each municipality and typology of each municipality,</td>
</tr>
<tr>
<td></td>
<td>e.g. city or village + discretionary criteria</td>
</tr>
<tr>
<td>Other sector grants</td>
<td>Discretionary and ad hoc basis</td>
</tr>
</tbody>
</table>

Figure 8 shows the revenue allocation by central government to municipalities over the past nine years.

The reader can see that until 2015 the municipalities received the total percentage of FCA transfers they are entitled to only on two occasions, namely in 2008 and 2011, with a slight decline observed after 2008. Figure 8 also shows that the total transfers of both FCA and FIIA are at most 2.3% of national fiscal revenue. If the total Mozambican budget, i.e. national fiscal revenue budget support, was considered, the percentage transferred to municipalities would be less (around 1% in the case of FCA). This puts Mozambique into the same bracket as Burkina Faso, but not with its peers in the region and East Africa, in which local governments have a considerably higher share of national expenditure: Botswana <10%, Ethiopia 40%, Tanzania 27%, Uganda >40% (Dickovick & Riedl, 2014).

From 2015 onwards, there is a drastic drop in transfers of all categories, due to the fiscal and economic crises the country is experiencing caused by the odious debts and economic downturn. The fiscal fragility of municipalities is further increased, jeopardising not only their already weak sustainability but also their viability (MAP Consultoria, 2017).

The Municipal Tax Code defines the following sources as part of the broad municipal tax base or OSR:
• Municipal Poll (Head) Tax (*Imposto Pessoal Autárquico*, or IPA);
• Municipal Property Tax (*Imposto Predial Autárquico*, or IPRA);
• Municipal Vehicle Tax (*Imposto Autárquico sobre Veículos*, or IAV);
• Municipal Property Transaction Tax (*Imposto Autárquico da Sisa*, or IASISA);
• Area improvement levy (*Contribuição de Melhorias*);
• Non-fiscal revenue sources such as licencing fees and the Fees on Economic Activity (*Taxas por Actividade Económica*, or TAE). The municipal *taxa* for the DUAT licence and the annual fee paid for land use, the *foro* or *foral*, are part of this category;
• User fees for municipal services (e.g. markets and fairs, water and solid waste collection fees).

In all municipalities, the OSR has a considerable own-source revenue potential but is underutilised, with considerable variations across the municipalities. Table 8 shows the revenue collection effort of all municipalities grouped by province, measured as the OSR as percentage of total government transfers.

88 The term *taxa* (fee) in this source is misleading. Judging by its features and the way it is calculated and collected in many municipalities, this source should be considered a tax on business activities. As such, it is like the *Imposto Simplificado para Pequenos Contribuintes* (ISPC) collected from small businesses and the informal sector by the ATM. The risk of double taxation of small businesses in municipalities is high (see section below).

<table>
<thead>
<tr>
<th>Province</th>
<th>No. of municipalities</th>
<th>OSR as % of total government transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Niassa</td>
<td>5</td>
<td>24.7</td>
</tr>
<tr>
<td>Cabo Delgado</td>
<td>5</td>
<td>80.5</td>
</tr>
<tr>
<td>Nampula</td>
<td>7</td>
<td>50.6</td>
</tr>
<tr>
<td>Zambezia</td>
<td>6</td>
<td>28.2</td>
</tr>
<tr>
<td>Tete</td>
<td>4</td>
<td>100.8</td>
</tr>
<tr>
<td>Manica</td>
<td>5</td>
<td>56.7</td>
</tr>
<tr>
<td>Sofala</td>
<td>5</td>
<td>93.8</td>
</tr>
<tr>
<td>Inhambane</td>
<td>5</td>
<td>44.1</td>
</tr>
<tr>
<td>Gaza</td>
<td>6</td>
<td>56.5</td>
</tr>
<tr>
<td>Maputo Province</td>
<td>4</td>
<td>68.3</td>
</tr>
<tr>
<td>Average per province</td>
<td>5.2</td>
<td>60.4</td>
</tr>
</tbody>
</table>

* Grouped by province

Source: CGE, 2015, *Anexos Informativos*
While the five municipalities of Niassa and the six in Zambezia show a low average collection effort, i.e. dependent on a large degree on government transfers, those in Tete and Sofala perform much better, with a ratio of 100% and 94%, respectively. The others’ efforts yield between 40% and 60% of those amounts transferred by central government. Maputo is obviously a special case given its broad tax base, professional human resources endowment and the technical backing of the World Bank-supported Pro-Maputo project.

5.5.2 Fiscal Transfers and Own Source Revenue

The recent study on intergovernmental transfers, commissioned by MEF and financed by GIZ (MAP Consultoria, 2017), looked at a sample of 16 municipalities and used the municipal accounts as sources for its database. It largely confirms the above analysis, and brings to light further details of the dynamics of fiscal transfers and the development of OSR:

a. The relative weight of transfers is higher in the case of vilas than that of towns of category B, C and D.

b. The structure of transfers, by type, is dominated by FCA, followed by FIIA, the transfers of the Road Fund (FE) and PERPU. We note, though, that PERPU, although transferred via the e-SISTAFE does not represent a fiscal conditioned grant which benefits the municipal budget. The municipal governments of provincial capitals represent only the bona fide manager of a revolving fund for urban poverty reduction which benefits individuals. They must submit livelihood project proposals to the CM, which, once approved, receive a credit to finance their project. With the notable exception of Beira, which created a municipal finance institution to manage the PERPU funds, the challenges to manage PERPU properly are the same as in the case of FDD (see Section 5.3). The dependence on block grants, used for financing municipal salaries and other recurrent expenditure, has unfavourable consequences for administrative efficiency and performance as well as horizontal accountability to the local taxpayer.

c. The annual average per capita transfers for the period 2009–2015 are low (≤US$10), with the average annual per capita OSR constituting only half of that amount. In comparison, the average annual per capita expenditure is around US$14. During that period, the OSR showed a slight upwards trend.

d. Concerning OSR, municipalities depend to a much larger extent on non-fiscal sources of revenue than fiscal revenue. Local government taxes represented, on average between 2009 and 2015, only 16% of total annual municipal revenue.
From 2013 onwards, a category labelled ‘other revenue’ gains importance. This residual category includes transfers from state bodies and public entities (transferências de organismos do Estado e entidades públicas), revenue from capital (receitas de capital) and extraordinary transfers (transferências extraordinárias). Since it is not entirely clear what this category means in terms of fiscal origin and purpose, it would be necessary to have disaggregated data available. This category may include subsidies of the treasury for unsustainable municipal public transport enterprises, and ad hoc transfers to assist municipalities to cope with the consequences of natural disasters, etc.

The average annual growth rates of all grants have been in the two-digit range, except for transfers for infrastructure investment (transferências para Investimentos em Infra-estruturas), defined to include capital transfers in addition to the FIIA and including the FE. From the point of view of the municipal response capacity to the challenge of increasing demand for public infrastructure and services due to the high urbanisation rate, this trend is of major concern.

From 2015 onwards, all types of transfers (except PERPU) show a declining trend, with a considerable drop for all in 2016 (see Figure 8).

Also, donations and foreign-supported project financing show a considerable decline.

The vila type of municipalities depend much more on grants than the autarquias of all other categories, showing a much smaller OSR mobilisation capacity. This is certainly due to a comparatively small economic and fiscal base. This is specifically true for the new municipalities enacted in 2013, which therefore received extra transfers for infrastructure and equipment on a discretionary and ad hoc basis. This raises the fiscal issue of special treatment of a certain category of municipalities, not foreseen in the legislation, which is premised on the assumption that the formula-based equalisation mechanism takes care of differences in size and population. As we argue in the conclusion to this subsection, there is, indeed, a case for reviewing the equalisation formula.

Although the municipalities of the vila type receive a higher transfer per capita than all other types of municipalities, their capacity for investment into public services remains critically low. With the considerable drop of transfers since 2015 and the high inflation rate, vilas will particularly have severe difficulties in providing public services. In their case, a declining trend of per capita capital expenditure can be observed, coupled with extremely low levels of OSR collection.

As we have seen already, from the point of view of smaller and younger municipalities (often in remoter areas) the effects produced by the
equalisation formula used for distribution of the FCA (and, in analogy, the FIIA) is questionable. A more differentiated analysis shows that the growth pattern of the FCA per capita is significantly different between municipalities in the same category and with similar demographic and territorial features. This suggests that other, unknown distribution criteria are applied, different from those legally stipulated, i.e. territory and demography.

Table 9 summarises the main trends in municipal finances.

Table 9: Average annual growth rate of main fiscal indicators by category of municipality, 2009–2015 (%)

<table>
<thead>
<tr>
<th>Category</th>
<th>Average annual growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sample*</td>
</tr>
<tr>
<td>Total revenue</td>
<td>20.2</td>
</tr>
<tr>
<td>Total transfers</td>
<td>18.0</td>
</tr>
<tr>
<td>Own source revenue</td>
<td>17.3</td>
</tr>
<tr>
<td>Fiscal revenue (taxes)</td>
<td>20.4</td>
</tr>
<tr>
<td>Non-fiscal revenue (fees, etc.)</td>
<td>16.5</td>
</tr>
<tr>
<td>Donations and ext. project funding</td>
<td>12.1</td>
</tr>
<tr>
<td>Other revenue</td>
<td>161.0</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>24.4</td>
</tr>
<tr>
<td>Recurrent expenditure</td>
<td>18.2</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>33.2</td>
</tr>
</tbody>
</table>

Source: MAP Consultoria (2017)

* 16 out of 53 municipalities

Domestic resource mobilisation and fiscal sustainability was also the focus of studies promoted by the World Bank-managed Public Private Infrastructure Advisory Facility (PPIAF). Looking at two case studies, Matola (Figures 9 and 10), a major port city and industrial and commercial centre, and Manhiça (Figures 11 and 12), an economically dynamic, agriculture-based rural town of the vila type, they show that despite the difference in size, the challenge of using the OSR potential is the same. In both cases, the OSR has been lower than government transfers. External support has been decisive in increasing resources at certain moments. This has serious repercussions for their fiscal sustainability, which we define as their capacity to finance their recurrent expenditure with their OSR.
Figure 9: Matola: OSR, transfers, 2011–2014 (US$)

- Total OSR
- Transfers (FCA+FIIA)
- Donations
- Total Revenue

Source: authors, based on CM de Matola data (CDG)

Figure 10: CM de Matola: Fiscal sustainability (%)

- OSR/Recurrence Expenditure
- OSR+FCA/Recurrence Expenditure

Source: authors, based on CM de Matola data (CDG)

Figure 11: Manhiça: OSR, transfers, 2011–2014 (US$)

- Total own source revenue (OSR)
- General purpose grants (FCA)
- Donations
- Total Revenue

Source: authors, based on CM de Manhiça (CDG)
If we disaggregate the OSR by sources of revenue, we find in the case of Matola for the period under observation that the most buoyant source was solid waste fees, and not IPRA, IASISA, IAV and TAE, as could be expected from a city of more than 700,000 inhabitants, the industrial centre of the country, and a city witnessing the rapid expansion of residential and industrial areas. In fact, Matola City Council only began collecting IPRA in 2014. In 2015, it engaged a private company to oversee collection and administration of most of the revenues and the necessary investment in cadastral services, hard- and software, as well as training of human resources (World Bank & PPIAF, 2015a). As can be seen from Figures 9 and 10, the CM of Matola could not have been sustained by relying on its own efforts, i.e. without the block grants from government. Even with government support, fiscal sustainability was volatile from 2012 to 2014. The dotted black line indicates the break-even point for fiscal sustainability. Figures 11 and 12 give the corresponding picture for Manhiça.

Differentiated by source of revenue, Manhiça’s most buoyant sources are non-fiscal: revenue from market fees followed by fees from water supplies and DUAT. Although the contribution to total revenue is still marginal, the share of OSR is slowly increasing due to the CM’s increased efforts, which focus on IAV, IPRA and TAE. The own tax effort is also evident in relation to external support, which only in 2012 was above the OSR yield (World Bank & PPIAF, 2015b).

Regarding Manhiça’s sustainability, the picture is the same as in Matola: the town would not be fiscally sustainable without the block grants it receives from the government. From 2011 to 2013, sustainability was not guaranteed, even with the government transfers. These two micro studies confirm earlier analyses which looked at a sample of 16 municipalities of varied sizes (Nguenha et al., 2012).

Figure 12: CM de Manhiça: Fiscal sustainability (%)
5.5.3 Municipal Fiscal Capacity to Deliver Public Services

Concerning the financial resources for service delivery, we analyse the municipalities’ capacity for public investment, looking at their capital expenditure as a ratio of total expenditure. Again, we group municipalities by their ‘host province’. Figure 13 shows the variation of their investment capacity.

We can see that, on average for 2014, all 53 municipalities used about 40% of their available resources for capital expenditure, i.e. for investment in service delivery, and 60% for recurrent budget items (salaries, services, consumables). This compares very favourably with the district governments, which spent most of their available resources on recurrent budget items, i.e. salaries. Above average performers are Maputo City – with a considerable investment capacity – and the municipalities in Niassa, Tete, Manica, Inhambane and Gaza, whereas those in the provinces of Cabo Delgado, Nampula, Zambezia, Sofala and Maputo performed less well.

Facing expectations by municipal citizens, central government and CSOs concerning improved service delivery in key areas such as solid waste and sewage/wastewater management, urban planning and urbanisation, including housing, and, increasingly, road construction and maintenance, and primary health and education, the municipalities assume their responsibilities but point out their insufficient resources. In principle, an increase in resources for public services could be effected by a combination of the following options:

![Figure 13: Municipal ratio of capital expenditure vs total expenditure, 2014 (%)](image)

Source: CGE 2015, Anexos Informativos
• Increase in government transfers (FCA and FIIA) and conditioned grants, e.g. for primary health care and education;
• Increased access to credit;
• Cap on recurrent budget and the payroll with gains used for capital spending;
• Increased effort in using OSR.

The first option appears justified given the fact that in international comparison with their peers, the Mozambican municipalities are underresourced. Furthermore, with the increase in the number of municipalities, the 1.5% municipal entitlement to the state budget needs to be shared with an increased number of beneficiaries. But it is not very realistic given the fiscal stress the government is facing presently (see Part II, Section C, 1) and what appears to be a lack of political enthusiasm to devolve sectoral funding for health and education. This process has moved forward slowly for various reasons, partly because of a lack of clarity on financing and the limited technical capacity in the smaller municipalities. Nevertheless, despite these caveats, responsibilities for these services are expected to gradually be handed over to some municipalities (e.g. Maputo, Matola, Beira and Pemba) but with the corresponding financial resources being retained in the sector ministries and the provincial governments, respectively.\textsuperscript{89} In practice, this means that the municipal teachers or nurses are doubly subordinated to the municipal department and to the provincial government, probably to the detriment of the professional satisfaction and motivation of staff and the quality of service.

The second option, legally permitted under MEF approval, is not very realistic for the same reason of fiscal stress and the increasing debt service obligations of central government. Some municipalities, such as Matola, Nampula and Pemba, have negotiated the authorisation of credits with suppliers and banks to finance public transport (e.g. the acquisition of buses) or the acquisition of solid waste collection equipment and trucks. However, it is difficult to see the timely reimbursement of the debts by the user fees generated through such services, unless the debt is repaid by using other sources of revenue, or repayment is guaranteed and covered by central government in cases of default. Municipal credit and its authorisation is also an area that is not always managed in a transparent manner and it may involve fiduciary risks.

The third option is not realistic for contractual and legal reasons. Also, the municipalities’ need to increasingly recruit well-trained, competent and technical staff to execute complex tasks is in competition with the state administration and private sector, which usually offer better salaries and benefits.

\textsuperscript{89} Interviews with councillor, CM de Pemba, 05/10/2015; senior officials of Cabo Delgado Provincial Directorates of Education and Health, 07/10/2015.
Thus, the last option remains – the increase of capacity and effort to tap into the considerable OSR potential of the municipalities. However, improved performance in OSR collection and administration is hampered by the following factors, which of course vary across the municipal spectrum in terms of relative weight:

- The technical competence and capacity of municipal fiscal management and revenue administration is not sufficient in relation to the task. A survey conducted in the 13 municipalities which are part of the World Bank-supported 3CP project shows that only a minority has a good command of accounting, fiscal management, budgeting and treasury, with taxation being the area in which capacity is lowest (MAE, 2013). An efficient and effective tax administration, coupled with that of urbanisation and a cadastre, is, however, a precondition for increased revenue generation.

- Tapping into the tax potential, especially that related to property (IPRA, IASISA) and to TAE, is an issue of local political economy and touches vested interests of business people and property owners, often represented in the AM and/or with strong links to the municipal government. Any policy effort to collect or increase taxes from assets belonging to these social classes can easily be (politically) curtailed. The same is true for the collection of municipal revenue on property belonging to the state or SOEs such as the Mozambican Railways and Ports (Caminhos de Ferro de Moçambique, or CFM). In the absence of political will or clout, the often observed effect is the focus of municipal revenue policy on sources such as market fees, which has a regressive effect on the poorer strata of society but spares the better off.

- The present intergovernmental fiscal system does not have a performance-based component in its allocation formula for calculating the transfers, although this was initially discussed for the first municipal finance law (11/1997).

The World Bank (2014: 121f) expenditure study proposes three ways to stimulate the increase of OSR collection, namely:

- ‘Tax administration capacity should be enhanced to realize the potential of the 2008 reform’ – this would include a roll out of a PFM and revenue system tailored to the needs of municipalities or what is known as a Sistema de Gestão Autárquico (SGA), linked to e-SISTAFE, presently in development by CEDSIF with support of 3CP.

90 Assessment studies have shown that the potential, properly collected and administered, could at least double the municipal revenues. See, for example, Boex (2011) and Weimer (2012).
91 Its predecessor, the SGM (Sistema de Gestão Municipal), supported by P-13 and PROGOV, was developed, tested and piloted in Nacala and Mocuba municipalities between 2006 and 2010, but rejected by CEDSIF and MAE for reasons that are not entirely clear.
92 Interview with member of CEDSIF General Directorate, Maputo, 28/09/2015.
• ‘Transfers should help to correct for the differences in municipalities’ fiscal capacity, which estimates the revenues that municipalities could collect’ – this factor would add a performance criterion into the revenue-sharing formula by defining ‘fiscal capacity’ not as the revenues municipalities actually collect, ‘but what they could collect if the average tax rate for all municipalities was applied to their tax base. This means that if a local government collects less than the potential revenue the grant will not compensate for the difference’. In other words, this means rewarding those municipalities that demonstrate a larger tax effort than the average.

• ‘The municipal investment fund as well as sector and ad hoc grants should be allocated in a transparent process’ – this would contribute to increased predictability of transfers.

Another way to increase municipal revenue would be to increase its tax base by attributing the tax on informal activity, the *Imposto Simplificado para Pequenos Contribuintes* (ISPC), presently collected by the ATM, to municipalities. At present, there is a high likelihood that small businesses are taxed twice, by the CM via collection of market fees and TAE, and by the ATM, which collects the ISPC. Both produce regressive effects and do not contribute to poverty reduction, especially if double taxation occurs. This tax, a typical local government tax, could at least partly replace TAE. This issue and the potential gains for municipalities are discussed further below.

5.6 Towards an Integrated Intergovernmental Fiscal System including Revenue from Land Use and Mineral Extraction?

A review of the intergovernmental fiscal system makes sense not only from the perspective of mitigating regional inequalities, discussed in the previous section. Given the present pattern of resource allocation to the districts, insufficient for providing basic services, there is a clear need to increase fiscal resources to districts.

One way of raising increased revenue at district level is taxation of land use and rents arising from land speculation. Studies have shown (DFID, 2013; World Bank & FAO, 2011) that the use of land via the system of DUAT and the *taxa* paid for it neither reflects the land’s use value and market value, nor the capacity of diverse types of users (peasants, urban residents, national and foreign investors) to pay for its use. The present way land is managed and ‘taxed’ has opened the door to speculation, land conflicts and an informal market in which land is transacted – unconstitutionally – without the communities and the state benefiting. A compelling case can therefore be made to decentralise land management and introduce levies or taxes, and review and scale the DUAT *taxa*. This would not only better reflect the type of use, the ‘market value’ of
the land, especially in urban and periurban areas and in (large-scale) land holdings for minerals, agriculture and forestry, but also increase revenue for districts and financial benefits for local communities. The World Bank and FAO (2011) study concludes that the payments derived from the current level of DUAT *taxa* for rural land ‘are negligible for the DUAT holders’, and ‘do not affect their economic behaviour, and therefore are not an effective contributory tool for encouraging the optimal use of land’, concluding that ‘there is scope to increase the level of charges to more accurately reflect the value in use to the DUAT holder’ (World Bank & FAO, 2011, p. 45). The study also makes a convincing case to decentralise land management and retain the revenue from land use at district and community levels when it argues that:

there are benefits to be gained from localising the allocation of the revenue. In many countries land taxes, for example, are typically local government taxes for locally provided services. One concrete way in which community rights could be demonstrably recognised, and the scope for local economic development better served, would be if the State's proportion of the revenue were reallocated for local governments (World Bank & FAO, 2011, p. 46).

The ongoing project in support of local land management, *Iniciativa para Terras Communitárias* (*Community Land Initiative*), has made concrete proposals on how to implement the visionary idea of decentralising land management for the benefit of communities and districts (Monteiro, 2014). Analogously, the generation of mineral extraction-based revenue could become a source of revenue for districts and communities in areas where projects of an extractive nature operate. It should cover all types and sizes of companies, not only the large-scale investments. At present, districts, municipalities and communities derive little benefit from extractive activities, but often have enormous costs of externalities (see case studies in Part III, Section 6.2).

In 2013, the government allocated 2.75% of the royalties generated by mining and natural gas sectors to seven localities in three resource-rich provinces. Although this is a positive step, repeated in the 2014 fiscal year, the amount represents a small percentage of overall fiscal revenue. This percentage is not fixed by a specific law but determined by government in the annual budgeting process and legislation. Thus, the practice is *ad hoc* rather than reflecting a fiscal rule. The initial budgeted amounts are not necessarily transferred to the districts in full, since the revenue base, i.e. income from royalties, is volatile to price changes in the global commodity markets. The district share of the mineral revenue is transferred to the districts via
e-SISTAFE, but there is little guidance to provincial and district governments on how to use the transferred resource revenues (e.g. as a block grant or a conditioned grant) and to what extent it affects communities. There is a legal regulation deficit since the guidelines provided to the OLEs only have the character of a ‘circular’ and not a decree or law. Interviewees complained about the lack of transparency in the allocation and use of the transferred resources, a point also made by a World Bank policy paper on this subject (Nombora, 2014: 27ff).

The World Bank paper makes a compelling case – and presents possible ‘building blocks’ and relevant international experiences – for a review and broadening of the present intergovernmental fiscal system presently restricted to municipalities. The author argues in favour of a comprehensive fiscal transfer system in which the mineral extraction revenues transferred to resource-rich districts are integrated, have the character of an entitlement and become more predictable. In a later phase, this system would be extended to non-resource-rich districts. Like the policy note on land taxation referred to above, it also recommends the inclusion of community-driven development approaches to the allocation and management of the resource revenues at the subnational level. An equally persuasive case can be made for improved transparency concerning all the extra transfers, donations and credits provided to municipalities, often informally and off-budget (see the introduction to this section).

From an analytical point of view, for effective fiscal decentralisation and a functioning, just and equitable intergovernmental fiscal system that includes revenue from land and resources and mitigates regional disparities, two minimum conditions must be in place: firstly, the construction of accountable institutions at all levels of government, and secondly, secure institutions of autonomous decision-making at the local level (Ribot et al., 2006). Neither condition is presently fully guaranteed in Mozambique’s political administrative system, despite attempts to introduce such elements in the case of municipalities and in the modus operandi of the FDD. These experiences could become the starting point for a reform of the present system, which would require three types of preliminary action. Firstly, the presently existing system would need a thorough evaluation coupled to an assessment of subnational revenue potential to inform a fiscal decentralisation reform. Secondly, the institutional framework, notably for districts and provinces, would need reviewing, aiming at more autonomy for the present OLEs. In this context, the initial decentralisation legislation (Law 3/1994) should be revisited. Thirdly, there would need to be a minimum political consensus between Frelimo and Renamo (and within those parties) on the desirability of such a reform. In fact, this subject matter is part of the peace negotiations between those parties (see Section C, 2.1.).

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93 Circular 1/MPD-MF/2013, issued by the MPD and MF.
6 Informal Rules of the Game: The Open and Inclusive Presidency Aberta

After coming to power in the 2014 general elections in which the Frelimo party and its presidential candidate, Armando E. Guebuza, won with more than 60% of the votes – albeit with the lowest-ever voter turnout (less than 40% of registered voters) – President Guebuza introduced a new method of keeping contact with and ‘orienting’ the local electorate, party structures and governments. This method, called PAI (Presidência Aberta e Inclusiva),94 became a centrepiece of the Guebuza presidency. It aimed at ‘guaranteeing’ the better presence of the state in rural areas through capacity building targeted at local administrations, improving the provision of public services and making local governments more accountable to the people (Gabinete de Estudos da Presidência da República, 2009, p. 8). Hence, PAI can be understood not only as influencing, if not driving, the decentralisation process with a focus on OLE, counting on the strong interest and ownership of the president himself, but also as an instrument of vertical monitoring of local government and party institutions. Leininger (2011) and Leininger et al. (2012) see the PAI as a potentially determining factor in central–local state and party relations and in promoting local government by fostering and consolidating clientilist relations with local stakeholders for the ruling elite.

In practical terms, PAI consisted of visits to municipalities and districts lasting between two and four days. The preferred means of travel of the president and his entourage was a fleet of up to five helicopters chartered in South Africa. These expensive visits, including logistics, meeting places and accommodation, were prepared in advance by officials of the Office of the President and the MAE. In fact, MAE was the institution charged with the preparation and follow-up of those visits. Often, the governor of the province visited, and the administrators of all districts and the mayors of all municipalities were obliged to participate in the PAI events, making it an excessively costly undertaking.

During meetings with the local government and in the popular meetings (comícios), the president participated in the evaluation of government programmes (balance), clarified the policies and programmes of his government aimed at poverty reduction and rural and infrastructural development, and presented his ideas on stimulating agricultural diversification, mechanisation, post-harvest storage, marketing and increasing productivity, for example by promoting large-scale investment in ‘green’ raw material for fuel production (Jatropha). It was also during a PAI event that the president announced changes in the approach to decentralisation financing in relation to the FDD (see

94 This section draws on the extensive empirical study by Leininger et al. (2012).
Section 5.3 above). The president also took the opportunity to listen to the opinions, suggestions and complaints of – often preselected – members of the local population, promising ‘corrective measures’ in the case of complaints or adjustments to local development and investment priorities. In several cases, local officials in district governments, including the administrator, were dismissed and reposted elsewhere.

Because of PAI, PESODs had to be readjusted very often. This is evidenced by several interviews conducted in the context of the study by Leininger et al. (2012). MAE was charged with recording the ‘orientations’ and suggestions from the president in the form of an intersectoral matrix and also with following up their implementation. In compliance with the implementation of the matrizes, quick progress was expected as these had to be updated every three months. This not only led to the prioritised implementation of the matrizes by district administrations and their technical teams (Equipas Técnicas Distritais), it also meant that this process had priority over those defined in the PESOD. It resulted in strengthening the role of the central government because it made the subnational actors and district administrators accountable to the national government, and not to the local community or the CC.

Furthermore, in closed meetings, the president, in his position as president of Frelimo, gave orientation orders regarding internal party matters, e.g. in preparations of intra-party elections and of major party events or local government elections. PAI, financed by the government budget, thus served not only as a method of local government monitoring, but also as an occasion to consolidate the Frelimo party, promote and/or dismiss functionaries and resolve internal conflicts.

While PAI had the advantage of strengthening the direct link between the president and local stakeholders and the population, this method was expensive and impacted on the district budget. It ‘redoubled’ the function of local government monitoring held by MAE, the Ministry of Public Service (Ministério da Função Pública, or MFP) and their inspectorates, and the provincial governments. It also sidelined the SMoDD introduced by the PNPFD.

In conclusion, therefore, PAI – not enshrined in the constitution or codified by law – is an informal yet expensive method used by the highest representative of both the state and the ruling party to directly influence the outcomes of decentralisation, local government activity and electoral behaviour, to the detriment of established formal procedures and legislation. PAI is hence another example of the intrinsic link between politics, administration and economics (discussed in Part II, Section A, 3 and 4), which is characteristic of a dominant centralist system.
7 Conclusions

7.1 Triggers of Decentralisation
From the rules of the game perspective, we conclude that the formal institutional framework for decentralisation was put into place in 1994, when Law 3/1994 was approved by the then still one-party (Frelimo) Parliament. The attempt to create stronger local governments resulted from recognition of what could be called a 'state deficit' (Offe, 1987) at local level. This was caused by a failed (socialist) modernisation, a nation-building project of a centralist nature, but without clear ideas of how to replace the inherited centralised and authoritarian state, which was maintained and partially enhanced, despite the Frelimo rhetoric of its 'destruction' (escangalhamento). The other factor leading to decentralisation was the devastating effect of the civil war-cum-regional destabilisation war. This led to the conclusion that Frelimo, despite its claim to power and hegemonic rule, was not able to control land, people and resources with its top-down approach of 'democratic centralism'. Decentralisation thus became a carefully 'controlled option' in a strategy aiming at maintaining political and economic hegemony and regaining legitimacy. As the former minister of state administration, Aguiar Mazula, said: ‘Whenever we, Frelimo and our state are in a severe crisis, we rediscover the virtues of local government’.

7.2 Critical Juncture and Path Dependency
Frelimo’s initiative, linked to the Rome Peace Process, initially foresaw the phased devolution of power and resources to elected mayors and district administrators, (multiparty) local assemblies, and local governments with a high degree of fiscal, administrative and patrimonial autonomy, across the whole country, i.e. for both towns (municipalities) and districts (rural autarquias). This approach, however, was revised after the electoral results of the first multiparty elections in 1994 were known. They showed unexpected widespread support for the Renamo party, which represented, from a Frelimo perspective, an armed rebel group, at best, or armed bandits, at worst, contesting their hegemonic claim to power. This was unacceptable to the hardcore factions in Frelimo, who already considered the GPA of Rome as providing too many concessions to Renamo, particularly in areas essential to their self-understanding: the security apparatus, i.e. the military, the police and the state security as coercive instruments of control of people, territory and resources (Igreja,
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2015). Seen from that angle, it is consequential that the decentralisation legislation was revised because of informal, behind-the-scenes negotiations within Frelimo, while the government publicly maintained its commitment to Law 3/1994 until 1996, when the constitution was amended. Therefore, 1996 and the amendment can be seen as a critical juncture for decentralisation in that it created the conceptual separation between autarquias or poder local, i.e. the devolved local government in urban areas, on the one hand, and deconcentrated local bodies of the state (OLEs) for the districts, on the other. As demonstrated in the sections above, the latter aimed at assuring that the central government remained in control of the levers of power, territory and resources. The resulting legislation, both for municipalities, and, six years later, for OLEs, is path-dependent on this formal (constitutional) alteration of the rules of the game, brought about informally. Now that there is again a critical juncture caused by the interplay of various factors, including armed conflict, there is a need to revisit decentralisation, its forms and thrust, as part of a political solution to the conflict.

Further, it should also be mentioned that some public services most relevant to local government were not considered for decentralisation, at least not explicitly, particularly those related to management and information systems. Thus, e-SISTAFE is managed centrally, without deconcentration to provincial level, and the administrative and territorial organisation of the ATM, the INE and the Conservatório de Registo e Notariado of the Ministry of Justice ignores districts and municipalities as discrete units for data collection and information provision. In addition, the management of land is only partially decentralised to municipalities, with a tendency of recentralisation during the past decade (DFID, 2013). The information asymmetry is not only tilted against the politically and economically excluded elites and the public in general, but also against the legitimate information interests of local and provincial governments. These are often the last to learn about decisions, negotiations and contracts made at central level, e.g. on resource extraction, which affect their territory and may cause massive conflicts as evidenced in the case of coal extraction in Tete Province.

7.3 Conflictual Coexistence of Devolution and Deconcentration

Since then a ‘two pillar model’ or ‘bifurcated decentralisation model’ or, phrased more critically, ‘a kind of [administrative] apartheid’ (Galli, 2003, p. 9) approach to decentralisation has been in place (Weimer, 2012). It has produced not only a fragmented administrative local government system, but also two sets of citizens, treated differently in terms of (local) citizens’ rights and duties as taxpayers,

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98 The Law on the Right to Information (Law 34/2014 – Lei do Direito à Informação) was only enacted at the end of 2014, with its regulation in the form of a governmental decree approved on 13 October 2015.
voters, etc., and two ways of (formal) relations between the central and the local
governments. In the case of the autonomous municipalities, these come under the
tutelage of central government, whereas the OLEs are subordinated to it.

Renamo’s attempts to contest Frelimo’s hegemonic control over the state,
people and resources in the case of municipal governments have been part of
decentralisation’s continued path dependence since that critical conjuncture in
and 2013, the government attempted to limit those municipalities’ ‘space
of manoeuvre’ through various legal, administrative and other means. One is
Decree 65/2003, passed by the Council of Ministers after Renamo won in five
municipalities. It foresees in the same municipal territory a ‘municipal district’ in
line with LOLE, in which the district administrator features as ‘representative of
the state’, in the autarquia a figure already stipulated in Law 2/1997. Other less
formal measures to limit Renamo’s influence in municipalities were the withdrawal
of official municipal assets, e.g. office equipment, archives, before handover to the
new government; attempts to reduce municipal territory and thus its population,
with negative effects on the tax base, e.g. in the case of Beira; and withholding
part of the financial transfers the municipalities are entitled to. The electoral
authorities attempted on various occasions to manipulate municipal elections in
favour of the ruling party, leading to a second round of municipal elections in
Nampula and Gurue in the 2013 elections.

7.4 Fiscal Decentralisation with Limited Resource Transfer
As we have shown, the degree of fiscal decentralisation is limited, with little or
no effects on resource allocation at central government level, but a shift of fiscal
resources (for recurrent expenditure, i.e. salaries) from provinces to districts, and
some improvements for municipalities. Unlike the districts, the latter benefit from a
genuine intergovernmental fiscal system (with entitlement to GPGs and conditioned
grants and with financial autonomy), and have a tax base of their own, enlarged
by the municipal finance reform of 2008. However, the share of budget transferred
to municipalities is comparatively small (1.5%) in relation to overall fiscal revenue.
Two main caveats are, firstly, the marginal use the municipalities make of their own
revenue potential, i.e. the neglect of fiscal revenue sources (taxes) such as property tax
and property transaction tax. While increased investment in the institutional capacity

99 In 2004, Renamo won the municipal elections in Nacala, Angoche, Ilha de Moçambique, Beira and Marromeu, and
in 2008 MDM won in Beira and Quelimane, adding Nampula City and Gurue in the 2013 municipal elections. For an
analysis of ‘municipal regime change’, its causes and consequences, see Nuvunga (2012).
100 This happened, for example, in the Municipality of Ilha de Moçambique.
101 After the 2013 municipal elections won by MDM, the CM of Nampula received 9 million MT less than it was
entitled to, equivalent to 7% less of the FCA according to government sources. The Nampula mayor, Mahamudo
Amurane, confirmed having received a lower FCA amount than his predecessor in the previous fiscal year (interview
12/10/2015).
of municipal revenue administration and major tax effort could at least double the municipal revenue (Weimer, 2012), the present local political economy and power relations may mitigate against a breakthrough in increased municipal tax collection. The second caveat is the relatively poor endowment with fiscal resources for investment in public infrastructure and services. The municipalities are increasingly unable to perform their core functions.

Neither provincial nor district OLEs have a significant tax base of their own, or are part of an intergovernmental fiscal system based on a subsidiarity principle, a revenue-sharing formula and autonomy for subnational governments. They receive annual allocations on a discretionary basis, reflected in the annual OE and approved by the AR. The present patterns of resource allocation ignore the need to balance stark differences between provinces in natural resource endowment and mineral revenue potential, in poverty levels and per capita expenditure allocation and net transfers of fiscal resources. If not addressed, this state of affairs is potentially politically explosive, especially in provinces that have a strong electoral inclination towards the opposition.

7.5 Limited Local Service Delivery Capacity

The district OLEs have limited budget allocation for capital expenditure, since resources are used to cover recurrent expenditure (salaries), especially in the education sector. Given the limited resources for investment in and expansion of basic public services, the available resources serve to maintain the status quo and make incremental improvements. A breakthrough in the expansion of rural health delivery services and supplies with medicines, the expansion of water and sanitation systems, rural development and agricultural extension services cannot be expected in the short and medium term, unless the resource allocation to districts is significantly improved. Municipalities have had some success in service delivery (infrastructure, markets, etc.) since they spent on average around 50 % of their budget on capital investment during the past years. However, outcomes are still far from those desired and expected in terms of quality and coverage. Solid waste management, urbanisation and housing, as well as road construction and maintenance, are particularly affected. Water and electricity are supplied by SOEs (FIPAG and EDM, respectively) which enter agreements with subcontractors and municipalities, but with their investment plans not necessarily harmonised with the municipal expansion plans. There is slow progress in the transfer of functions in primary education and health to municipalities in some towns and cities. However, the corresponding resources, notably for salaries and equipment, remain under control of the provincial or district governments, leading to a double subordination of nurses and teachers under municipal and OLE authority (see Part III, Section 2.4).
7.6 Need for a New Reform Initiative?

The 20 years of decentralisation in Mozambique, initially driven by the devolution approach, have witnessed several changes in the rules of the game in favour of the deconcentration model and a recentralisation and consolidation of the powers of the ruling party and its successive governments, to the detriment of opposition parties. What we have witnessed is a kind of rollback of the initial decentralisation process, or a move ‘from abertura [concerning devolution] to closure’ (Joseph, 1999). A recent comparative study on decentralisation in Africa confirms this move not only for Mozambique but for other African states as well (Dickovick & Wunsch, 2014).

The outcome of this process is, in legal and institutional terms, the fragmentation of local governments, a complex institutional and legal framework only fully known to specialists and a categorisation of Mozambican citizens into two segments: those who hold municipal citizens’ rights and those who do not enjoy the same rights. Further, many citizens, particularly in rural areas, do not exactly know which local government oversees which service or what bureaucratic matter. In terms of fiscal resources, both municipal and district governments remain underresourced in relation to their service delivery functions and their share of national budget, despite some significant gains in relation to the status quo ante.

Considering a contradictory decentralisation process, the recent demand for autonomous provinces and the inadequate fiscal endowment of both devolved and deconcentrated forms of subnational governments, a new decentralisation reform initiative seems to be called for. The theoretical options are discussed in Part IV, Section 3.

What could be the elements of such a reform initiative? From our point of view, there are four urgent issues a reform would need to address:

- Simplification of the institutional decentralisation framework based on a sober assessment of the experiences of the past 20 years. The aim would be to define the responsibilities and division of territorial responsibilities and functions between the local governments, as well as the vertical and horizontal dimensions of accountability, with an emphasis on the empowerment of local communities and citizens and their local leaders. A revisiting of Law 3/1994 might be useful in this context.

- A clear definition of the functions, resources and powers of provincial governments and of provincial assemblies as an intermediate government agency positioned between central and local governments.

- The design of a coherent, integrated, intergovernmental fiscal system with a revenue-sharing formula, capable of not only effective and transparent
allocation of fiscal resources to provincial, district and municipal governments in a predictable way, but also of addressing distributional issues related to differences in per capita expenditure for provinces and their endowment with mineral wealth and related revenue potential. Such a system would also need to address the generation and allocation of land-use-related sources of revenue, a subject neglected thus far, to the detriment of the interests of local governments and communities.

- The high rate of urbanisation which requires municipalities to increasingly provide public infrastructure and services. Given their structural and current challenges concerning fiscal sustainability, there is a case to be made to increase fiscal means for their function as public service providers. The cited MEF/GIZ study on fiscal transfers consequently suggests another round of reform of municipal finances, with the following components, all of them discussed above:
  - The reintroduction of a performance criterion in the formula to stimulate the mobilisation of OSR, notably fiscal revenue with property-related taxes as a main source (IPRA, IASISA). This would also imply a reduction of GPG (FCA) and eventually productive gains for the municipal administration, which would become more accountable to the local taxpayer.
  - Adjustment of the municipal tax base, with a transfer of ISPC to the municipality. This would contribute to avoiding the double taxation of poorer strata of citizens, with its regressive effects.
  - A substantial increase of conditioned grants for public infrastructures and services, complementary to FIIA. This could be financed by redirecting PERPU to its original purpose: financing infrastructure. A bias in favour of smaller and younger municipalities could be considered. Another source could be foreign aid pooled into a municipal infrastructure development fund, to be supervised by a multistakeholder body (government, the National Association of Mozambican Municipalities [Associação Nacional de Municipios Moçambicanos, or ANAMM], CSOs, international development partners [IDPs]) and managed by a company.

Since the elaboration of a reform proposal with those components is politically controversial and complex, the way forward would be to establish a technical commission or task force supported by national and international experts, which would present its proposals to government, Parliament and society. A more mature proposal could also be subjected to a referendum. Sceptics would deem such a proposal as hardly feasible for implementation. However, the authors consider such
an approach as a possible positive response to President Nyusi's challenge to the public, uttered on Mozambique's 40th independence anniversary in 2015, when he mentioned the need for reflection regarding the long-term vision for a prosperous country which serves its citizens.\footnote{Mozambique: Mozambican President Wants Reflection on Next 50 Years, All Africa.com, 26 June 2015, http://allafrica.com/stories/201506290315.html.}
C. Here and now: The current context

The present moment is considered a unique window of opportunity to revisit the Mozambican decentralisation process by conducting a PAE study and making it available to government, other stakeholders and Mozambique’s aid partners and donors, as a contribution to a necessary discussion. What are the main events in the here and now that influence the course of Mozambique’s political and economic agenda, development trajectory and approach to decentralisation, and their outcomes?

In the following sections we first analyse the present socioeconomic situation and outlook, which has suffered from the devastating impact of odious debts\(^\text{103}\) and their consequences for economic growth, FDI and aid inflows as well as the international reputation of the country. We also address how the present severe economic crises affect local governments, i.e. municipalities.

Secondly, we shed some light, from a historical perspective, on the ongoing peace process, its shortcomings and prospects, and for which the issues of decentralisation, more autonomy for provinces and a review of the mode of choosing the governor have been sticking points. Others are the end of armed activity, the definite demilitarisation of the armed ‘residual forces’ of the Renamo opposition and their integration into the national security forces.

1 Economic Context and Outlook

Mozambique, once considered a model of development success, is undergoing a profound structural and cyclic economic and fiscal crisis with multiple symptoms, which, for some observers, are typical of a fragile state. For others, they are indicators of a state on its way to failure, taking the criteria discussed above (Part I, Section 2.3) into consideration. In this section, we highlight the key features of the current economic and fiscal crisis, which largely has domestic causes.

1.1 Odious Debt and Unsustainable Debt Burden

In the first quarter of 2016, large-scale government-guaranteed loans of some US$2 billion became public. These were incurred by three Mozambican private companies linked to the security establishment: Mozambique Asset Management (MAM, US$535 million), Proindicus (US$622 million) and Empresa Moçambicana de Atum (EMATUM, US$850 million). The sources of the credits were, in the case of Proindicus, loans from Credit Suisse and VTB Bank, and in the case of the MAM loans, VTB Bank. The EMATUM loan was raised on the European bond market, with

\(^{103}\) In the following section, we draw on the study by Williams and Isaksen (2016).
US$500 million managed by Credit Suisse and BNP Paribas, and US$350 million arranged by VTB Capital. In incurring these liabilities, constitutional and budgetary rules were violated and the AR, whose assessment, approval and monitoring of such debt is required by Paragraph 2 of Article 179 of the constitution, was completely sidelined (Fórum de Monitoria de Orçamento, 2016). This opinion was later confirmed by both a parliamentary commission of enquiry and the Auditor General in the Third Section of the TA.

The credit was used to invest in maritime security in the expectation of a US$100 billion investment in the exploration of natural gas in the northern part of Cabo Delgado. Because of security concerns, the credit deals were kept secret to avoid scrutiny by Parliament and the media, and partially camouflaged as investments into tuna fishing, with fishing boats acquired to this effect. However, as the parliamentary commission of enquiry and a minority report by its only opposition member suggests, the purpose was a military one, i.e. purchase of navy patrol and interception boats, coastal radar and aircraft. It also apparently included the clandestine purchase of weapons and means of troop transport destined for the war against the armed opposition. The main contractor of the equipment and services financed by the Credit Suisse and VTB credits and guaranteed by government was the naval security and shipbuilding company Privilinvest, under the umbrella of Abu Dhabi Mar, a company run by Aram and Iskandar Safa, French citizens hailing from Lebanon. According to estimates, the total value of the security-related hard- and software is about US$500 million, one-third of the total debt incurred. The whereabouts of the remaining sum is at present under a forensic audit exercise, executed by international consultants Kroll Associates UK on behalf of the Mozambican Attorney General and financed by the Swedish government. The consultancy report, originally scheduled to be made public in March 2017, has not yet been handed over to the authorities. The deadline was extended twice due to difficulties getting access to accounts, notably those of Privilinvest/Abu Dhabi Mar.\textsuperscript{104}

In April/May 2017, ignoring the verdicts of both the parliamentary commission of enquiry and the technical opinion of the TA, the Frelimo parliamentary majority approved, retroactively, the inclusion of the debts in the state accounts for 2015, which covers the odious debts incurred in the two years before. In doing so, Parliament not only contradicted itself but also plunged the country into a constitutional crisis, since the interests of the executive in the debt matter were given priority over the AR’s role of authorising and monitoring government action in as far as these debts are concerned (CIP, 2017).

The odious debt and the way it has been politically handled has pushed the country’s debt burden to unsustainably elevated levels, above 80% of GDP (see

\textsuperscript{104} The Wall Street Journal, 28/04/2017, \url{https://www.wsj.com/articles/auditorson2billionmozambiquedebtsalesstill-cantfindallthemoney1493399832}.}
Part II, Section A, 3), and put enormous pressure on both the current account and the International Liquidity Reserves (Reservas Liquidas Internacionais, or RIL). The dramatic increase of debts discussed earlier was accompanied by a restructuring in the composition of debts. Non-Concessional Borrowing (NCB) increased 13 times faster than GDP, amounting to 34% of total public debt in 2014, jumping to 67% of GDP in 2015 (against 39% in 2008) (Castel-Branco & Massarongo, 2016a). NCB is much more costly than Concessional Borrowing (CB) and risky when used for investments which have little prospect of producing medium-term returns, as the cases of EMATUM, etc. vividly demonstrate. Increasingly, NCB is used to finance those SOEs with financial and administrative autonomy, such as EDM, TDM, FIPAG and LAM, some of which were analysed in Section B, 2.4. Considered as fiscal risks by the World Bank, government itself believes that at least half of the SOEs are not economically viable and should therefore be privatised (Banco de Moçambique, 2016). Reliance on NCB may trigger a downward spiral of more financing needs or more borrowing, and/or a reduction of the primary budget deficit through a raising of revenue and/or reduction of spending. Both have a negative impact on private sector activity and growth and thus on revenue generation (Nucifora & Staines, 2010).

As the public and commercial debt grew, the country’s international creditworthiness tumbled as per the ranking by rating agencies. Taking one of the three main international rating agencies, Fitch, as an example, in 2014 it still classified Mozambique in category B+ due to its impressive growth performance ‘which had outpaced rating peers for more than a decade’. Yet, only three years later, in April 2017, the country’s rating score had been downgraded to RD, the lowest possible rating on a scale of 10 possibilities, due to the country defaulting on its credit obligations. This reflected ‘the inability of the Mozambican government to cure the default on external debt to private creditors’, having missed two payments (US$60 million to the EMATUM-linked Eurobond, and another US$119 million on loans to Proindicus) with no agreement with creditors in sight concerning rescheduling debt service payments. The RD classification represents a non-investment grade and this downgrading sends a strong signal to potential foreign investors that the country is not a safe place for investment, curbing the confidence and attractiveness that Mozambique had in the previous boom phase. It further accelerated the drop of FDI already observable between 2013 and 2014, when FDI inflows and stock dropped from 40% of GDP to below 30%.

105 Highly concessional borrowing for CB according to the terms of the International Development Association (IDA) are at a 10-year grace period, 40 years’ maturity and at 0.75% interest, whereas NCB is on commercial terms at a one-year grace period, 10 years’ maturity and 9% interest (Nucifora & Staines, 2010).
1.2 Fiscal and Economic Consequences

Following are the macroeconomic consequences of the odious debts and the other factors analysed at the present critical juncture:¹⁰⁸

- A reduction of the projected growth rate of 8% (2015) to 3.3% at present;
- A drop in foreign aid, as percentage of the total annual budget, from 40% in 2013 to 25% in mid-2016. Only in 2014/2015 was there a reduction of 25% in relation to 2014 aid inflow. The freezing of IMF support to Mozambique and of budget support by PAP left a ‘hole’ of US$400 million;
- The depreciation of the value of the national currency (Metical) in relation to the South African rand and the US dollar between end of May 2015 and 2016, losing 68.6% of its value in relation to the dollar. This automatically implied an increase of the external debt/GDP ratio, as well as a negative impact on the current account, when, for imports of essentials, including food stuff, quoted in US$, at least 70% more had to be paid than in the years before, leading to an outflow of RIL;
- The burden on foreign exchange reserves and the higher import prices led to an increase in inflation from 2% (in April 2014) to just below 20% (in April 2016), making even basic foodstuffs less and less affordable to the poorer strata of society;
- The drastic reduction of net RIL, from US$2.6 billion in July 2015 to 1.8 billion in January 2016, reduced the country’s import capacity and put the budget under stress, since the average annual export earnings also dropped by 10% during 2013 and 2016;
- A substantial drop in FDI between 2013 and 2015, of 40% or US$600 million, corresponding to less than 30% of the FDI/GDP ratio. Between 2013 and 2016, the average annual decrease of FDI inflows was 26.6%;
- A significant drop of government expenditure and revenues from 2014 onwards;
- A generalised socioeconomic crisis leading to an increase of business closures and unemployment.

By the beginning of 2017, at least the depreciation of the Metical against foreign currencies as well as the dramatic outflow of RIL had come to a halt, with the Mozambican Central Bank (Banco de Moçambique) increasing interest rates and establishing restrictions on the outflow of foreign exchange, as well as on the import of non-essentials. However, there has been some ‘invisible’ damage done to economic actors and the society, which have increasingly expressed a vote of no confidence in the economic management capacity of

¹⁰⁸ Data taken from Banco de Moçambique (2016, 2016a, b), IMF (2016) and Lazard Frères & White & Case LLP (2016).
the government. Government is blamed that ‘não há dinheiro’ (there is no business), a complaint often heard from business people of small and medium-scale enterprises from the north to the south of the country.\textsuperscript{109} It will take time for the ‘bloodletting’ associated with the odious debts to be overcome, both economically and politically.

1.3 Impact on Municipalities
All municipalities are affected in three ways by the present economic crisis and the severe budget constraints:

\begin{itemize}
  \item[a)] Diminishing national fiscal revenue, the basis of determining the fiscal transfers to municipalities (FCA, FIJA, FE), will reduce the total volume of transfers to municipalities, reducing their total revenue. Figure 8 (Section B, 5.5) illustrates the sharp drop in available resources for municipalities;
  \item[b)] The increasing inflation coupled with the deterioration of the exchange rate (relevant for imported goods and services) leads to an increase of cost on the expenditure side of the budget, lowering its ‘purchasing power’, especially concerning capital spending (infrastructure, heavy equipment, public services);
  \item[c)] The economic crisis leads to reduction of the economic and fiscal base, since it leads to reduced economic activity, closure of businesses, increased unemployment and reduced private spending. This negatively affects the OSR of the municipalities, and, together with the previous two points, produces a reduction of municipal capacity to improve municipal services in terms of quality and coverage. This in turn leads to less willingness of the municipal citizen to pay taxes, and to an informalisation of the economy.
\end{itemize}

The municipalities’ coping strategies will obviously vary with their size, economic and fiscal base, and technical and negotiation capacities of their governments. The larger and more economically diversified autarquias will be better equipped to absorb the shock caused by central government’s debt and budgetary policies.

Under these conditions, central government declared that spending of scarce resources will be on social infrastructure and services as priority areas. Spending on municipalities is unlikely to be a government priority.\textsuperscript{110} Municipal support programmes will thus increasingly be perceived not so much as partners in municipal development and governance, providing technical support, etc., but as a gap filler for an increasing municipal fiscal gap left behind by the economic and fiscal crisis.

\textsuperscript{109} Interviews with several municipal government officials and businesspeople in Nacala Porto, Ilha de Moçambique, 27-28/10/2016, and in Vilankulo (18/11/2016).
\textsuperscript{110} Interview with Eduardo Nguenha, Executive Secretary, ANAMM, Maputo, 7/11/2016.
of the national and local economy. Price increases for basic food, fuel, etc. are likely to produce social upheavals, criminality and insecurity, which may be difficult to contain. Social aspects of municipal development will therefore increasingly require the local governments’ attention. Under the present socioeconomic conditions and fiscal stress, local regime changes in the municipal elections scheduled for October 2018 may not be excluded.

1.4 Economic and Fiscal Crises: A Critical Juncture

The debt scandal severely affects Mozambique’s international reputation and the confidence of its citizens in the country’s leadership at a critical juncture in its history.

Beyond the political and military conflict and ongoing peace negotiations, discussed in Section 2 below, there are five critical moments which come into play when analysing Mozambique’s current economic and fiscal challenges.

1.4.1 Delayed Natural Gas Exploration in the Rovuma Basin

The first is the expected economic bonanza linked to the on- and offshore exploration, processing and export of natural gas in the Rovuma Basin in the northern part of Cabo Delgado Province. The country is also set to soon become a major global player in the LNG business due to enormous gas reserves in that province (and to a lesser extent in Inhambane Province). In fact, the deal involving EMATUM, Proindicus and MAM hinged on the premise that the operators in the gas business would buy the services from those companies, on the assumption that the companies ‘would pay an annual fee of US$3 million per rig, that vessels transiting the Mozambique Channel would be charged a fee for security services, and that the tuna fishing industry would provide revenues for loan repayments’ (Williams & Isaksen, 2016, p. 7). As of September 2016, however, the two main oil and gas firms operating in the Rovuma Basin (Anadarko and ENI) had signed no contracts and the final investment decisions (FIDs) for both the onshore LNG plants (Anadarko-led consortium) and the offshore plant (ENI-led consortium) have not yet been taken. The FID in both cases is expected to take place by the end of 2017 (offshore) and by mid-2018 (onshore), despite Exxon Mobil having acquired a US$2.8 billion share from ENI in March 2017 and a partially secured market (China). Both the odious debt-related decline of investor confidence in the government and the low energy prices play a role in the delay of LNG production, expected to come onstream in the early 2020s.\(^{111}\) One of the major challenges is for ENH, shareholder in both the ENI- and Anadarko-led consortia, to raise its share of the investment volumes needed, estimated at US$2.2 billion, under the present condition of damaged international reputation and creditworthiness.\(^{112}\)


\(^{112}\) https://www.ft.com/content/27c165a6-91d3-11e5-bd82-c1fb87bf7af.
1.4.2 Change of Aid Paradigm with Reduction of Aid Inflows

Secondly, the contraction of the secret debt occurred at a time when the relationship with aid partners suffered a change of paradigm, away from ‘aid for development’ to ‘private investment for economic growth and resource extraction’, and with a profound process of change of commitments of donors and the modalities of aid delivery. This is felt most regarding the PAPs, which give budget support to the Mozambican treasury in various forms. Not only was the total number of PAPs reduced by five in 2015 (from 19 to 14), but the volume of aid has also been reduced, contributing to financing the budget with less than 30% at the beginning of 2016 as compared to around 50% about 10 years ago.\(^\text{113}\) The mix of aid modalities has increased, with a certain emphasis on sector- and pool-funded project support and substantial support to Mozambican CSOs. The causes are diverse and vary from country to country. They reflect domestic economic, social and political changes, such as the coming to power of elected parliaments less amenable to aid.

The reduction of aid flows prompted the Mozambican government to approach the IMF for emergency balance of payments assistance (de Renzio & Nuvunga, 2016). Shortly after the first disbursements of an IMF loan, the odious debts for the three aforementioned security-linked private companies, backed by government guarantees, came to light. The IMF and the World Bank, together with the other PAPs providing budget support (multi- and bilateral donors), suspended aid payments to the country. The IMF director general, Christine Lagarde, justified the boycott by citing the corruption in Mozambique and the withholding of relevant information for IMF’s routine country assessment. The IMF called for the forensic audit and stressed that, in line with IMF policies, it ‘could not disburse funds in a situation where we think the debt is not sustainable’.\(^\text{114}\) The other condition for resuming IMF support to Mozambique is a return to debt sustainability.

1.4.3 Adverse Global Economic Environment

The global environment for the Mozambican economy – extremely open and thus vulnerable to the volatility of global commodity and financial markets\(^\text{115}\) – is currently not very favourable, apart from the low international prices for crude oil which remained favourable for Mozambique between 2016 and 2017. During that period, the international price for LNG increased by a bit more than 50%, while the price for a barrel of Brent Crude only increased by around 7% from a historical low of US$38 in March 2016.

\(^{113}\) Denmark, an important, reliable, generous and critical ‘donor’ and Mozambique’s partner for more than 40 years in various fields (agriculture, health, governance and justice reform, budget and private sector support, and decentralisation), will terminate its support altogether and close its offices by the end of 2018.


\(^{115}\) As measured by the sum of imports and exports as per cent of GDP. This ratio has varied around 80% during the last four years.
Given the present low price of crude (in comparison to the high in 2013/2014), the current account registers savings in the import of liquid fuel. However, global demand and price prospects for major Mozambican exports (minerals, coal, metal/aluminium) are not very encouraging, except for unprocessed tobacco, rubies and graphite. Until mid-2016 the prices had dropped for key (potential) export products such as LNG (–21.4%), aluminium (–12.8%) and thermal coal (–10.7%), only to pick up again, in the case of the latter, by the beginning of 2017. Low commodity prices in turn increase pressure on the balance of trade and services. Mozambican energy exports to the region, a major potential market, have suffered from lack of commitment of potential buyers, notably South Africa, with a more hesitant inclination by foreign companies to consider the necessary investment in power generation and transport grids.

In addition, the following ongoing global changes impact on the Mozambican economy:

- China’s economic contraction, indicated by annual growth rates lower than expected. This affects not only the demand for raw materials from Mozambique (e.g. minerals, timber), but also the foreign investment policies and the availability of concessional and non-concessional funding for infrastructure projects. Concerning the NCB, the political and credit authorities have issued instructions to the Export-Import (EXIM) Bank of China to thoroughly scrutinise investment and infrastructure projects, in recognition of the fact that Chinese capital exports to Africa have produced limited returns for the Chinese economy so far. The ‘Chinese option’ for financing infrastructure projects in Mozambique may therefore diminish in scope.

- The increase of the US interest rate from December 2015 onwards enticed capital, particularly from emerging economics, including BRICS (Brazil, Russia, India, China and South Africa), to move to the US markets, with the potential effect of reducing the inclination of investors from those countries to do business with African and other countries. Since Brazil, India, China and South Africa\(^\text{116}\) are preferential investment partners of the Mozambican government, which has high hopes of increasing investment and business transactions, these hopes might be partially dashed if capital from these countries increasingly moves to the US. The upward trend of US interest rates will increase during the tenure of US President Trump.\(^\text{117}\)

\(^{116}\) Particularly South Africa as a potential market for LNG.

\(^{117}\) [http://www.crfb.org/papers/update-cost-rising-interest-rates2?gclid=Cj0KEQiw7viBRDpo9W8y7Ct6ZcBEiQA1CwV2kJTPt3p5c49EHm_ALG-5K8dm787cDqSR3nyLi6zKuAraT8P8HAQ](http://www.crfb.org/papers/update-cost-rising-interest-rates2?gclid=Cj0KEQiw7viBRDpo9W8y7Ct6ZcBEiQA1CwV2kJTPt3p5c49EHm_ALG-5K8dm787cDqSR3nyLi6zKuAraT8P8HAQ).
1.4.4  High Economic Cost of Corruption

At the time the odious debts were revealed in all their dimensions, Mozambique also featured prominently in the index lists of those countries prone to corruption. A study published by CIP in collaboration with U4 Anti Corruption Resource Centre/Chr. Michelsen Institute (CMI) estimated the average annual cost of corruption for the Mozambican economy as observed during the 10 years from 2004 to 2014 to be between a minimum of US$500 million and a maximum of US$4.9 billion (CIP, 2016a). The study is based on 36 case studies assessing various forms of corruption in a cross-sectoral manner. The worst case amounts to an estimated loss of about 11.6% of tax revenue, and the loss of over 17% of the value added to the Mozambican economy (CIP, 2016a). According to the 2015 Basel Anti-Money Laundering Index, Mozambique is in the top 10 highest risk bracket globally. The Index specifically mentions high rates of perceived corruption, lack of judicial strength and lack of public and financial transparency as key factors that enable money laundering. Recent notorious corruption cases for which there is evidence include the case of officials of LAM and the former minister of transport and communication allegedly receiving a bribe of US$800 000 for the purchase of two aeroplanes from the Brazilian aircraft manufacturer Embraer. The other case is that of the manipulation of the import price for liquid fuel, which produced, in the period between November 2014 and February 2015, an estimated minimum of US$80 million of illicit gain shared by a trader and the Ministry of Energy and Mineral Resources (Ministério de Energia e Recursos Minerais, or MIREME) (CIP, 2016b). In the latter case, no legal action has been taken.

1.4.5  Intra-Elite Conflicts

The last contextual element which helps explain the incurring of the odious debt is linked to an internal conflict and power struggles within Frelimo, prior to the 2014 general elections in which Frelimo, although still the majority party in the AR, lost seats to the opposition (see Figure 2). Also, the succession of the party leadership was at stake, with Guebuza seen as aiming, at least indirectly, to remain in power as Frelimo chairman or in a dominate position in the Political Commission. Under these conditions, the incurring of sector debt via the EMATUM, Proindicus and MAM loans may have served the purpose of bolstering party coherence by providing economic opportunities for opposing forces under the clout of the former president and party chairman. The study by CMI offers three ‘interlinked interpretations’ of the internal power struggles in the dominant party:

The first interpretation is that different factions within Frelimo are engaged in a period of infighting over the spoils from future gas revenues and who might enjoy

them. Second: that a faction within Frelimo aimed to push for cleaner governance in the utilization of gas revenues. Third: that a struggle occurred as to how to deal with the armed political opposition, Renamo. Whatever the motivation for the internal Frelimo struggles, Guebuza faced a narrowing window of opportunity to leverage economic opportunities based on future oil and gas revenues (Williams & Isaksen, 2016, p. 7).

With these considerations, we now turn to an analysis of the current political context, where intra-elite cleavages also play a role in the lack of political settlement of the Mozambican conflict, juxtaposing the Frelimo government and the still-armed opposition.

2 Political Context: A ‘Second Civil War’ or a Failed Political Settlement?

2.1 Internal Peace Agreement Negotiated in 2014 – and Violated in 2015

On 8 September 2014, some six weeks before the general and provincial elections on 18 October 2014, the AR unanimously voted in favour of the Internal Peace Agreement between the government and Renamo, signed by President Guebuza and Renamo leader Dhlakama on 4 September 2014. The Agreement complements the Amnesty Law for all crimes (on both sides) adopted by the AR the month before and promulgated by President Guebuza on 13 August 2014. This law gives amnesty to all those, on both sides, involved in security and military offences and crimes against state security, military crimes, and crimes against persons and property, committed between March 2012 and the time the law came into effect. It even covers specific political violence in Sofala Province dating back to 2002.

The centrepiece of the Peace Agreement, or, officially, the ‘agreement on the cessation of military hostilities’, foresees the referred cessation of hostilities and the integration of Renamo’s ‘residual forces’ into the army and police. The actual modalities thereof are left to specialists on both sides. The integration process is to be supervised by the Military Team of International Observers of the Cessation of Military Hostilities (Equipa Militar de Observadores Internacionais da Cessação das Hostilidades Militares, or EMOCHM), composed of 23 foreign military observers from Botswana, Zimbabwe, South Africa, Kenya, Cape Verde, Portugal, Italy, the United Kingdom and the US, as well as 35 from each of the government and Renamo, commanded by a brigadier from Botswana. The terms of reference for EMOCHM are specified in the agreement, and are most of its content.

Both the Amnesty Law and the Peace Agreement, as well as a new electoral law approved by the AR on 27 February 2014, paved the way for Dhlakama leaving his headquarters in Satunjira in Gorongosa District (Sofala Province) to campaign in the general elections as Renamo’s presidential candidate. He was met at his headquarters by diplomats, national mediators and Don Matteo Zuppi, of the Communità de Sant’Egidio, whose representatives were involved in facilitating the GPA signed in Rome on 4 October 1992. They escorted Dhlakama to Maputo, ending some two years in the bush in Gorongosa. The peace legislation also enabled Dhlakama to meet twice with President Filipe Nyusi in early 2015, after the latter won the presidential elections, replacing Guebuza, and was sworn into office on 15 January 2015.

Both pieces of legislation were negotiated in more than 70 rounds of talks held in Maputo at the Joaquim Chissano International Conference Centre. The government delegation was led by José Pacheco (minister of agriculture, former minister of interior and governor of Cabo Delgado Province), with Renamo Deputy Saimone Macuiana leading the Renamo side. A team of national mediators, initially rejected by the government, facilitated the negotiations. Apart from military questions and the disarmament of Renamo forces, other points on the agenda were the depoliticisation of the public administration, and economic inclusiveness. The fourth initial agenda point, a redesign of the electoral legislation, including the recomposition and repoliticisation of the electoral bodies, had already been agreed upon and turned into a new electoral law, approved unanimously by the AR on 27 February 2014.

It is important to stress that the negotiations between Renamo and the government were informal and excluded other political parties (MDM) and the media. The same is true for the process leading to the enactment of the pieces of legislation that did not follow the formal legislation process, but resulted from what was an agreement between two political parties, channelled to Parliament for approval in the national interest. These two parties, one of them in government, have been dominating politics since the GPA of Rome and their military and political stances and actions have been decisive in the question of war and peace in Mozambique (see Part II, Section C, 2).

The negotiations leading to those agreements were instrumental in bringing about the end of a period of political violence between the Renamo guerrillas and the Mozambican defence and security forces between 2012 and 2013, notably in the

120 Presently bishop of the diocese of Bologna, Italy.
121 The team was composed of Lourenço de Rosário, rector of Apolitécnica; Dom Dinis Sengulane, Emeritus Bishop of Pequenos Libombos; Father Filipe Couto, ex-rector of both Universidade Católica de Moçambique and Universidade Eduardo Mondlane; Reverend Anastácio Chembeze, Christian Council of Mozambique and head of the Mozambican Electoral Observatory; and Tafseer Sheik Saide Habibo, Comunidade Mohametana and member of the National State Council.
122 National Electoral Commission (Comissão Nacional de Eleições, or CNE) and the Technical Secretariat of Electoral Administration (Secretariado Técnico da Administração Eleitoral).
central region of the country and in Muxungue on the south/north highway EN1. They also brought about a calm environment conducive for political campaigning and elections on 18 October 2014. The Mozambican forces repeatedly attempted to take the Renamo headquarters by military assault operations, including shelling with heavy weapons, once successfully, in October 2013, when they took Satunjira, triggering a renunciation by Dhlakama of his commitment to the Rome GPA of 1992. But they could not consolidate their positions and find an answer to the sympathies and protection the local population offered the Renamo leader.

Mozambique’s military conflict from 2012 to 2014 cost the country dearly in terms of loss of life and economic damage, since it impacted negatively on the transport and logistics industry (through interruptions of traffic on the EN1, which, despite armed convoys, was repeatedly attacked), on tourism and on investor confidence. The damaging economic effects of the conflict and the war-related terminology used by the warring parties, including in their ‘peace agreement’, led to the perception that the conflict represented more than ‘military tensions’ or ‘political violence’. For this reason, Igreja (2015, p. 35), analysing the wording of the peace agreement, speaks of a ‘second civil war’. In his opinion, the 1977–1992 war between the government and Renamo forces needs to be considered a civil war, notwithstanding the fact that Renamo was, up to 1986, instrumentalised and supported by apartheid South Africa in its own regional destabilisation campaign. This point is certainly contested by the country’s political leadership, which refutes such assertions and maintains that the war was one of destabilisation, with Renamo being a ‘puppet’ supported by the then apartheid regimes in Rhodesia and South Africa.

With the electoral results showing a win for both the Frelimo presidential candidate Nyusi and his party – both with less votes in comparison to the 2009 election (see Part II, Section B, 1) – and amid allegations, and some evidence, of cases of electoral fraud, intransparent procedures and manipulations, the political tensions between Renamo and Frelimo began to increase again at the end of 2014 after the official electoral results were announced by the National Electoral Commission (Comissão Nacional de Eleições, or CNE) and validated by the Constitutional Council.

Afonso Dhlakama – with 1.8 million votes, three times as many as in 2009, and his party increasing their numbers in Parliament from 51 to 89 deputies – alleged, without much evidence, that due to fraud he was deprived of becoming the president of the country. He claimed that he and his party won the elections, particularly in six of the 10 provinces (Niassa, Nampula, Zambezia, Tete, Manica and Sofala). According to the results proclaimed by the CNE – and contested by Renamo – the party had won parliamentary elections only in Sofala and Zambezia,
and provincial elections in Zambezia, Tete and Sofala, with Renamo’s presidential candidate gaining most votes in Sofala, Manica, Tete, Zambezia and Nampula.

The sympathies for Renamo among the electorate had increased, contrary to the expectation of many that the party’s military action during 2012 and 2013 would cost Renamo votes, but it was not sufficient to attain power. The party and its leader’s increased popularity was also evident in Dhlakama’s postelectoral travels through the country, in which he tried to convince his audience that he had won the elections. On rallies often attended by large crowds he demanded an interim caretaker government of national unity to restructure the army, police and civil service, and therefore rejected his special status as opposition leader. He also threatened to ‘make a revolution’ if his suggestions, particularly regarding the creation of six autonomous provinces (Niassa, Nampula, Zambezia, Tete, Manica and Sofala), were rejected by the new government. In this case, he would seize them by force and install his own government, nominating Renamo governors.

President Nyusi offered an ‘olive branch’ of peace to his opponent by meeting Dhlakama twice in Maputo, on 7 and 9 February 2015. After the latter occasion the public was informed that Nyusi had convinced Dhlakama that the best way to change the status of provinces into autonomous provinces was via the submission of a legislative initiative to Parliament for discussion, a proposal acceptable to Dhlakama. His party submitted a bill to this effect to Parliament for reading in its first annual session from April to June 2015. It was rejected by the Frelimo majority, as was Renamo’s attempt to remedy the bill’s legal caveats by submitting a draft amendment to the constitution to the AR for its second session in October to December 2015 (see below).

The period between February and October 2015 saw a worsening of the political tensions, a return to armed clashes in various parts of the country and the official end of the national negotiation process, despite reaching an agreement in June 2015 on separation of state and party, brought about by the mediators at the Joaquim Chissano International Conference Centre. However, the mediators communicated to the public that neither negotiation team really had an interest in making concessions, ‘intentionally deadlocking’ the talks, and suggested that only another meeting between Nyusi and Dhlakama would be able to resolve the pending issues, notably the demilitarisation of Renamo forces and their integration into the army and police. The issue of autonomous provinces was not part of the negotiation agenda, but was considered a pending issue at the high-level talks between the Frelimo and Renamo presidents, not only grinding

123 A trader and business owner in Nampula expressed what many Mozambicans would obviously agree with when he suggested to one of the team members that Renamo’s military action was necessary to force Frelimo into concessions and not ‘eat everything’ themselves. Personal communication, Nampula, 13/10/2015.
125 Interview with one of the national mediators, Maputo, 02/10/2015.
the talks at the Conference Centre to a halt, but also foreclosing a meeting between Nyusi and Dhlakama. At the end of August, Dhlakama rejected an invitation by President Nyusi for a meeting and suspended the negotiation process at the Conference Centre, after 113 meetings since April 2013. Instead, both sides sharpened their political rhetoric. New clashes between the government and Renamo forces were reported from July to November 2015, some of them fought with heavy weaponry. A ‘Savimbi option’ of the security forces, i.e. the physical elimination of the Renamo leader, was publicly discussed in the media and questioned by renowned academics.  

President Nyusi insisted on fully and unconditionally disarming Renamo forces, stating that there could not be two armies in the country. Simultaneously, his government wooed Renamo soldiers, most of them ex-members of EMOCHM, who were presented to the public and integrated into the armed forces with considerable publicity. EMOCHM’s mandate had not been extended by the government upon the recommendations by the Frelimo political commission. The mission’s ‘end of mission’ was announced by Frelimo negotiator Pacheco in June, to the dismay of Renamo.

On 12 and 25 September 2015, respectively, military units associated with government forces attacked Dhlakama’s motorcade in two locations in the provinces of Sofala and Manica. The latter attack caused Dhlakama to retreat again into hiding in the Gorongosa mountains. Behind the scenes, renewed efforts were made by national mediators and Dhlakama’s close advisors to bring about a Nyusi–Dhlakama meeting. These were only partially successful and were discontinued in early October 2015. Mediators managed to convince the Renamo leader to leave his hideout and travel to Beira with them and some journalists on 8 October. In the early morning of the following day, Dhlakama’s residence in Beira was assaulted in a major military operation, his bodyguards detained and disarmed before their release, and the opposition leader put under house arrest. He disappeared days later, again to his safe hideout in the Gorongosa district, where, at the time of writing, he continues to live and command Renamo’s fate.

Not only did this operation shatter confidence in the national mediators, but it effectively brought the peace agreement of 9 September 2014 to a grinding halt. It had lost its *raison d’être*, again raising the spectre of a new round of military clashes and uncertainty at a time when the country could ill afford renewed conflict.

According to the party’s chief whip in the AR, Maria Ivone Soares, Renamo’s three main conditions for resuming elevated-level talks with the Nyusi government were:

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126 E.g. by Prof Lourenço do Rosário, one of the national mediators (see *Savana*, 2 October 2015) or by the political analyst and communication expert, Egidio Vaz (see http://ideiasdemocambique.blogspot.com/2015/11/aprender-de-angola-que-licoes.html).

127 An interview with an alleged member of the Special Police Unit (*Unidade de Intervenção Rápida*, or UIR) speaks of the existence of ‘a death squad’ tasked with targeting opposition members, including Dhlakama. See *Savana*, 11 March 2016.

128 Interview, 09/12/2015.
• a clear agenda, which could include the issue of autonomous provinces given that the Renamo legislative initiatives on this matter had failed;
• new national mediators, preferably from the Catholic Church; and
• involvement of international mediators, preferably South African President Jacob Zuma.

The Renamo leader, in a phone call to journalists from his hiding place, however, returned to his discourse of violence and announced that he would, if necessary by force, take over the six provinces where he claimed to have won and install his own government by March 2016.

On the government’s side, President Nyusi appeared to have managed to tune down the militant discourse and stance of some of his party members and of the security forces, appealing to the latter not to push the demilitarisation of Renamo soldiers to the extreme. He also repeatedly questioned the motivation of some go-betweens in the mediation process and argued for a broader negotiation framework which would include, for example, MDM and Civil Society Organizations (CSO). In his 2016 New Year Address, he stressed his continued readiness to meet Dhlakama and declared that bringing about peace and national unity were the main objectives of his government.

But there were, at the time, few prospects and indications for a breakthrough in settling the conflict with Renamo. Diplomats and Mozambican analysts alike question the capacity of President Nyusi to effectively broker a peace process between his party and his government, given that he is seen to be ‘straightjacketed within his party’. This leads us to the issue of political settlement within the Frelimo party and between this and the Renamo opposition. Before addressing this issue in Section 2.5, we discuss potential causes for the relapse of the armed conflict.

2.2 Failing Peace Agreements

By the end of 2016, i.e. in Mozambique’s 41 years of independence, the country had experienced 19 years of political strife and armed contentions of power. The Rome GPA represented a breakthrough by ending a 16-year civil war, initially with external interference. The causes of the failing internally negotiated peace process described in the section above can be analysed from two interrelated, complementary perspectives. The first is that of the failed attempt by Renamo to militarily and politically bring about changes to the LAO, which Frelimo had managed to establish and defend. As discussed earlier, the LAO and its opposite, the OAO, are used to analyse the way a given society and state structures its economy and power relations in order to adequately deal, or not, with problems of underdevelopment, violence and disorder (North et al., 2010).

129 Personal communication, 04/12/2015.
130 For the cases of Mozambique and Zambia, see Levy (2010).
underlying assumption is that the more limiting the LAO is to other political and social groups, the more the excluded elites in a society have an inclination to violently contest the established order. The historical and structural features of an LAO in the case of Mozambique were analysed in depth in Part II, Section A.

From a historical perspective, through its 16-year war (1977–1992) ending in the Rome GPA, Renamo succeeded in bringing about substantial changes towards a more open, or less limited, order of access to political and economic power and resources. One tangible outcome was the establishment of a multiparty democracy and regular elections in the aftermath of the 1990 constitutional reform and the GPA. Renamo, short of sufficient strategic, political (electoral) and military means to take over power from Frelimo, now seeks some form of power sharing, particularly at national level. It employs peaceful means such as participation in elections, parliamentary debate and legislative initiatives, but also military action since successful parliamentary initiatives mostly fail due to the Frelimo majority in the AR. The Renamo leader’s contradictory discourse, sometimes militant, violent and threatening and on other occasions reconciliatory and amenable, reflects this dichotomy of means. According to one of the mediators, a number of Dhlakama and his party’s demands reflected in the four-point negotiation agenda are legitimate, notably the demand to make a clear distinction and separation between state/public administration and the Frelimo party, non-discrimination against soldiers and officers of Renamo origin in the army and a review of the electoral legislation. The use of military force, however, is what is not acceptable to government and the national mediators, since it negates the key assumption of modern statehood that the privilege of having the monopoly of coercive power can only be in the hands of the state. The same position is held by one of the then GPA facilitators in the Rome negotiations at Sant’ Egidio.

The military element used by Renamo to achieve its objectives emulates the double strategy of negotiations and military action, grounded in Nyerere’s teachings and the Lusaka Manifesto of the liberation struggle in southern Africa, and successfully applied by Frelimo and other liberation movements (Ishemo, 2000). It gained importance in the aftermath of the Rome Agreement, particularly after Guebuza came to power. With Igreja (2015), we may assume that under the two Guebuza mandates, a roll-back strategy concerning key elements of the Rome GPA to which Renamo is party was put to work, especially those associated with a joint police and military force. As Igreja has convincingly shown, some elements of the GPA were not to the liking of some Frelimo hardliners, particularly among the war veterans. Their concerns focused on provisions which the GPA held on military, police and security matters, seen to be at the core of Frelimo’s interests and identity as a movement which successfully fought

132 Interview with one of the national mediators, Maputo, 23/09/2015.
133 Conversation with Dom Matteo Zuppi, Rome, 09/09/2015.
a liberation war to achieve independence. From that angle, Chissano, accredited as Frelimo’s chief peacemaker who brought the GPA negotiated in Rome back home, was not fully successful in safeguarding that wing’s core interests in Rome: the monopoly on the military and security apparatus. Chissano’s nickname ‘Maria’ (synonym for ‘accommodating’ and ‘ineffecual’), whose use has been attributed to hardliners in his party\textsuperscript{134} reflects an attitude in Frelimo quarters of criticising Chissano for having accepted too many concessions at the Rome peace negotiations. The same touch is contained in Guebuza’s use of the term ‘deixar andar’ (implying laxity, sloppiness) to characterise Chissano’s government. The resistance against those parts of the Rome GPA considered sensitive from a military and security perspective would also explain that the commissions foreseen by the agreement for the integration of Renamo members into the police and state security were underperforming in the GPA implementation. It left ‘unfinished business’, notably the integration of Renamo’s residual forces and Dhlakama’s armed security guards into the police.\textsuperscript{135}

As Igreja (2015) shows, the integration of Renamo members into the army, promoted by the Chissano government coming to power in the 1994 elections,\textsuperscript{136} was reversed during the two Guebuza mandates and the anti-Renamo rhetoric sharpened. Instead of ‘reconciliation’, the discourse, with few exceptions, even in Parliament, stressed the notion of ‘political enemy’, revealing what Igreja referred to as ‘Frelimo’s socialist revolution mentality’ (Igreja, 2015, p. 47) with its exclusive claim to power. Even Renamo members without any military background and good reputations as public managers were discriminated against.\textsuperscript{137}

The conflict thus also revealed internal divisions within Frelimo, including competitive clientilism (see Part II, Section A, 4). There was a dividing line within Frelimo, with one part advocating hardline military action against, and the other promoting a political settlement with, Renamo. In a speech on 2 October 2015, the national mediator do Rosário suggested that it was ‘conflicts between the political and military within both Renamo and Frelimo that killed the talks at the Chissano Conference Centre’.\textsuperscript{138} He also stressed, in an interview with Savana newspaper (02/10/15), that Renamo was divided into ‘doves’ and ‘hawks’, i.e. Renamo generals, with the latter also seeking a military confrontation with the political opponent instead of a political settlement.

\textsuperscript{134} Interview with retired senior government official, Maputo, 07/12/15
\textsuperscript{135} An international conference on the Mozambican peace process and the role of the UN organised by the Friedrich Ebert Foundation and the Stiftung Wissenschaft und Politik, with the participation of senior UN staff, including Aldo Ajello (the then Special Representative of the UN Secretary General for Mozambique), the mediator Dom Matteo Zuppi from Sant’ Egidio, Rome, and members of the Mozambican government, Renamo and the CNE, arrived at the same conclusions. See Kuehne et al. (1996).
\textsuperscript{136} The minister of defence of that government, Aguiar Mazula, in his prior role as minister of state administration, had been part of the Frelimo delegation to Rome and was thus intrinsically familiar with the details of the GPA and the challenges of its implementation.
\textsuperscript{137} An example thereof is Benjamin Pequenino, the former CEO of the national postal services, who was relieved from his functions in 2006.
\textsuperscript{138} Cited in O País, 06/10/15.
The cleavages within the Frelimo party became apparent during the transition phase from the Guebuza to the Nyusi mandate, particularly at the beginning of 2015. Not only did Guebuza attempt to subordinate the newly elected president with a direct mandate to the prerogatives of the Frelimo Political Commission, chaired by Guebuza as president of the Frelimo party. In this ‘bicephalic’ arrangement the head of state and government would, according to the statutes of the party, be an ex officio member only in the Political Commission, without a right to vote – a highly questionable assumption from a constitutional point of view. Guebuza was also seen to be adamantly refusing to relinquish his power as president of the party, which would have enabled him to control the Nyusi government under the premise that the party is above the government. Guebuza only ‘voluntarily’ stepped down from his position on 29 March 2015, after having been pressured by senior party members to do so. Nyusi was elected as his successor, but to a considerable extent remained a ‘hostage’ to the Political Commission, given that this is dominated by members loyal to Guebuza. This limited his space to manoeuvre regarding dealing with Renamo. Purportedly, the military action against the Dhlakama motorcade in September 2015 and the assault on his residence in October 2015 were taken at the margins of Nyusi’s awareness and consent. Another example is the result of the meeting between Nyusi and Dhlakama on 9 February 2015, in which the latter agreed to Nyusi’s proposal to submit the Renamo project of autonomous provinces to Parliament for debate. Once public, the Political Commission under Guebuza immediately sent senior Frelimo members to the provinces to mobilise public opinion against the project.

Both parties thus suffered from lack of political settlement within their organisations. On the one hand, their internal modus operandi or rules of the game concerning decision-making processes and the distribution of power, rents, leadership functions and publicity were not adjusted to the post-GPA reality and the new, more democratic rules of the game. This was exacerbated by the fact that both parties, throughout their trajectory as military movements and following a top-down command structure in line with their military traditions, have had little chance to develop a human rights-based, democratic, republican vision of economy and society. In this, the question of who is the (internal and external) enemy and how to deal with it was paramount for the ideology and construction of a nation based on the principles and objectives of Frelimo as a dominant movement. Frelimo increasingly defined the enemy as ‘those who are against us’, i.e. the movement, its leadership and the project of construction of a nation state (Menezes, 2015, p. 10). This struggle against the internal, national enemy, visually epitomised by the comic figure Xicanhoca in the review Tempo, justified not only the relentless fight against ‘armed bandits’ (Renamo), ‘saboteurs’ and ‘traitors’, but

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also the purification of ranks within Frelimo, and the restructuring of government and public administration (Menezes, 2015). Menezes concludes the in-depth analysis of the Frelimo discourse of the enemy and its consequences:

the impossibility of co-existence and political power sharing between movements transformed into political parties explains, in the Mozambican context, the perpetuation and the proliferation of discourses of hate against sections of the national community. These discourses, and the resulting practices continue to threaten whatever policy of reconciliation and the attempts to construct a multi-cultural national project (Menezes, 2015, p. 86).\textsuperscript{140}

### 2.3 Proposal for Autonomous Provinces

The inability to reach an agreement in Parliament on the discussion of a subject considered relevant by a cross-section of interviewees is a good example of another failed attempt to seek solutions to a problem across party boundaries, in the spirit of reconciliation and peacebuilding. The Renamo proposal of more provincial autonomy, which received some sympathy even within Frelimo, the public administration and businesses,\textsuperscript{141} appears to not have merited a broad parliamentary discussion forum, not because the subject is not relevant, but because it came from Renamo, politically driven by the party’s motivation to ‘rectify’ what it claimed to have been electoral fraud in the October 2014 elections. Thus, the bill was dismissed in its first reading. The legal initiative had resulted from an understanding between President Nyusi and opposition leader Dhlakama to find a way out of the political–military crisis.

It is true that the bill itself had various technical shortcomings and legal caveats, and the discussion was rejected on both constitutional grounds and for technical reasons. The first parliamentary Commission on Constitutional and Legal Affairs and Human Rights\textsuperscript{142} argued that autonomous provinces were neither foreseen in the constitutional concept of a unitary state, nor could they be considered part of poder local, i.e. devolved local governments, as they lacked some of the legally defined characteristics. The commission also observed that the bill violated the constitutional principle of equality, since it only sought to establish ‘autonomous provinces’ in six out of 10 provinces. Finally, the bill also failed to present the budget implications of the proposed changes, a crucial point since the bill proposed fundamental changes to the revenue system. In addition, the proposed amendment

\textsuperscript{140} Original in Portuguese; translation by authors.

\textsuperscript{141} A considerable number of interviewees, including parliamentarians, expressed sympathy for the idea of more autonomous provinces.

\textsuperscript{142} AR Comissão dos Assuntos Constitucionais, Direitos Humanos e de Legalidade (1ª Comissão), Parecer 5/2015.
to the constitution submitted by Renamo to Parliament was rejected by the Frelimo majority, since, in its opinion, it served only as an attempt ‘to accommodate the interests of a group of individuals assaulting established power’. However, Frelimo equally signalled that it would be open to a profound constitutional revision, including on the topic of more autonomy for provinces, and suggested an ad hoc commission for this purpose.

Despite its political intentions and technical shortcomings, the Renamo proposal raises a valid set of questions and seeks to provide answers: What is the role of the province as intermediate ‘entity’ between central and local governments, municipalities and districts in the present political administrative system? What is its endowment with fiscal resources and its revenue base? What autonomy does the province have in relation to allocating resources and drawing up and executing specific plans? What are the relationships and the division of power and functions between the provincial government and the elected provincial assembly? And finally, can the stark differences in natural resource wealth and per capita fiscal resource allocations between provinces be addressed?

Some of these questions and relevant data are discussed more fully in Part II, Section B, 5.4. Suffice to say here that some of the issues related to the configuration of decentralisation in Mozambique were already posed in other less conflictual contexts, for example, in the context of the public-sector reform (Monteiro et al., 2004). Even in the early days of the decentralisation debate promoted by Frelimo, the idea of autarquias was not restricted to local governments only. These were, in the opinion of the then minister of state administration, Mazula, a way to start a decentralisation process which might even eventually include aspects of autonomous, i.e. federal provincial, governments in a system of subsidiarity (see Weimer, 2012: 84f). Thus, the idea of more autonomous provinces is neither new nor restricted to Renamo.

As suggested above, the issue was not driven by a politically motivated post-2014 election agenda linked to conflict resolution, but to Renamo claiming to partake in power arrangements outside electoral competition. Decree 21/2015 on the Organisation of Provincial Governments may be a legislative reaction by government to the Renamo initiative. It reaffirms not only the key function of provincial governments, that of guaranteeing the execution, at provincial level, of government policies and programmes defined by central government (Article 2), but also strengthens the provincial governments’ supervisory and control functions in relation to subprovincial units, i.e. municipalities and district governments and their populations, in terms of planning, organisation, and administration (Article 10).

2.4 2016 and 2017: Renewed Peace Negotiations

The failing domestically brokered peace talks led to the resuscitation and escalation of military activity in central Mozambique. Due to guerrilla attacks in the central regions of the country, troops with armed vehicles were dispatched to escort the movement of vehicles on the north/south EN1, south of Sofala (between the Save River and the town of Muxungue), as well as on the EN1 leading from Inchope on the Beira Corridor to Caia on the Zambezi, and on the EN102 from Chimoio to Tete. The Gorongosa mountains to the east of Gorongosa municipality, hosting the headquarters of Renamo and its leader’s home in Satunjira, were besieged and shelled. Nearby, on the border area between Manica and Sofala Province, 120 unidentified decomposing bodies were found, probably the result of acts of retaliation for Renamo attacks. An influx of up to 10 000 refugees from Mozambique into Malawi was reported by the UN High Commissioner for Refugees (UNHCR) by April 2016, with daily arrivals in Malawi peaking at 250 per day in that month.\(^\text{144}\) The press reported numerous instances of Renamo raids on arms dumps, police stations and health posts in order to acquire weapons, ammunition and supplies, as well as attacks on trains on the stretches between Sena–Beira and Cuamba–Nacala, both important for coal export from the Tete and Moatize coalfields. Scattered armed activities were also reported by the media in other provinces (Zambezia, Nampula, Niassa and Inhambane), together with a series of what appeared to be targeted assassinations of Renamo members.\(^\text{145}\)

With the economic and fiscal consequences of the economic crises, the morale of the fighting units on both sides waning and an increase in desertions from the army, the moment arrived, in May 2016, for resuming peace talks, this time with the government’s acceptance of Renamo’s condition of international mediation.

The mediated peace talks in the Joint Commission (JC) set up for that purpose – composed of an equal number of Frelimo and Renamo members\(^\text{146}\) – started on 20 July 2016. Its objective was to elaborate a peace agenda to be submitted and approved by a high-level meeting between the president, Filipe Jacinto Nyusi, and the Renamo chairman, Afonso Mareceta Dhlakama. Three of the six mediators were

144 See http://www.unhcr.org/cgi-bin/texis/vtx/search?page=search&docid=56e91b4868&query=unhcr%20mozambique.
145 For more details, see Mozambique News reports and clippings, edited by Joseph Hanlon, http://www.open.ac.uk/technology/mozambique/news-reports-2016-0.
146 Frelimo members: Jacinto Veloso (ex-minister of security); Alfredo Gamito (ex-minister of state administration and ex-MP); Benvinda Levy (ex-minister of justice); Alves Muteque (Office of the President); António Boene (lawyer) and Eduardo Chiziane (professor of Law, UEM); Renamo: José Manteigas (MP); Jeremias Pondeca (former MP) André Magibire (MP); Eduardo Namburete (MP, Prof. for Communication Sciences, UEM); Maria Joaquina Inácio (senior party member); Leovilgildo Buanancasso (State Council). The government-nominated parties to the mediation were: Ketumile Masire, ex-president of Botswana, linked to the Global Leadership Foundation, together with Robin Christopher; Jakaya Kikwete (president of Tanzania, represented by Ibrahim Msambaho) and the African Governance Initiative, linked to former British prime minister, Tony Blair, represented by Jonathan Powell of Inter Mediate (UK). Renamo indicated three mediators, namely the EU, which was represented by Mário Raffaelli (former mediator of the Rome GPA) and Monsignore Ângelo Romano (Comunidade de Sant’Egidio); the Vatican, represented by the Núncio Apostólico in Maputo, Monsignore Edgar Pena and the secretary of the Episcopal Conference of Mozambique, Auxiliary Bishop of Maputo, Dom João Carlos Hatoa Nunes, and South African president, Jacob Zuma, represented by Messrs Mandlenkosi Memelo and George Johannes of the Ministry of Foreign Affairs.
proposed by each side, with the TOR for the mediation defined by government, which also financed the negotiation venue, Hotel Avenida in Maputo. The mediators were led by Sir Ketumile Quett Masire, the former head of state of Botswana, together with Mario Raffaelli, one of the mediators of the Rome GPA. Both also maintained feedback loops with the Mozambican president and the Renamo leader, via telephone in terms of the latter. The agenda included four points: decentralisation and provincial autonomy of six provinces and nomination of governors by Renamo; the end of military hostilities; disarmament of Renamo armed forces; and integration of disarmed Renamo soldiers into the army (Forças Armadas da Defesa de Moçambique), the police (Polícia da República de Moçambique) and state security apparatus (Serviço de Informação e Segurança do Estado).

The JC commission established two subcommissions, one on decentralisation and the other on military matters. Despite the complex negotiation set up, the JC’s subcommission on decentralisation produced, by 17 August, a first consensual agreement, signed by the heads of the two delegations in the JC and the mediators. It was communicated to the public and foresaw an unrealistic agenda of reviewing relevant legislation, submission of the new legislative package to the high-level meeting of the president and the Renamo leader as well as approval by the AR until the end of 2016. The review of the legislative package set the following seven benchmarks:

1. Partial or substantive review of the constitution;
2. Review of LOLE (Law 8/2003) and its by-laws (Decree 11/2005);
3. Review of Law on Provincial Assemblies (Law 5/2007);
4. Approval of law on provincial governance institutions (to be elaborated);
5. Approval of Provincial Finance Law (to be elaborated);
6. Review of Basic Law on Organisation and Functioning of Public Administration (LEBOFA, Law 7/2012);
7. Re-examination of the devolution model for all districts in line with (revoked) Law 3/94.

The implementation of this overly ambitious agenda had several shortcomings, both in terms of procedure and content, as well as concertation within the parties in the JC. Renamo had submitted a reform package to the subcommission, but Frelimo, although prepared with a document in hand showing openness to the idea of reviewing the decentralisation framework and to the idea of the election of provincial governors, did not submit it to the JC. The reason was presumably a lack of internal party consensus.\footnote{This paper was produced by a group of senior Frelimo members, mostly former ministers of state administration, a task force set up by the chairman of the party (interview with member of this group, Maputo, 3/11/16).} Therefore, the above package of legal reviews was not met with enthusiasm within all
Frelimo circles, and in fact the leader of the Frelimo delegation, Jacinto Veloso, had to ‘back paddle’ on this matter, already disseminated. Another challenge was the lack of linkage concerning procedures, content and time tables between the two subcommissions on decentralisation and military matters. A third caveat was the heavy presence of mediators, many of them non-Portuguese speakers, which implied slow progress in the negotiations. In addition, CSOs, as well as the opposition party MDM, unable to either conquer or be invited to the space of power, were excluded from the negotiation table. While the MDM got the chance to present its project of constitutional reform to the JC, the CSOs published various decentralisation reform proposals to contribute to and ‘inspire’ the JC’s work (CIP, IESE, MASC & ORM, 2016, 2016b), or to suggest an alternative, more open format of constitutional reform negotiations, e.g. via a nationwide constituent assembly (CIP, IESE, MASC & ORM, 2016a).

By the end of October 2016, not much progress had been made, prompting the chief negotiator, Mario Raffaelli, to change the working method. Instead of negotiating and producing legislative bills, the innovative approach sought to seek a negotiated agreement on the principles of decentralisation reform, and leave their transformation into legislation to the AR, specifically their legal draftsmen.148 This change of method did not go down well with the Frelimo leadership, which felt that the ultimate powers for the negotiations (the head of state and the Renamo leader) were bypassed in the process, leaving too much decision-making power in the hands of the mediation. In fact, it had never really had much sympathy with the idea of a foreign-mediated negotiation process. Using the interruption of the JC process due to the end-of-year holiday period and a declaration by the Renamo leader of a temporary truce during that period as an opportunity, the mediated negotiation process through the JC was quietly discontinued. Its suspension was formally announced in early February 2017.

Instead, after consultations with the Renamo leader, President Nyusi announced on 3 February 2017 (National Heroes Day) the redefined architecture and procedures for the negotiations. The key elements are:

a) Regular contact and concertation of procedures, monitoring of progress between the head of state and the Renamo leader, leading to a much higher degree of confidence in both parties and between them;

b) The establishment of two technical committees or working groups (on decentralisation, military matters) composed of two members each of Renamo and Frelimo;149

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148 For a critical discussion of the agreed principles, leaked to the media, see CIP, IESE, MASC and ORM (2016b).
c) Recruitment of two international technical advisors for each of two committees;\(^{150}\)

d) TOR for the groups and the international advisors and a time line which foresees the production of a proposal to the political leaders by September 2017;

e) Establishment of an international contact group to oversee the process, and eventually monitor and finance outcomes. The contact group’s members are Switzerland (chair), Botswana, China, the European Union, Norway, the UK and the USA;

f) Periodic briefings by the political leaders of other political parties and the public are foreseen.

The innovative approach gives much more ownership to Mozambique’s key actors and to the political leaders, is much leaner and more technically focused and works under more favourable institutional and physical conditions compared to the JC.

To the delight of Mozambicans and international observers, the first tangible results were produced by the time of the final review of the manuscript for this book: an indefinite prolonging of the truce, previously already extended twice; the withdrawal of government security forces from the Gorongosa area;\(^{151}\) and the announcement by Dhlakama that he might substitute his demand for nominating provincial governors with a solution in which governors will be elected in the next round of general/provincial elections in the last quarter of 2019.\(^{152}\)

These are not only good indicators of a breakthrough in the negotiation process, but also of the affirmation of Nyusi’s leadership within Frelimo, highly contested in the years since his election in 2014. It is, however, not yet clear what the outcome on the decentralisation issue will be, a topic considered more complex than solving the outstanding military issues, since it involves a redefinition of the sociology, geography, levels, spaces and forms of power.

According to insiders,\(^{153}\) the breakthrough in the negotiations is at least partially attributable to Nyusi’s confidence-building efforts. The president is said to be keenly aware of the long-standing, historical enmity between Shangaan and Ndau ethnicities, dating back to the times of Ngungunhane, the ruler of the Gaza Empire (1884–1895), and even before. This enmity partially explains Renamo’s fierce opposition to Frelimo, seen as a party dominated by Shangaan, and vice versa (Lubkemann, 2008). Therefore, the president, like Dhlakama, a non-Shangaan, tried

\(^{150}\) Two Zambian-born law professors, one of each indicated by the Frelimo and Renamo leader, respectively, were contracted to support the decentralisation committee and two specialists support the committee’s work on military affairs, one from Switzerland and one from the Philippines.


\(^{152}\) Mozambique 371. News Reports & Clippings, 04/05/2017 (Editor: Joseph Hanlon).

\(^{153}\) Personal communication with retired senior government official, Maputo, 11/05/17.
to establish direct contact, thus avoiding potentially ethnic-related mindreadings and the involvement of prominent ‘southerners’ or Ndau speakers, seen to have been co-opted into higher Frelimo positions in the negotiations with the Renamo leader and his close advisors. The other confidence-building factor appears to have been the choice of Gen. Lagos Lidimo as director general of Serviço de Informação e Segurança do Estado (Information and State Security Service). Lidimo is credited, including by Renamo, with having proactively and systematically addressed the challenge of forging a national army composed of members from both sides in the wake of the Rome peace agreement.

According to this logic, the president’s cryptic messages in public appearances against ‘informal intermediaries’ interfering in the peace process\textsuperscript{154} may thus appear to be directed against the group of southerners to which his predecessor is also said to belong. This group, once the centre of gravity in Frelimo politics and economic interests, appears to be losing influence and leverage due to the shift in the centre of political and economic gravity to Cabo Delgado.

If this analysis is correct, it would confirm the validity of Ekeh’s (1975) thesis of the ‘primordial public’ which implies that ethnicity plays a role in shaping public affairs and political settlements, etc. in coexistence with the ‘civic public’ of state institutions and legislation (see Part I, Section 2.3). Thus, the peace process must also be a reshaping of ethnic alliances, etc. and the redefinition of national unity. From that perceptive, more autonomy for subnational units such as provinces could make sense, also for the southerners, who at present seem to lose ground politically and economically, with the risk of not fully supporting the ongoing negotiations with the representative of the historical ‘arch enemy’.

\section*{2.5 Conclusions}

The discussions in the sections above lead us to conclude that Mozambique presently finds itself in what Antonio Gramsci would label an ‘organic crisis’, in which structural economic and political issues are intrinsically interrelated and a political and cultural transformation of an established hegemonic system seems impossible, due to the lack of a vibrant and engaged civil society, a point taken up again in Part IV. The main elements of the crises are presented and causes analysed, some in more detail in the following sections on the foundational factors and the rules of the game.

We conclude that the country is in need not only of an urgent political solution to the fiscal, economic and political crises, and of confidence-building measures between the main political actors. The progress in military issues, the truce, is certainly a strategic means to regain the confidence of Mozambican citizens, foreign donors and investors in the Mozambican political headship. But will it resolve the political issue

of decentralising power with substantial concessions to Renamo, which, we have seen, has had a persistent claim that it wants some form of power sharing in its strongholds?

Further, what are Renamo’s real intentions and motivations regarding decentralisation reform? Is there a genuine will to see the structure of the state reformed, with clear ideas on how to go about this challenge? Or is there only a short-term objective to wrestle some degree of influence, possibilities for co-optation or gaining access to rents and other financial resources? Would it have made sense, under the latter assumption, to ‘invest’ substantial amounts of money into various forms of negotiations, mediation, demilitarisation operations, etc. if, at the end of the day, the proverbial mountain gave birth to a mouse, and no true reform, including decentralisation, was produced? Would the Renamo party rank and file embrace decentralisation reform in their political programme after the retirement of their leader?

If the main purpose of decentralisation is, according to theory, the improved delivery of public services for poverty reduction, democratisation and peacebuilding at the level of local governments, and the structural strengthening of a fragile state towards state consolidation and an OAO, the underlying policies and strategies of more than 15 years of donor-supported decentralisation practice need to be reappraised. In our view, there is a need for profound reform or restructuring of the public administration system, in a negotiated way, including public finances and the role of provinces. Is revisiting the original decentralisation law (Law 3/1994) on municipal and district autonomy enacted by the then Frelimo-only Parliament, surpassed by Law 2/1997, a way forward to help make their positions converge? Or would a more radical decentralisation/devolution programme which includes decentralised management of land use and benefits, and the review of allocation criteria for capital expenditure in favour of more autonomous local and/or provincial governments, be a conditio sine qua non for a more productive and dynamic rural economy?

All these potential points of a comprehensive and encompassing reform programme would require rethinking Mozambique in its present form – economically, politically and socially. This would radically alter the sociology and geography of the established power. Therefore, such reform(s) and its drivers would need not only a clear, detached mind, political courage, consistent strategic planning and a reform programme, but also a widespread, encompassing strategic alliance among all societal forces, farmers, SMEs, political parties, religious institutions and CSOs.

President Nyusi, in a speech on 29 October 2015, 155 candidly recognised the adverse economic and budgetary situation the country finds itself in by stressing the need ‘to wake up out of the infinite dream of simple wills and start producing in a competitive and multi-sectoral manner, which will require a new attitude of state

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155 Delivered in Maputo on the 20th anniversary gala of the Millennium BIM bank.
agents, the private sector, the financial system, and society in general.\textsuperscript{156} Some months earlier, on Mozambique’s celebration of the 40th anniversary of independence, the president stressed that a profound reflection is needed regarding the long-term vision for a prosperous country which adequately serves its citizens.\textsuperscript{157}

But will Mozambique’s structural features and the established rules of the game allow such waking up and reflection for re-envisioning and redressing the country in the perspective of a presidential five-year mandate, especially about decentralisation? What would the transition from an LAO to an OAO look like under the regime of a hegemonic party with its historical background as a military movement? What would be the implications for the intra-party-political settlement in Frelimo (and in Renamo), for the political settlement between those parties and regarding the vertical dimension, i.e. the integration of local political elites into a political settlement? Before we attempt to sketch some answers to these questions in Part IV, we focus our attention of the main stakeholders in Mozambique’s decentralisation process.

\textsuperscript{156} Cited from Lusa news agency, 30/10/2015.
\textsuperscript{157} Mozambique: Mozambican President Wants Reflection on Next 50 Years, AllAfrica.com, 26/06/2015, http://allafrica.com/stories/201506290315.html.
PART III:

Stakeholders in Decentralisation

1 Introduction

In this section, we present an analysis of selected stakeholders or ‘interested parties’ in decentralisation at national, provincial and local level. They include organisations of the state, as well as non-state actors.

As has been shown for former socialist or communist countries (Groys, 2006), expecting ‘interested parties’ to conquer public space and express their support for a public policy or institution becomes more illusionary the more the society, the economy and public and private services are ruled by money and various sources and forms of access to rents, and in which the dividing line between those who have, and those who have not, becomes ever more accentuated and solidified. In such societies, used to institutional framework conditions being decreed from the top down in an authoritarian way, the capacity for dialogue and consensus-seeking on policy matters across social, economic, ethnic and political dividing lines is vanishing and being replaced by the exercise of power in its various political, economic and financial forms. On the other hand, as seen in the introductory Part I (Section 1.1), levels, spaces and forms of power exist to contest formal power and, directly and indirectly, openly and in hidden ways, influence decisions and policies. Thus, we now turn to examine the interests and practices of stakeholders in decentralisation at the various levels of the Mozambican political administrative system. This analysis helps to identify drivers and constrainers of decentralisation, as well as the incentives and disincentives for decentralisation. We conclude that macro-level institutions tend to constrain rather than promote devolution, which is not surprising when considering the historical weight of the centralist structure of the administrative system, as well as the conclusions of Part II on the rules of the game established for decentralisation.

2 Macro-Level Key National Institutions

2.1 Ministry of State Administration and Public Service

This ministry, created in 2015 by the Nyusi government, is a remerging of the two functions of state administration, including local and municipal government, and
public service. Previously joined, they were assigned to two ministries, the Ministry of State Administration (Ministério de Administração Estatal, or MAE) and the Ministry of Public Service (Ministério da Função Pública, or MFP), in the early days of the Guebuza mandate and under the impact of the public sector reform (2002–2012). Transforming MAE into a ministry of local government was proposed at the time, but not really considered despite the recognition that MAE’s main function was that of a ministry of local government for both municipalities and OLEs.

The decentralisation reform in the early 1990s was driven by MAE and particularly by its National Directorate of Local Administration (DNAL) in the framework of the World Bank-financed Programa da Reforma dos Órgãos Locais. It was instrumental in preparing and seeing through the introduction of the first 33 municipalities and the respective legislative framework and early capacity-building measures. It is noteworthy that it also played a significant role in integrating Renamo-held districts and administrative posts into the public administration, in the post-GPA period, which included contracting and training administrators indicated by Renamo.

In 2002, the National Directorate for Municipal Development (DNDA) was created, aimed at supporting and controlling municipal development, thus partly exercising the function of administrative tutelage over municipalities, a power attributed by law to the minister of the institution. This has now been delegated to the provincial government, to its Permanent Secretary (PS), whose office is assisted by the Department of Territorial and Municipal Administration (DATA). The PS office and DATA are, in practice, triply subordinated, i.e. under the provincial governor, the minister of MAEFP and the Frelimo party hierarchy.158 It is MAEFP’s explicit aim to strengthen the inspection and control function exercised by the principal government, i.e. its PS, over both district and municipal governments and the civil service.159

The DNDA in MAEFP is a key actor in defining, implementing and monitoring policies, strategies and decrees, which, in one way or another, affect the political, fiscal, institutional and even territorial space that the Frelimo government provides for municipalities. This is different from central, provincial and district government (‘direct administration’) and is considered a form of ‘indirect administration’, despite its direct legitimisation through a democratic process (see Part II, Section B, 2). It was also this ministry which was charged with implementing and overseeing the dual strategy for both municipalisation and deconcentration, with DNAL having overseen the elaboration and introduction of LOLE between 2002 and 2005. The strategic key document is the National Policy and Strategy for Decentralisation (PEND), approved in 2012, 15 years after the establishment of the first 33 municipalities in Mozambique. Over time, the once impressive institutional capacity of MAE in all

158 Interview, senior member of Cabo Delgado Provincial Government, Pemba, 06/10/2015.
159 Interview, senior official, MAEFP, Maputo, 18/10/2016.
technical matters related to decentralisation has diminished in favour of an emphasis on administrative and legal procedures.

According to MAEFP’s National Director for Planning and International Cooperation, the ministry’s main concerns and priorities regarding municipalities and OLEs are the following:

2.1.1 Municipalities
- Improve management practices concerning urban land, town planning and development, including the management of public services such as solid waste management, particularly in metropolitan areas.
- Improve capacity in municipal public finance management and tax collection, including through the SISTAFE-compatible Sistema de Gestão Autárquica (SGA), whose development, in cooperation with CEDSIF has, however, dragged on for years without much practical result and has led, on various occasions, to strains not only between DEDSIF and MAEFP, but also between central government and municipalities. Some of them have invested in and installed PFM systems of their own and/or with donor support (e.g. Beira, Nacala, Mocuba), or have entered public private partnerships (PPPs) with a foreign-based enterprise charged with taxpayer registration and tax collection/administration, against a share of the increased revenue (e.g. in Matola, Pemba).
- Steer the controversial devolution process of state functions in primary health and education to a total of 22 municipalities, which have officially requested this transfer. In this, the ministry wants to safeguard the interests of the health and education sector, which remain with the financial resources (see Part III, Section 2.4).
- Prepare and conduct studies for the establishment of additional municipalities (for 2018, a year of municipal elections).
- Improve coordination and control of donor-supported programmes aimed at improving municipal management in various parts of the country, aimed at arriving at a unified, single municipal development programme under the roof of the ministry.

2.1.2 Deconcentration
- A review of the functionality and effectiveness of the present organisational structure of district services to improve service delivery. This might result in

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160 Interview with Candida F Moiane, National Director for Planning and International Cooperation, MAEFP, 23/11/2015.
161 The enterprise, RLG, is originally from Israel and has a contract with the Zimbabwean government to administer the country’s toll roads.
not only stronger sectoral components in the PEDD and PESOD, but also in the re-establishment of relative autonomy, which, for example, the district health sector had before it was merged with the department of social welfare and women affairs. This might imply changes to LOLE.

- Along the same lines of reasoning, promoting the decentralisation of the SISTAFE management units (\textit{Unidade Gestora Executiva}, or UGE) presently located in the offices of the district PS to the sectors.

- Consolidation of some of the results produced by the PNPFD. These include the periodic updating of the PDUT and the monitoring of performance to implement the PEDD through SMoDD, the latter now under the full responsibility of MAEFP/DNAL.

- Promoting the decentralisation of the road fund (\textit{Fundo de Estradas}, or FE) and establishing criteria for eligibility and allocation of resources to subnational units.

- Being aware of the criticism of the district governments’ lack of technical capacity to exercise their planning, budgeting, service delivery and internal control functions. Promotion of capacity building for district and subdistrict governments is considered a major task. This is to be done through the three institutions which are supervised by MAEFP: the Intermediary Training Institute of Public and Municipal Administration (\textit{Instituto Médio de Formação em Administração Pública e Autárquica}), the Higher Institute of Public Administration (\textit{Instituto Superior de Administração Pública}) and the Local Governance Training Centre (\textit{Centro de Capacitação em Administração Pública, Governação Local e Autárquica}). The issue of better resource endowments and an own revenue base for districts is not considered a priority.

Far from being the dynamic and proactive driver of devolution and promoter of decentralised planning and financing it was in the 1990s (together with the National Directorate of Planning and Budget [\textit{Direcção Nacional do Plano e Orçamento}, or DNPO]) in the then MF, MAEFP is seen to have turned nowadays into a politically driven ‘controller and administrator’ of the \textit{status quo}, with little technical competence, few resources and acting in the grey sphere between party politics and policy, and formal and informal approaches. It ensures that municipalities and devolution remain subordinated to, and controlled by, the deconcentrated model, i.e. the central state and the party which dominates it. Its functions in the PAI (see Part II, Section B, 6) and the preparation of legislation and decrees such as LEBOTA (see Part II, Section B, 2.4), which the municipalities see as legal obstacles to devolution and recentralising, underline this assertion. Several interviewees also stressed that MAEFP under Nyusi has not (yet) changed the senior staff at national, provincial and district level (including
administrators) chosen by the former president, Guebuza (based on political rather than technical merit), thus potentially stifling any new impetus decentralisation could gain from innovative ways of thinking on the matter.

The idea of institutionalising an intergovernmental coordination mechanism for the Mozambican public administration (Conselho Interministerial da Reforma da Administração Pública/Interministerial Council for Public Administrative Reform) and another one for decentralisation (Grupo Interministerial de Descentralização), and the elaboration of an action plan to implement PEND (Plano de Implementação da Política e Estratégia de Descentralização), will keep MAEFP in a key position to promote, or prevent, any changes on decentralisation the Nyusi government might want to consider, e.g. in the matter of more autonomy for provincial governments. This means that, if asked, MAEFP would need to be prepared to translate new political initiatives coming from the top, i.e. the Frelimo political commission, into concrete proposals of legislation. Such a scenario cannot be excluded, although, for the time being, the policy agenda is considered ‘business as usual’, i.e. the maintenance and enhancement of the dual system of local government, based on PEND and the principle of gradualism.¹⁶²

2.2 Ministry of Economic Affairs and Finance

In this section, we assess the ministry’s role in decentralisation. Two subsections focus on the established system of public financial management (PFM), known as e-SISTAFE, and on revenue generation and the institutions charged with those functions, the Centro de Desenvolvimento de Sistemas de Informação de Finanças (CEDSIF) and the Autoridade Tributária de Moçambique (ATM), respectively. Both are autonomous institutions under the MEF’s tutelage.

The MEF, by its very nature, is an important but hitherto not very proactive stakeholder in decentralisation in general and in devolution, a few exceptions notwithstanding. In this regard, the ministry’s main task is preparing the annual budget (Orçamento do Estado, or OE) via the National Directorate of Planning and Budget (DNPO), and allocating financial resources, in line with the priorities of the mid-term fiscal planning instrument (Cenário Fiscal de Médio Prazo, or CFMP) and the annual Economic and Social Plan (Plano Económico e Social, or PES), to the various hierarchical and geographical units of the public sector. This is done through the SISTAFE subsystems operated by CEDSIF, in collaboration with both the National Directorate of Public Accounting (Direção Nacional da Contabilidade Pública) and the National Directorate of Treasury (Direção Nacional de Tesouro, or DNT). The e-SISTAFE is also used for monitoring budget execution and producing the budget execution reports and the annual accounts (Conta Geral do Estado, or CGE).

¹⁶² Interview with Candida F. Moiana, (see FN: 159).
Part of the annual budget process is the formula-based allocation\textsuperscript{163} of the fiscal transfers to which the municipalities are entitled, notably the FCA. In analogy, budget limits for the FIIA are determined. The minister also holds the function of financial tutelage of municipal management, which is exercised by the General Finance Inspectorate (\textit{Inspecção Geral das Finanças}, or IGF) (see Part III, Section 2.5.2). In 2007, the then Ministry of Finance (MF), together with the National Tax Authority (ATM), was instrumental in decentralising a part of the national tax base to municipalities, via Law 1/2008.

Other essential functions held by the ministry which are relevant for decentralisation are those of capacity building and supervision in procurement and asset management, for which the Functional Unit for Procurement Supervision (\textit{Unidade Funcional de Supervisão de Aquisições}, or UFSA) in the National Directorate of Assets (\textit{Direcção Nacional de Património}, or DNP) is responsible (see Part III, Section 2.5.3).

More recently, in 2015, with the end of the PNPFD and rejoining the functions of development planning and finance under the roof of MEF, and with changes in senior positions, this ministry appears to have gained renewed interest in decentralisation. Among others, this is manifested in an expressed interest in the two major donor-financed municipal support projects: the PCMC (financed by a World Bank grant) and PRODEM, supported by DANIDA, Irish AID, SDC and SIDA. The Department of Local and Municipal Budgets (\textit{Departamento de Orçamento Local e Autárquico}, or DOLA) is interested in data, and their publication via website, on municipal OSR and fiscal sustainability, as well as in improving municipal budgetary management practices.

In a broader context, the ministry’s DNPO is interested in finding a successor programme (and financing partners) to PNPFD, which possibly covers both districts and municipalities, as well as a better way to make the FDD resources contribute to local infrastructure development, poverty reduction and LED.\textsuperscript{164} High on DNPO’s agenda are also the merging of planning and budgeting processes at district level (PESOD) through SISTAFE as a way to assure that local budget priorities are reflected in the national budget decisions, as well as the introduction of a performance-based element in the management of decentralised resources. Yet a review and broadening of the existing intergovernmental fiscal system (as suggested in Part II, Section B, 5.6) has apparently not yet found its way into the MEF agenda on decentralisation. The comprehensive evaluation of the present system (MAP Consultoria, 2017) could be a principal point of departure.

It may be assumed that MEF is regaining a position of leadership through its senior management and particularly its PS in the decentralisation process, a role which was absent during the PNPFD implementation. Such a leadership role is welcome, given

\textsuperscript{163} The formula has two criteria: territory and population size.

\textsuperscript{164} Interview with senior official, DNPO, Maputo, 08/12/2016.
the need to address fiscal reform issues in decentralisation as well as curb the recent practice of intransparent, off-budget support to municipalities alluded to in Part II, Section B, 5.5.

2.2.1 Centro de Desenvolvimento de Sistemas de Informação de Finanças

As seen in the previous section, CEDSIF, formerly Unidade Técnica da Reforma da Administração Financeira do Estado (UTRAFE), is the autonomous entity under the tutelage of the Ministry of Economic Affairs and Finances (MEF) charged with the technical responsibility for developing, producing, maintaining and managing Mozambique’s Public Financial Management (PFM) system, known as e-SISTAFE, and its procedures established by the legislation.\(^\text{165}\) Five subsystems\(^\text{166}\) are foreseen, of which the systems for budgetary and expenditure management are the most advanced in comparison to the others. From a decentralisation point of view the subsystem by which the expenditure defined in the annual budget is allocated and managed by the sectoral and geographical units at various levels of the Mozambican public administration in real time, is the most relevant.

Regarding the management of municipal finances, CEDSIF’s role is very limited. One reason for this is that the SISTAFE legislation, tailor-made for the state’s direct administration (i.e. central governments, OLEs, etc.), is not fine-tuned with the legislation on municipalities, i.e. units of indirect administration, which bestows financial autonomy on municipalities. It is also too complex a system for smaller municipalities, and it is still lacking a module for revenue administration, most important from the point of view of municipalities. This creates, on the part of municipalities, a certain resistance to accept the use of e-SISTAFE for municipal management. Only recently, CEDSIF has become a more proactive driver of change towards decentralised management of municipal finances, being involved in the development of a kind of e-SISTAFE for municipalities, or the Sistema de Gestão Autárquico (SGA). The idea for such a system and the prototype (Sistema de Gestão Municipal, or SGM) emanated from a donor-financed project supporting municipal development, which was developed and piloted in two municipalities (Nacala and Mocuba) from 2007–2010. From the point of view of the municipal managers and leaders, this works reasonably well.\(^\text{167}\) It enables them to manage revenue, expenditure and assets in a simple but effective way. Although initially resisted by the technical staff at CEDSIF and with hardly any institutional support from either MAE or ANAMM, but with expressed demand by a considerable number of municipalities, CEDSIF is now in the lead to develop a ‘municipal SISTAFE’ supported by donors, particularly

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\(^{166}\) Subsistema do Orçamento do Estado (SOE), Subsistema do Tesouro Público (STP); Subsistema da Contabilidade Pública (SCP); Subsistema do Património do Estado (SPE) and Subsistema de Controlo Interno (SCI).

\(^{167}\) Interview with senior official, Municipal Government, CM de Nacala, 22/10/2016.
through the World Bank-supported 3CP. However, it will take considerable time to fully develop an SGA and install it in all municipalities, the cost of which may be prohibitively high for smaller to medium-sized municipalities, unless borne or subsidised by government or international development partners. As mentioned above, in the meantime, several municipalities have installed their own system and/or have contracted a private enterprise in a PPP to manage their finances.

For an OLE to have access to e-SISTAFE, and thus its allocated budget, requires it to have the status, function, equipment and human resources of a Beneficiary Management Unit (Unidade Gestora Beneficiária, or UGB),\(^{168}\) which represents the target institution which is to receive a part of the budget, but does not manage it. At present, there are around 1 150 UGBs across the country.\(^{169}\)

With such a system and the necessary (functional, economic, geographical, etc.) classifiers in place, it is possible for a decentralised unit defined as a UGB in any sector, level of hierarchy, or any defined geographical area (not of municipalities) to receive and manage public budgetary resources (and, eventually, assets) as long as the technical (computers, internet access), infrastructural (electricity, a bank) and human resource conditions (up to four qualified and trained administrative staff) for e-SISTAFE to function are met. Thus, for example, a primary or secondary school, a district or provincial hospital, a district administration or a provincial government could manage their budgetary resources (recurrent and investment) directly. This happens with the bulk of established UGBs, but not yet with all schools and hospitals, the latter lacking the quality of UGB (see Section 2.4 below). One condition for further decentralised e-SISTAFE via an extension of UGBs is that the decentralised management of public finance ought not to imply higher human resource cost (e.g. additional managers and IT staff) but should be achieved with the present human resources benefiting from (additional) technical training. To enable a zero-cost decentralised e-SISTAFE management, CEDSIF is at present reviewing the profiles of staff at district level who will eventually be in charge of operating the system.\(^{170}\)

The decentralised management of salaries at district level through e-SISTAFE has already been introduced for education and is gradually extending to other sectors, with CEDSIF monitoring and backstopping the process. Decentralised management of allocations for investment is not yet possible via e-SISTAFE, since it requires well-organised and competent procurement units (UGEAs) at local level, and alignment with the procurement rules established by Decree 15/2010. As Weimer and Macuane (2011) have shown, procurement at subnational level lacks institutional capacity and is prone to corruption.

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\(^{168}\) The Execution Management Unit (Unidade Gestora Executora, or UGE) is only relevant for the management of macro processes, i.e. the CFMP and OE.

\(^{169}\) Interview with member of General Directorate, CEDSIF, Maputo, 20/09/2016.

\(^{170}\) Ibid.
From a PEA perspective, CEDSIF represents a moderate driver for decentralisation in that it has enabled decentralised allocation and management of resources. But, according to its director general, it is not, and does not, necessarily want to be perceived as a proactive driver, unless in exceptional circumstances, under ‘pressure from projects’ and against its technical brief.\textsuperscript{171} For CEDSIF to be more proactive would require the central government (e.g. MAEFP, MEF) and particularly the sectors (health, water, etc.) to articulate a demand and submit requests for decentralised management of their resources to CEDSIF. However, a few exceptions notwithstanding, this has hardly happened in the past. The senior management of CEDSIF thus confirms the general opinion that sectors, and, by implication, central government, are not drivers of decentralisation\textit{ per se}, even in the case where the established PFM system would enable decentralised management or could be configured to do so.

A case where CEDSIF has assumed a role as driver of change is in the field of access to information, now a citizens’ right due to Law 34/2014 on the right to information. This paves the way to better-informed monitoring, analysis and debate of public expenditure by the national and subnational parliaments, the public and OSCs. CEDSIF is actively promoting a policy which will eventually result in a citizens’ portal on public expenditure. Its ‘Portal on Public Finances’ is ready to be discussed and has been submitted to the Ministry of Economic Affairs and Finance (MEF), CEDSIF’s tutelage body, for approval. This portal would provide statistical data on budget expenditure, eventually in an interactive way, and thus enable users to analyse spending patterns by different classifiers (functional, economic, geographic, unit, etc.) and given time periods. It would allow access to data on the recurrent and capital expenditure (planned and executed) of all UGBs at subnational level.

\subsection{Autoridade Tributária de Moçambique}

The authors do not see the ATM as a driver of the decentralisation process given its necessarily centralist structure, required to maximise national fiscal revenue, and its ‘vested interests’. Its system of territorial configuration and classification, based on fiscal areas (\textit{áreas fiscais}), often ignores municipal and district boundaries and needs for information. Hence, it is difficult, for example, to filter out vehicles registered in each municipality and transfer the relevant data to the municipal authorities for collecting IAV. Considerable information on the tax base which has been transferred to municipalities under Law 1/2008 (e.g. on IPRA, IASISA, IAV), and thus relevant to them, is kept by the ATM. There have been reported cases in which the ATM continues to collect some of the taxes.\textsuperscript{172} However, collaboration between some municipalities and the ATM is improving, e.g. in citizens’ fiscal education or in databases on small

\textsuperscript{171} Ibid.
\textsuperscript{172} Evidence of that was produced by the World Bank-led project PPIAF-SNTA (Sub-National Technical Assistance) in the cases of Matola, Tete and Vilankulo.
and informal businesses. As argued, the ATM collects the ISPC, with little cost efficiency, which by its nature can be considered a typical local government tax rather than a national source of revenue (see Part II, Section B, 5.5). Therefore, ATM must be an institutional competitor to the municipal tax administration, rather than a proactively collaborating institution.

One way of rectifying this is to add the ISPC to the municipal tax base. Collection could be done based on a mutually advantageous agreement by which ATM continues to be responsible for the ISPC collection. As mentioned above, there is a considerable risk of double taxation of poorer strata of municipal society if the ATM and the CM target the same group of potential taxpayers.

Looking at the overall weight of the ISPC in the composition of the fiscal revenue collected by the ATM, this tax is an almost negligible entity. But for the municipalities, it would make an enormous difference in their resource endowment. In Figure 14, we calculate the impact of a hypothetical transfer of ISPC to municipal revenue under the assumption that the ISPC collected by the ATM is generated in urban areas, i.e. municipalities, to the tune of 75% of the total amount collected.

The analysis captured in Figure 14 suggests that the transfer of ISPC to municipalities would increase the present values of the FCA by 7.8% on average, and the OSR of municipalities by close to one-third of actual values.

![Figure 14: ISPC in relation to OSR and FCA of municipalities by province, 2014 (%)](image)

Source: authors, based on data from ATM, Direcção Nacional do Orçamento (National Directorate of Budget), CEDSIF
2.3 Ministry of Land, Environment and Rural Development

The ministry’s functional configuration is new, resulting from the Nyusi government assuming the reins in January 2015. With its dynamic leadership and broad sectoral responsibilities, it is considered a key ministry of the Nyusi government. It may now also provide a new institutional home for the rural development (RD) portfolio, which has migrated over the past 12 years from the Ministry of Agriculture via that of Development Planning and State Administration, now to MITADER. This migration of RD, multisectoral and local by nature, shows that this area, important to LED and local service delivery and, thus, the local rural citizen, falls somehow through the gaps of a government and public administration organised vertically and by sector, despite an approved government strategy on rural development (Estratégia de Desenvolvimento Rural, or EDR [2007–2025]) complemented by a rural finance strategy (Estratégia de Finanças Rurais, or EFR).

MITADER’s strategy to transform the rural areas into productive bases for sustainable development and income generation, reflecting President Nyusi’s second central policy priority after peacebuilding, is epitomised in its ‘Star Programme’ (Programa Estrela). This has five strategic components:

- Human resources capacity building and technology transfer (‘mais saber’);
- Rural infrastructure for access to markets (‘via rural’);
- Provision of basic banking and financing services (‘um distrito – um banco’);
- Increased access to water (‘água viva’);
- Increased access to diverse sources of electrical energy (‘quinta de energia’).

The five-pointed Star Programme, transversal and trans-institutional by nature and, therefore, requiring high coordination capacity, is to be financed partly by the private sector, i.e. national banks, and encourages competition between districts in the submission of proposals. It is potentially most relevant for local governments, both devolved and deconcentrated, from a service delivery angle. However, doubts exist about the capability of financing the ambitious programme under the present economic and fiscal conditions, and about MITADER’s convening powers concerning the required coordination effort. MITADER’s innovative approach appears to see RD primarily as a technical and economic issue, hinging on economic agents (banks, traders, local businesses, etc.), thus largely ignoring its social, administrative and political dimensions, and opportunities offered, for example, by the Consultative Forum on Land or activities driven by CSOs and local NGOs. On the part of MEF, there appears to be a certain hesitation to totally transfer the FDD to MITADER for purposes of RD, unless it can assure that with local infrastructure investment it

produces the desired effects on LED and local income and employment generation. MITADER’s approach also largely ignores the ‘immunity’ of sectors, even of departments in ministries, against improved coordination which arises out of a ‘silhouette-like’ organisational structure and rent-seeking behaviour, and competition amongst departments and ministries. This is particularly true at district level, where the relationship between the district service, rather than being cooperative, has been characterised as one of ‘braço de ferro’ (tug-of-war).

The need for improved local capacity in land management, equally crucial for successful decentralisation, local revenue generation and LED, is hardly addressed in the Star Programme, although land management, under central clout, is considered a ‘complementary measure’ in MITADER’s approach under the motto Terra Segura. At present, it is not clear to what extent the subnational institutions of land management (Serviços Provinciais de Geografia e Cadastro, or SPGC) and those of districts – considered institutionally weak – will benefit from an increase in capacity and resources. Equally, it is not clear what follow up is considered for the cadastral systems, installed in local governments in northern and central Mozambique in the period 2009–2014, with technical assistance from MCA. It should be recalled that the former Ministry of Coordination of Environmental Action (Ministério de Coordenação da Acção Ambiental, or MICOA) was instrumental in producing legislation on land management and land-use planning, although the latter was, in practice, promoted by PNPFD and is now formally anchored at district level through the PDUT process.

Thus, it can be assumed that one of MITADER’s strengths lies in its technical and institutional competence in land and environmental management, specifically in urban areas. One of MITADER’s potential trump cards is the Training Institute for Physical Planning and Environment (Instituto Médio de Planificação Física e Ambiental), which, once fully functional, will run courses on integrated solid waste management, Urban Structure Plans (Planos de Estrutura Urbana) and Local Climate Change Adaptation Plans, specifically targeting staff from municipalities and district administrations. Thus, MITADER can provide technical assistance and training in areas which are crucial for the decentralised management of urban areas. MITADER has already established an institutional link with PRODEM, which is financed under DANIDA’s Climate Change and Environment Programme, regarding PRODEM’s Component A (climate change adaptation and urban planning).

On balance, however, MITADER, for the time being, cannot be evaluated as a major driver of decentralisation, particularly from a devolution perspective.

174 Interview with senior official, MEF, Maputo, 02/11/2016.
175 Interview with senior official, DATA, Provincial Government of Cabo Delgado, Pemba, 07/10/2016.
2.4 Sector Ministries

In this section, we discuss sectoral decentralisation by examining three sectors, their line ministries and local partners and approaches to decentralisation. These are water and sanitation, health, and roads and public works, i.e. road construction in the municipalities. We also include a brief section on education for comparative purposes. Contrary to the others, this sector is said to have advanced with decentralisation over the past decade.

Before we discuss the role these institutions have in decentralisation, given their importance for public service delivery at local government level, we briefly discuss, with a focus on municipal (urban) space, the complex institutional architecture of which they are a part. This can be better understood by looking at Figure 15.

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176 This topic was added during the review of the book manuscript.

Figure 15: Public services in municipalities: Stakeholders and modes of resource allocation

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Source: MAP Consultoria (2017)
In the urban space, e.g. a small town, the municipal institutions, i.e. the council (CM), mayor (PCM), assembly (AM), are represented at the bottom left of Figure 15. They receive funding, on-plan, on-budget, on-account, etc., from central government, i.e. MEF, which, in collaboration with MAEP and INE, calculates, allocates and distributes the fiscal transfers within the established formula-based intergovernmental fiscal transfer system, via e-SISTAFE. Also, the district government, responsible for primary health and education (among other things), receives its allocations via e-SISTAFE, but, differently from the municipality, not as a grant, since it has no autonomy, with its budget being part of the central government budget. A third category of service delivery institutions is autonomous funds (FIPAG, AIAS, FTC, etc.) which have the same legal status as municipalities. These effect their transfers to and investments in the municipal space according to their own plans and rules, often not coordinated with the municipal government, which is usually also not well informed about these matters. A notable exception is the Road Fund (FE), whose transfer system is aligned with that of the established intergovernmental fiscal transfer system. A fourth category of actors is public enterprises such as the electricity utility EDM (on the right side of Figure 15). This enterprise is most often also a municipal partner in collecting the solid waste collection fee, piggybacked onto the electricity bill of its clients. Again, the public companies intervene in the municipal space according to their own priorities, plans, budgets and procedures, often not coordinated with the municipal government. In the latter two cases of autonomous funds and public enterprises, the sector ministries only have a policy-making and supervisory function. The projects of the autonomous statutory bodies and enterprises are mostly aid-financed.

2.4.1 Water and Sanitation
During more than 20 years of reform a plethora of policy, strategic documents and legal instruments related to water and sanitation was introduced.\(^{177}\) In general, the provision of water supplies follows the logic of deconcentrated management. This means the state, represented by the National Directorate of Water (Direcção Nacional de Água) in the Ministry of Public Works, Habitation and Water Resources (Ministério das Obras Públicas, Habitação e Recursos Hídricos, or MOPHRH), and specialised agencies such as the Fundo de Investimento e Patrimônio de Água (FIPAG) and the Administração de Infraestruturas de Água e Saneamento (AIAS), own and administer the water resources and the infrastructure for the production, storage and distribution of potable water. For a number of years, the water administration has been grouped in regional administrations,

\(^{177}\) For more details, see Forquilha (2013), on which this section draws. Key policy and strategic documents in the water and sanitation sector are Política de Água (PA), Plano Estratégico de Abastecimento de Água e Saneamento Rural (PESA-ASR), Programa Nacional de Água e Saneamento Rural (PRONASÂR) and Manual de Implementação de Projetos de Abastecimento de Água Rural (MIPAR).
for reasons of economy of scale. These regional administrations manage both recurrent and investment expenditure. In major urban areas (cities and towns) the infrastructure is either leased by FIPAG to a private operator (or FIPAG itself acts as operator), which enters into a contract with the client, who pays for the purchase of water based on its consumption at prices fixed by the regulator, the Conselho de Regulação do Abastecimento de Água (CRA). In smaller towns and district centres, the ‘owner’ and manager of the water sources and infrastructure is AIAS, which also enters into lease agreements with private contractors for the management of small water supply systems (Pequenas Sistemas de Abastecimento de Água, or PSAA), including in (smaller) municipalities. The operators are selected based on tenders launched and adjudicated at national or provincial level. Although in the theory of deconcentrated management, the water price is supposed to cover the cost of the production and distribution of water, the lease payments to FIPAG or AIAS by the operator, as well as the latter’s operating profit, the investment and maintenance cost incurred by FIPAG and AIAS need to be subsidised by the state or financed by IDPs.

Figure 16 shows the investment by source of finance over past years for both AIAS and FIPAG. It shows the high degree of dependence on foreign aid during that period, and a considerable reduction of investment via FIPAG (in urban areas) in favour of smaller systems in rural areas.

Figure 16: Water total investment (internal, external sources), 2009–2014 (Million MT)

Source: authors, based on REO, various years
Sources for investment funding and, by implication, procurement decisions reflect a centralist (and donor-driven) approach to water management, as Figure 17 demonstrates for 2013.

At local (district and subdistrict) level, communities are involved in the management and maintenance of water sources. Thus, the deconcentrated approach to water supplies and its management represents an extremely complex interinstitutional system with high transaction costs, dominated by central government agencies that control investment, procurement and the selection of the operator. Accountability processes for both building contractor and operator are upwards rather than downwards. The district government and its Service for Planning and Infrastructure (Serviço Distrital de Planificação e Infra-Estrutura, or SDPI) are institutionally quite weak. Figure 18 illustrates the system’s complexity.

The degree of effectiveness, efficiency, transparency and accountability of the system varies across districts and smaller municipalities. Notable good examples observed during the research are the districts of Ancuabe and Chai, as well as the municipality of Mocimboa da Praia, all in Cabo Delgado Province, in which the enterprise KUTENDA is operating the PSAAs. The system, constructed by a Chinese company, was once operated by the CM without, however, having been given the necessary infrastructure. Since its takeover by KUTENDA, the company has substantially increased the hours

Figure 17: Water and sanitation: Investment (internal and external) by institution, 2013 (%)  

![Water and Sanitation Investment by Institution, 2013 (%)](chart.png)  
Source: authors, based on REO data
of water supply, and has extended its services to nine out of 10 bairros. Water meters have been installed and the number of consumers increased from 1 804 in 2014 to 2 066 in October 2015.\textsuperscript{178} The company also offers technical assistance to individuals, including women selected by the community, who operate water pumps in peripheral areas – a major opportunity for community and women empowerment and income generation (Van Houweling, 2015). The company submits quarterly reports to the CM, whom it considers the overseeing agent and primary addressee of citizens’ complaints, with the Provincial Directorate for Public Works, Housing and Water Affairs (Direcção Provincial de Obras Publicas, Habitação e Recursos Hídricos, or DPOPHRH) being the agent of technical supervision. A major challenge facing the company is, according to its directors, the recovery of its operational costs and its profitability, since many users consider the water tariff too high and often do not pay their water bill or delay payment, also refusing to accept the payment of fines.

In a local setting historically prone to political conflict (between Renamo and the government) and highly contested local government elections, occasionally with

\textsuperscript{178} Interview with senior manager, KUTENDA, Pemba, 10/10/2016.
violence resulting in deaths (as in the 2005 interim elections in Mocimboa da Praia), water and tariffs are a well-known political factor, which may jeopardise regular water supplies even if the system is fully operational. A recent study on the use of local water supplies as a political instrument, if not a ‘weapon’, in electoral campaigning in Nacala City underlines this assertion (Rosário & Guambe, 2015).

Thus, the established rules of the game are not necessarily known and/or adhered to by all parties involved in local water systems. Limited institutional capacities and the emphasis on upward accountability with cumbersome communication processes and long waiting periods concerning decision-making and transfer of funds, do not necessarily help the citizen and the district (or municipal) governments to expand water supplies and resolve technical issues. Further, the deconcentrated model is not necessarily acceptable to all municipalities, which want to have more say over what they consider their resources and, thus, reduce their dependence on decisions by provincial governments and/or companies in whose selection they are not consulted. Montepuez has therefore mounted some resistance to what it sees as the imposition of a water system from above. Local governments also want more transparency concerning the structure of the price for production and distribution of potable water, including the operator’s profits and the price paid by them to AIAS for the lease of the infrastructure. Even PSAAs with new infrastructure investment are not a guarantee for effective water supply, as case studies demonstrate, since the cost structure of the operators and the water price may favour rent seeking instead of effective maintenance and cost recovery (Uandela, 2012). This is also true for operators associated with FIPAG in larger towns and cities, whose leaders claim that FIPAG investment plans are not reconciled with the town’s expansion plans and their water supplies are expensive and unreliable.

We agree with Forquilha (2013) that the established approach lacks essential elements deemed necessary for the effective decentralisation of water and sanitation services, namely lack of autonomy of district governments, lack of locally owned finance and/or regular transfers for investment and repairs, technical management competence and downward accountability, and flow of information. Senior officials at provincial level tend to agree. A senior staff member of the DPOPHRH in Nampula Province argues in favour of a higher degree of district autonomy in decision-making (aligned with the PEDDs and PAOs) and a considerable increase in financial, and better qualified, human resources which corresponds to the specific need of each district and province. This official is seconded by a colleague in Cabo Delgado, who emphasises the need to decentralise the funding for capital investment and not only the resources for recurrent expenditure. He also argues in favour of a review of the salary levels paid to directors of operating enterprises, which are higher than those

179 Interview with Nicolas Morand, Coordinator of PROGOAS Helvetas, and Mr Higino, Programme Coordinator, ORATTA, Pemba, 07/10/2016.
180 Interview with member of Provincial Government, Nampula, 12/10/2016.
paid in the public sector, triggering conflicts and a migration of qualified staff from the public to the private sector.  

181 This is a general trend which would need to be addressed through a reform of the career and salary system – quite unlikely given the present economic and fiscal stress analysed in Part II, Section C.1.

Concluding, we suggest that the present approach to local water supplies and their expansion lacks essential components, such as a well-defined decentralisation strategy, increased autonomy and ownership by local governments, more resources for capital expenditure and better-trained technical staff. Their absence may explain why no tangible change could be observed during the last 10 years concerning coverage by water supply systems: the level of 50% of the rural population with regular access to clean water did not change during that period.

2.4.2 Health

The existing national health system (NHS) partially continues to reflect the socialist ideals of providing free health services to everybody in the whole country. These ideals have been mitigated and complemented by a market approach to (private) health service provision, notably in urban areas, i.e. the major cities and towns of the country. The landscape of private health service providers is changing from an initial limited number of simple, single-business clinics or small cooperative-style clinics, to sizeable private investment in specialised clinics and health centres, and private hospitals. As in other economic areas, these new investments are directly or indirectly linked to the political elite (Weimer, 2012c).

In this section we specifically look, from a decentralisation perspective, at the subprovincial level of public health service provision in rural areas, i.e. the NHS at district level. There are an estimated 1 400 rural health centres across the country which form the network of Cuidados de Saúde Primários (CSP) (Village Reach, 2014). A secondary network of Cuidados de Saúde Secondários (CSS) consists of district hospitals. A considerable number of the CSP, many in remote areas, have no regular access to electricity, telecommunication, and, in some cases, permanent road access, and thus depend on alternative energy supplies (e.g. gas cylinders [propane/butane] and solar energy) to meet their energy requirements. The professional, management and even livelihood challenges for the health personnel in those units is enormous, given the often adverse working and living conditions and the distance to, sometimes even absence of, the state’s health authorities, which decide on and manage resources, at national and provincial level. Geographical distances between the provincial capital and district CSSs and from the CSSs to CSP vary widely.  

182

181 Interview with member of Provincial Government, Cabo Delgado, 07/10/2016.
182 For example, in Gaza Province, 134 rural health centres are an average of 47.5 km from a district medicine storage facility; more than 15% are located at distances greater than 75 km from a district medicine depot (Village Reach, 2014, p. 21).
Figure 19 represents health spending by major components over the past few years.

We see that there has been an increase in resources for the district level, i.e. SDSMAS (Serviço Distrital de Saúde, Mulher e Acção Social/District Services for Health, Women and Social Welfare), except hospitals, at the cost of the provincial health services. The increases are attributable to a partial deconcentration of management of recurrent expenditure (salaries) to SDSMAS. The district level institutions, including health facilities, have no budget for investment and their overall share in the health budget is limited.

Figure 20 on resource allocation for health (both recurrent and investment) across the three main levels of the public administration shows that in fact some degree of decentralisation of resources has taken place, from 2014 onwards. Both the districts’ and provinces’ share in health expenditure has increased.

As can be seen from Figure 20, the budget allocation in the health sector was highly centralised until 2014, with resources allocated to then national level Ministry of Health (Ministério de Saúde, or MISAU) and the five hospitals in Maputo consuming more than the budgets allocated at both province and district level taken together. The central (Maputo) level also consumes two-thirds of the investment in the NHS. No investments at all are made at district level. The picture did not change from the years before, analysed by Weimer et al.
One of the reasons is the incremental approach to budgeting practised to today, which does not consider the needs and the cost of producing and providing health services which vary across provinces. These include the cost of delayed or abandoned construction of health units due to corruption, ineffective procurement and dishonest contractors.183

Recent studies on the political economy of the health sector (CEPSA, 2015; Weimer et al., 2012; Yadav & Weimer, 2013), although with different foci, converge in their main conclusions concerning the financing and management of the sector. These are summarised as follows:

Health financing and management (all levels)

- The health budget, although recording an increase from 7% to 9.1% of total expenditure between 2011 and 2015, is still below the 15% recommended by the Abuja Declaration, as well as the target of US$54 per capita set by the World Health Organisation.
- External support for the sector and particularly for PROSAÚDE is waning and a great deal of support is off-budget and off-

*Conta Única do Tesouro.*

183 A recent case is documented in Nampula Province, in which eight health facilities await completion, depriving an estimated 8 million people of health services. AIM News service, Maputo, 11 March 2016.
• Weak governance of the health sector with little transparency, leakages of medicines and lab material, coupled with persistent cases of corruption.

• Inequalities of budget allocations across provinces and strongly biased in favour of Maputo (City and Province).

Management of local (district) health services

• Partial loss of relative autonomy, resources and discretionary power, notably of district institutions of CSS, i.e. district health units and hospitals, by the introduction of SDSMAS and the e-SISTAFE, which is manged by the District Permanent Secretariat.

• Local health units (CSS) have the status of UGB only in exceptional cases.

• No or limited direct chain of command of local medicine storage facilities with Central de Medicaments e Artigos Médicos and regional storage units; major challenges in maintaining supply chain and in-time deliveries of medicines with occasional stockouts as consequences.

• Medicine logistics suffer from a steep, multilayered hierarchical system which increases the transaction cost of medicine, information and delivery management systems, as well as the risk of leakage. One of the critical bottlenecks is reliable transportation, notably at district level. A solution might be found in increasingly outsourcing delivery services to private sector transportation operators, under the condition that the ministry responsible for health increases the subnational capacity of logistics management and strengthens its role of supervision and quality control (especially with regard to critical supply chains of medicines, vaccines, propane gas and lab material), some of which require specific care and facilities (e.g. cool chain for vaccines) (Village Reach, 2014).

• Financing of local health service delivery with funding from the MEF for salaries, and goods and services delivered via the provincial government, is not always coordinated with PROSAÚDE resources via Sector Budget Support to the CSS and individual aid agencies and NGOs intervening in health care at local level, although the provincial governments (the Provincial Health Directorate [Direcção Provincial de Saúde, or DPS] and Provincial Directorate for Planning and Finance [Direcção Provincial de Plano e Finanças, or DPPF]) maintain control of the health budget allocation and management at district level.

• Health priorities defined in PEDD and PESODs are not necessarily reflected in the central government health budget, although health is said to always have ‘top priority’.184

184 Interview with member of Provincial Government, Cabo Delgado Province, Pemba, 07/09/2015.
Community participation in health management

- Local co-management health committees have not yet been widely introduced and with little vitality.
- Health committees have limited relevance, acceptance and credibility.
- The support programme for community health workers (*Agentes Polivalentes Elementar*) is institutionally weak, with little ownership by MISAU, and is donor-driven and -financed.
- Marginal role for and interaction with community-based traditional health practitioners.

In light of the findings above, we conclude that effective decentralisation in health has not been a feature of the sector during the past decade, a concern which is shared by PROSAÚDE partners and health practitioners at all subnational levels. These conclusions coincide with the analysis of UNICEF, which, in its budget brief on the sector, concludes that, except for the National Council Fighting AIDS (*Conselho Nacional de Combate à SIDA*, or CNCS), there is no evidence whatsoever that the health sector allocations are, in relative terms, deconcentrated from the central to provincial and district levels (UNICEF, 2014, p. 7).

Constraining factors are the absence of a specific decentralisation policy in the sector, constraints regarding quantity and quality of human resources, particularly in budgetary management, and a lack of resources and clear criteria for their allocation to subnational levels of health administration. By design and default, it is the provincial authorities (in the case of Maputo, responsible for four hospitals in the Maputo area) that decide on and manage health services at local level, exclusively manage the recurrent and investment budgets, the Provincial Common Fund,\(^{185}\) conduct tenders (with a few exceptions in the case of the construction of health posts, etc. by municipalities) and pay salaries.

Therefore, health personnel interviewed in the course of this study make a strong case for more reform of the NHS, aiming at substantially increasing autonomy, resources and management capacity at district level institutions, notably the CSS, with a priority for medicine logistics, transport and financial management, including the own-source revenue generated by the CSSs which is presently channelled to the Directorate for Planning and Finance (DPPF). The move by CEDSIF to make CSSs part of its network of UGEs is an essential precondition for such a reform and was scheduled to be fully rolled out in 2016, depending on the availability of financing. The disaggregation of the health component from the women and social welfare component in SDSMAS is also considered a necessary step towards decentralisation reform of the health sector, which finds a certain sympathy in the MAEFP perception.

\(^{185}\) Supported by SDC.
on future steps of implementation of the PEND. After all, health should ‘always and automatically have priority’, given its major role in human resource development in the country and some of the health challenges the country is facing (maternal and child health care, and chronic child undernutrition). In a nutshell, the district health authorities need ‘more autonomy and more resources’.

An institutionally and financially strengthened and more autonomous local tier in the NHS is likely to also contribute to achieving better interaction with the community and other health service providers (e.g. traditional midwives and healers), as well as private health service providers, given the comparative advantages these have, notably being closer to the clients (patients) and community.

Such a reform would need to be accompanied by an overhaul and restructuring of the sector’s capacity to efficiently, effectively and transparently manage its available resources (human, budgetary, assets, pharmaceutical, etc.). This was and is one of the main bottlenecks identified by the studies cited above. One study concluded that in 2011 a ‘sizable 37 % of the sector’s resources were spent on the management and administration of the public health programmes, suggesting that there are enough reserves for increasing management efficiency’ (Anonymous, 2011a, p. 7).

Whereas some parts of the elite continue to argue for a fair distribution of health services and access to them across the socioeconomic strata and the urban–rural divide – a classical responsibility of a welfare state – others have embraced the liberal free market approach in which access to health services is a question of individual income and purchasing power. Due to the demand for quality health services, and the deficiencies of the NHS to meet this demand, many Mozambicans and resident foreigners with sufficient purchasing power, members of the ruling elite included, have systematically resorted to neighbouring South Africa to get good health services, which signals a good economic opportunity.

The case made here for more rigorous and far-reaching decentralisation in the health sector is reflected in the ministry’s new strategic priorities. The new leadership emanating from the change of government effected by Nyusi in 2014 sees decentralisation as the ministry’s focus of reform. This is reflected in both PESS II and the established reform unit for this purpose, both highly appreciated by PROSAÚDE partners.

Transfer of functions and resources for primary health care to municipalities
This issue is controversial and needs to be politically and conceptually addressed with some degree of urgency, taking into consideration the importance which MISAU and its leadership gives to decentralisation in the ministry’s present strategic plan.

186 Interview with senior official, MAEFP, Maputo, 22/10/2015.
187 Interview with senior member of Provincial Government of Cabo Delgado, Pemba, 7/10/2015.
The legal basis for a *de facto* transfer of this function and the necessary resources is Decree 33/2006, which is in line with the gradualism principle. This legal instrument is supposed to guide and facilitate gradually passing the responsibility for primary health care to municipalities, which are legally responsible for this service. The decree stipulates that such transfers need to be formalised in a contract between the provincial government (DPS) and the eligible municipality. The latter must prove that it has at its disposal sufficient and qualified human and fiscal resources and assets. A timeline for the transfer is also part of the contract, to be monitored by a provincial monitoring commission. Since the passing of the decree, i.e. more than 10 years, only one such agreement has been signed (with Maputo City), despite the fact that a considerable number of municipalities formally requested the transfer, reflected also in MAEFP’s PEND implementation plan.

However, if the transfers were to happen at all – there is much sector resistance to it – all fiscal resources for salaries, specialised equipment, etc. would not be passed to the municipality, but would continue to be allocated to and managed by the sector. This would certainly produce the effect of double subordination of health staff, under the municipal department (*vereação*) of social services/welfare, on the one hand, and the district or provincial health authorities regarding salaries, on the other. This is likely to have dysfunctional effects on the quality of service provision in municipalities. Even without transfers accomplished, there are currently good examples of productive cooperation between municipal and district health authorities, e.g. municipalities investing in buildings or acquiring ambulances, with the provincial or district health authorities covering running costs (e.g. salaries of personnel or fuel).

The lack of progress in transferring full-fledged responsibilities for primary health care to local governments equipped with some degree of autonomy for the management of the service is an urgent policy matter to be resolved, also from the point of view of international aid partners interested in continuing support to the Mozambican health sector. The decision-making process would also need to take into consideration the ongoing debate on the extent to which primary health (and primary education, for that matter) should remain under central or provincial government responsibility, or whether it should be *de facto* decentralised (which is foreseen in MISAU’s present strategic plan).188

### 2.4.3 Road Fund

The national Road Fund (*Fundo de Estradas*, or FE) allocates 10% of its revenues – derived from the national fuel tax – to road construction and maintenance at local

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188 See contribution to the debate on decentralisation by the former minister of state administration, Alfredo Gamito, during the recent international conference *Que Caminhos para o Futuro?* Beira, 22–23 March 2017; UCM/IESE/MASC. https://soundcloud.com/fundacao-mecanismo-de-apoio-a-sociedade-civil-fundacao-masc.
government level (Decree 56/2003), allocating these resources as a conditioned grant in a modality aligned to the intergovernmental transfer system.

Figure 21 gives the average value allocated to municipalities by the FE, taking into consideration that 10 new municipalities were enacted in 2013, increasing the total to 53. The distribution of resources is based on three formal (a–c) and one informal (d) criteria:

a. The number of municipalities per category (Town A, B, C, D and vila);
b. The existing municipal road network, by category (except category 1: national highways) of roads and their extension (in km);
c. The population density;
d. Performance in translating FE financing into public roads, certified by chartered surveyors and the procedural and financial management of the FE grant.

The criteria are hardly disseminated and management rules are not always understood by the municipal government’s public works departments. Another issue – often a bone of contention between FE and the municipal government – is the complex procurement legislation, the knowledge and compliance of which pose a serious contraint to the smooth flux of resources for road construction and maintenance.

Figure 21: FE – Average annual transfer per municipality, 2009–2015 (US$)

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</table>

Source: MAP Consultoria (2017)
However, given the aligned transfer, management and control mechanism used by the FE, we consider the collaboration between FE and the Mozambican municipalities as producing impact, despite the need to address issues of transparency, procedural improvements and capacity building.

2.4.4 Education

Since independence, free education for all through the National Education System (Sistema Nacional de Educação, or SNE) has been the government’s stance and commitment reflected in key policy and strategic documents, as well as in the sector’s share in the annual budget. During the past five years, spending on education has maintained a level of around 20% of the OE, corresponding to around 7% of GDP. A considerable part of the spending, notably salaries, is donor-financed and managed at district level. Direct Support to Schools (Apoio Directo à Escola, or ADE) finances recurrent costs and the purchase of equipment, maintenance, teaching materials, etc., thus contributing to an improvement in the quality of education. Donor-financed (by the World Bank) but not covering all schools, ADE is managed at local level, in principle by the Conselho de Escola (CE). This is usually composed of the school director, teachers, pupils and parents or representatives of the community, who are involved in identifying spending priorities and local educational governance. The CE has, however, little decision-making power and it is thus the school principal who usually ‘runs the show’. Although part of ADE funding, presently to the tune of US$3 000/year/school, is for recurrent spending, it is classified as investment. CEDSIF, upon request from the then Ministry of Education – since 2015 Ministério de Educação e Desenvolvimento Humano (Ministry of Education and Human Development) – has configured e-SISTAFE accordingly to be able to transfer the funds to the respective UGBs.

Figure 22 shows the spending pattern across the levels of public administration, and by type of expenditure for 2014. It demonstrates that the bulk of recurrent expenditure is already managed by district governments, and more than 10% of externally funded investment via the ADE. Thus, deconcentration of the sector is quite advanced compared to other sectors. However, similar to the water and health sectors, most of the investment is managed by central government, limiting the districts’ ability to expand services.

The configuration of the PFM system in line with the sector’s policies on decentralisation also permits a differentiated breakdown of the pattern in investment

189 The authors acknowledge valuable inputs to this section stemming from Caroline Ennis and Domingos Rosário, involved in a PEA for the Centro de Aprendizagem e Capacitação da Sociedade Civil (Civil Society Learning and Capacity Building Centre), commissioned by the Mecanismo de Apoio à Sociedade Civil (MASC) foundation.
190 Política Nacional da Educação (PNE) of 1995 and, since then, two Planos Estratégicos para o Sector da Educação (PEE, PEE I and PEE II).
Figure 22: Expenditure in education by type and level, 2014 (%)

Figure 23: Investment in education by type, 2014 (Million MT)

Source: REO 2014

spending, as shown in Figure 23. ADE, managed locally, absorbs a considerable part of the external investment.

As the recent national debate on the quality of education demonstrates, a degree of decentralisation much more advanced compared to other sectors does not guarantee quality outcomes. Reasons for this may be found in inadequate training and motivation of teachers and the deficits in educational governance at district and subdistrict levels, among others. For a discussion of these, the reader is referred to AfriMAP and OSISA (2012), and Casey (2014).

2.5 Institutions of Oversight, Inspections and Internal and External Control

In this section, three institutions are discussed. The institutions of inspections of sectoral ministries and of MAEFP are neglected.

2.5.1 External Audit: Administrative Tribunal

In functional terms, the responsibility for external control of subnational government units (district governments and municipalities) rests with the Administrative Tribunal (Tribunal Administrativo, or TA). The organisation is composed of three sections which are considered as three courts in one: the first section is that of administrative litigation (Contencioso Administrativo); the second is that of tax and custom; and the third section’s function is to control and audit the Annual Public Accounts. It comprises two subsections: one for the visa (visto), i.e. the pre-audit of expenditure-cum-administrative decisions, linked to recruitment of personnel and procurement of public goods and services. This is complemented by annual in-situ (ex-post) audits in a sample of institutions of public administration and the municipalities, where accounts, public works, assets and contracts are examined for criteria of cost efficiency, compliance with the established procurement rules, etc. The other subsection is for the audit of public revenue and expenditure. About 34% of public expenditure is audited annually (EUROSIS & MGA, 2010, p. 10). It is also charged with assessing the annual accounts of central and local governments, i.e. compliance with the established rules and intended outputs of budget execution. In this, it produces an annual technical and juridical opinion (parecer) on the Annual Accounts of the State (Conta Geral do Estado, or CGE). This technical opinion is a public document and serves the Parliament to better exercise its control function over the executive and assess, discuss and approve (theoretically also refute) the annual accounts. At municipal level, the equivalent of the GCE is the municipal Conta de Gerência (CDG).

The ATM’s third section thus functions as an auditor general of the annual municipal accounts. It does not only define the way the municipal accounts are structured and produced (through various models linked to the general budgetary

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classification system for revenue and expenditure established by the legislation), but
is also charged with the annual assessment of municipal annual accounts (CDG). The TA appears to have made such assessments on a random basis, but no technical opinion has ever been published and it is highly unlikely that any audit reports of municipal accounts have been tabled and discussed in the municipal assemblies and the public in general. Even taking into consideration that the functions of the TA’s third section have recently been decentralised to the provincial branches, it is unlikely that they have started making much of a difference so far. This means that the national external audit function of municipalities and their upward and downward accountability is largely absent.

During the past few years, and in the framework of the TA’s Second Corporate Plan (PLACOR II), the TA has established provincial branches headed by a presiding judge. The decentralisation of the TA is in the process of being consolidated, but suffers from lack of resources, adequate installations, equipment and an effective online link to the national institution. However, the functional relationship and the division of work between the TA institutions at national and provincial level are unclear. The TA’s third corporate plan (PLACOR III) focuses on the TA’s central-level organisation under the assumption that the provincial administrative tribunals do not have any hierarchical relation with the organisation’s central body at national level, i.e. are autonomous. Hence, the decentralised units of the TA are not reflected in the methodology for the elaboration of PLACOR III and its absence in the work of the institutions and consultants involved.\textsuperscript{191} At present it is not clear to what extent the setting up of these local-level tribunals has successfully substituted all the different types of relations with local clients (local governments, public and private institutions and enterprises) which are characteristic for the central TA and which cover the entire public administration.

Some evidence suggests that certain provincial TAs prefer the ‘headquarters’ to deal with the \textit{vistos} in the procurement process. If this were the case, the procurement process at subnational level would continue to suffer from lengthy bureaucratic procedures and intransparent practices prone to corruption, notably at district and municipal level (see below) (DFID, 2011).

\subsection*{2.5.2 \textit{Internal Audit: Inspecção Geral das Finanças}}

Internal control functions and inspections of financial management at national and subnational level is the prerogative of the General Finance Inspectorate (\textit{Inspecção Geral das Finanças}, or IGF), an institution subordinated to MEF. Through its Department for Municipal Financial Inspections (\textit{Departamento de Inspecção Autárquica}, or DIA) it exercises the financial tutelage functions the Ministry holds

\begin{footnote}{191} Personal communication with senior consultant, Maputo, 4/7715.\end{footnote}
over the municipalities. Its auditors (‘inspectors’) regularly assess the municipal finances, the quality of the accounting and related documentation systems and their compliance with the established rules, offering the municipal staff advice, on-the-job training and technical assistance. Yet the problems concerning correct procedures, compliance with the norms, and transparency appear to be the same. According to IGF officials, little progress has been made, opening doors for embezzlement, intransparent and incorrect transactions and corrupt practice. Although the inspection reports are shared with the municipal leadership, they hardly find their way into the AM or to the interested public and, as such, do not contribute much to increased control and accountability, although there are known cases where such reports triggered disciplinary measures against and/or dismissal of personnel.

Despite more than 10 years of reform of the public administration and the inclusion of control and audit functions in various support and national projects of decentralisation and deconcentration, the internal control and audit systems have neither been fully designed nor been effective. A study commissioned by the Swedish Embassy suggests that one reason may be seen in the proliferation of institutions with different, often misaligned mandates and procedures, and a lack of defined interinstitutional relationships amongst them (Steen, Tavares & Lalá, 2014, p. 11).

A recent internal audit study on the World Bank-supported PCMC under the umbrella of MAEFP suggests that lack of internal control is one of the main reasons for poor fiscal and financial performance and accountability of the municipalities covered by the programme, a factor that negatively influences the (performance-based) grant system which is part of the programme.

It has been suggested that the audit institutions of the private sector should come into play on a larger scale and fill the institutional gap which cannot be covered by internal and external control units, under their rules and guidance. In fact, this has happened in many programmes and projects, although not necessarily under the cover of the established national public institutions. The question is that of financing such inspections and of their quality control. In the case of the municipalities, the proposal has some merit to oblige them by law to periodically insert a line for audits in their annual budget, to be approved by the AM. This would not only help generate the necessary budgetary resources for audits, but would also enable the AM, whose task is the control of the executive, to access relevant data and information for this function. And since AM sessions are, in principle, public, citizens and interested parties would be better informed about financial, etc. management practices, thus contributing to the increased accountability of the executive. For this to happen (and to be extended to district governments), the legislation would need to be altered.
2.5.3 Procurement Oversight: Unidade Funcional de Supervisão de Adquisições

UFSA is the government body responsible for overseeing the implementation of the procurement regulations formulated in Decree 05/2016. It is placed under the National Directorate of State Assets (Direção Nacional de Patrimônio do Estado), headed by its deputy national director. The scope of UFSA’s work is defined by Decree 142/2006 and includes coordinating all the activities related to public procurement and the management of a centralised data and information system, as well as of the capacity development programmes in this area. At the provincial level UFSAs have coordinators/focal points working in the Directorate for Planning and Finance (DPPF). They are responsible for assisting the districts and other entities at the local level. UFSA also cooperates with the internal (IGF) and external control (TA) bodies regarding the control of public expenditures through the procurement process. UFSA has, in our opinion, a lower than necessary degree of effectiveness, attributable to its organic embeddedness in the MEF architecture, a structurally weak institutional capacity to supervise and document the procurement process of around 900 procurement units and the training of staff. Despite these structural shortcomings, UFSA’s performance appears to have improved, also due to the provision of donor-financed technical assistance.

The Unidades Gestoras Executoras das Aquisições (UGEAs) are the units charged with managing the procurement process in all state and government budgetary units, from the central (ministries, directorates, institutes, SOEs) to the local level (provinces, districts and municipalities). These units are subordinated to the Competent Authority (Autoridade Competente) and to the UFSA. According to Decree 142/2006, UGEAs have a long list of tasks, amongst them preparing the procurement plan, assisting the jury, keeping a record of providers, sending information on sectoral procurement, proposing alterations of the bidding documents, proposing training activities, informing UFSA of anti-ethical practices, receiving and processing complaints about the bid, and sending the contracting documents to the TA for obtaining a visto in the case of a procurement value above 5 million MT.

Fewer than 200 UGEAs exist at the local level (district and municipal). Their competence and performance varies, but the perception is that they are, in one way or another, involved in corrupt practices and pose a high fiduciary risk. Some progress seems to have been made at district level due to targeted interventions within the PNPFD framework, an indicator being a reduction in the number of TA queries on submitted procurement dossiers.

On the other hand, there is some evidence that in municipal procurement processes there are still persistent challenges concerning the clear-cut separation

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192 This section follows the arguments presented in DFID (2011).
193 State and government institutions that launch bids and sign a contract with the provider (of goods or services). The representative of these entities is called the ‘Competent Authority’ (Autoridade Competente).
of functions between key members of the UGEAs, the Autoridade Competente, technicians elaborating the TORs for projects, jury members and technical supervisors (fiscais). Some may even be involved in the fiscal management of projects and public funds, and may have advanced and detailed information about procurement measures and volumes of investment. At subnational and municipal levels, and especially in public works and construction, well-functioning and well-endowed UGEAs are considered exceptions. This fact, coupled with the institutionally weak supervisory role of UFSA, may explain the prevalent perception that at local government level there exists ‘decentralised corruption’ or, in the terms of Bardhan (2002), elite capture of public contracts, which occurs especially where local accountability mechanisms and external and internal control mechanisms are institutionally weak, as referred to above. The present architecture of procurement execution and oversight may not be a strong driver for decentralisation towards good and effective local government and service delivery, unless one wants to give it credit for its contribution to ‘decentralising corruption’. Corrupt practice in procurement usually reduces the quality and lifetime of public investment in service delivery.

Despite the institutional and other shortcomings and challenges faced by the TA, the IGF and UFSA/UGEAs, and their mixed, if not unsatisfactory, track record, it is recognised that they would have a key role to play in decentralisation – a role they have embraced with very limited success. Thus, the three institutions discussed here are very limited drivers of change. A more aggressive posturing regarding compliance with roles and standards of budgeting and accountability, a greater focus on local government in their strategic and operational plans, an alignment of their interinstitutional relations and procedures, and, above all, improved enforcement capacity and a more transparent and effective policy on actively providing access to information to the public, could turn them into players in the decentralisation game, which stakeholders (citizens, businesses, parliaments, CSOs) would like to see. This would imply changing the rules of the game, i.e. legislation that is not only in favour of better-resourced and more independent institutions, as well as depoliticising the state.

2.6 Parliament (Assembleia da República)

Since the first multiparty elections in 1994, the Assembleia da República (AR) has always seen a Frelimo majority (Part II, Section B, 1, Figure 2). At present, Frelimo holds 144 seats, Renamo 89 and MDM 17. With this secure majority, Frelimo, the dominant party, assured the enactment of all legislation, and, with a few exceptions, the rejection...

194 E.g. the TA’s degree of institutional independence from the executive, which not only defines the annual budget allocation of the institution but may also exercise political pressure, informally and via the dominant party structures, leading to ambiguous handling of politically sensitive cases. One such case is that of the Mozambican tuna company’s (EMATUM) loan and expenditure, which, contrary to public and informed specialist opinion, was recently considered by the president of the Administrative Tribunal as being fully compliant with the ‘book of rules’ (O País, 9 June 2015).
of initiatives stemming from the opposition parties, such as the bill submitted in 2015 by Renamo and endorsed by MDM on autonomous provinces. For the reasons discussed in Part II, Section A, the occasions on which the Mozambican Parliament voted a bill into law unanimously are rare in its history. Recent such exceptions were Law 9/2014 on the composition of the CNE, Law 17/2014 (Amnesty Law) and Law 34/2014 on the right to information. While the initiative for the first two pieces of legislation emanated from the negotiations at the Joaquim Chissano International Conference Centre between Renamo and the Frelimo government, i.e. from outside Parliament, the latter reflected an initiative from Mozambican civil society, which, after more than eight years, found a parliamentary majority. Parliament’s legislative potential and role, including in matters of decentralisation, is restricted by at least four factors:

- The ‘structural’ majority of the Frelimo party over more than two decades of multiparty electoral democracy;
- The obligation of MPs to vote in line with the bench, which prevents an individual, deviant vote by an MP in line with his/her own conscience (‘party dictatorship of the vote’);
- Few own legislative initiatives, since many bills tabled come from the executive, and, by default, have a ‘no objection’ of the Frelimo Political Commission;
- Reduced legitimacy, given that many parliamentary elections witnessed irregularities and/or were manipulated in one way or another, according to national and international electoral observers, without, however, changing the electoral outcomes, as always contested by Renamo.

Under these conditions it was foreseeable that the MDM legislative initiative of April 2017 to abolish the district administrations in urban areas where municipalities exist would have hardly any chance to pass the procedural obstacles of the legislative process, let alone find a majority for debate and possible approval. Consequently, the bill was rejected on the formal grounds that it was not in line with the constitution.\(^{195}\)

Within this framework, can the political parties presently represented in the AR make a difference regarding decentralisation?

### 2.6.1 Frelimo Party Bench

The composition of the Frelimo party deputies in the AR and their process of candidature results from a list-based voting sheet for parliamentary elections, in which the position is finally decided by the top leadership of the party. This is, of course, also

the case in the lists of the other parties. The candidates’ link to their constituency is weak, which has implications for a decentralisation agenda which could possibly be promoted by local party groups.

From a decentralisation perspective, it is relevant to analyse how local-level and central-level interests in Frelimo work together to solidify a patron–client relationship within the party, across the hierarchy in the party and the state. Elections for positions for members of district and provincial bodies up to those for the Central Committee and the Party Congress (the supreme decision-making body) play an important role. Candidates are grouped into categories of members deemed to represent the sociological and political base eligible for promotion and benefit by the party (e.g. veterans of the liberation struggle, women, youth), according to their importance and in line with a quota for each that represents ‘continuity’ and ‘change’ (e.g. in generational terms). Since the party bodies terminate their mandates at about the same time, internal elections are periodically held for all levels, based on the bottom-up principle, i.e. from party cell (at lowest level) up to the Central Committee and the Congress. In the campaigning for candidatures and seats in the respective bodies, it is common that somebody wanting to run for a seat in a higher party body supports candidates at lower levels, who are then supposed to vote in the supporter’s favour. This scheme facilitates alliances between the voters and candidates across all levels, and, although not necessarily intended, opens the door for opportunism, vote buying and clientilism on the part of higher-level candidates. They mobilise funds and political resources (influence, friendships, material benefits, connections to governmental, administrative or economic elites, etc.) against the expectation of a lower-level vote for the candidate for a higher-level body.

In practice, this does not necessarily mean that the lower-level candidate has the interests of the local constituency in mind, but rather those of the higher-level party structures. On the other hand, in cases where a candidate at a higher-level body wins and thus turns into a de facto and de jure patron, this may induce the obligation to satisfy needs and requests from the lower-level client who needs to seek legitimacy from her/his constituency and community. In line with the definition of clientilism, this eventually implies the obligation to delegate or distribute power to inferior (local) levels. The decision to create new municipalities, which do not entirely satisfy the selection criteria established by law, may well be the result of such vertical power play and allegiance of reciprocity in cases where the candidate is successful in moving up the hierarchy within the party. In cases of the non-election of the (potential) patron to higher party positions, the inferior party structures may be deprived of expected benefits coming from the top. This may result in disappointment in party superiors and abstaining from voting in elections, or voting for opposition candidates. As Forquilha (2009) has shown, most of these observations are also valid for Renamo.
This means that local interests, i.e. those of municipalities and districts, are not necessarily represented in Parliament, or, if they are, they are not articulated. During the research for this study the authors became aware that some Frelimo deputies hailing from provinces covered by the Renamo initiative for autonomous provinces were privately in favour of more autonomy and a larger share of resources for their province – in line with the Renamo proposal – but they could not openly admit this. Thus, there is a certain hypocrisy within the party, with, on the one hand, MPs privately admitting and reflecting opinions of the lower-party rank and file\(^{196}\) that autonomous provinces and elected governors would not be a bad idea, but, on the other, not articulating themselves openly in Parliament when this matter ought to be debated. This issue of contention has not been resolved through intra-party political settlement. Its *modus operandi*, characterised above, prevents decentralisation issues becoming politically virulent, unless authorised by the supreme leadership structures of the party.

2.6.2 Renamo Party Bench

The fact that Renamo, despite the casualties and the economic damage caused by the military conflict in central Mozambique, gained substantial votes in the 2014 general and provincial elections (at the cost of both Frelimo and MDM) demonstrates that this party is not only a (residual) military force, but also has a considerable electoral mandate of voters and local elites behind it. These want to see a more OAO and a share in the economy and resources, so far exclusively appropriated by the predominant party and its elites.

It is noteworthy that the emerging geographic electoral pattern corresponds to that of the outcome of the first multiparty elections in Mozambique in 1994. Are those who felt excluded or not represented by Frelimo in 1994 the same as those in 2014? Did the Frelimo discourse and policies of decentralisation and deconcentration, the creation of municipalities, Community Authorities, OLEs, Consultative Councils and the allocation of the 7 billion MT via the FDD fail to convince, co-opt or include those marginalised (local) elites? And is the voters’ mandate which Renamo can rely on translated into a political programme on decentralisation and profound reform?

The framework of this study does not permit an in-depth analysis of these questions. Yet it became clear through interviews with Renamo officials, both within and outside Parliament,\(^{197}\) that the party has no entirely clear and coherent policy on decentralisation. A clear example of this is that one Renamo MP argued publicly

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\(^{196}\) For example, the (Frelimo) PS of the Nacala district government is in favour of the autonomisation of provinces, an increase of their resource base and the election of the provincial governor. Interview with Pedro Pascoal, Nacala Porto, 22/10/2015.

\(^{197}\) Interviews with senior members of Renamo Bench, AR, Maputo, 09/12/2015, and of the Provincial Assembly, Cabo Delgado, Pemba, 09/10/2015.
in favour of abolishing the institution of the ‘Representative of the State’, i.e. the district administration in municipal areas, with his bench in Parliament voting against the MDM initiative seeking such legislation.

As demonstrated earlier (Part II, Section C, 2.1.3), the legislative initiative aimed at creating six autonomous provinces appears to reflect a political agenda driven by a sense of betrayal of an electoral victory in those provinces, rather than a profound concern for a fundamental reform of the political economic system. In this case, it may amount to the reversal of Clausewitz’s famous dictum that ‘war is the continuation of politics by other means’. In fact, Renamo, as a political-military movement with seats in the AR and provincial assemblies, has been portrayed as aiming at conquering central power, and therefore control of economic and other resources, rather than going for limited power at local government level, using local politics and municipalisation to gain leverage rather than as an end (Manning, 2002). This may explain the party’s boycott of or abstention in enacting relevant decentralisation legislation and its boycott of municipal elections in 1998 and 2013. This is not to say that there are no Renamo deputies who would like to see genuine decentralisation. However, it is difficult to comprehend the influence of such a position relative to other political opinions, as well as to the military fractions within the movement.

For this reason, and the intra-party lack of political settlement, we perceive Renamo, for the time being, as neither a driver nor a restrainer of decentralisation, but as a politically opportunistic actor that seizes opportunities if they fit the overall political agenda of power sharing.

2.6.3 MDM Party Bench

In contrast to Renamo and Frelimo, the MDM bench in the AR needs to be considered as a driver of decentralisation. The political credentials of the MDM are intrinsically associated with municipal governance in general, and the governing of Beira municipality by the party and its mayor, Deviz Simango. A former Renamo member, he established MDM and became mayor of the capital of Sofala Province in 2003, after Renamo dropped him as their mayoral candidate. Ever since, MDM has governed Beira, adding other municipalities (Quelimane, Nampula and Gurue) in recent local elections. Given their non-military background, their relative success at the ballot in municipal elections, including in the capital Maputo, and the increase of seats in the AR in the 2014 general elections (see Part II, Section B, 1, Figure 2), this party has the capacity to eventually become a rule changer, which threatens the dominance of ‘Fre-namo’ at municipal level. It represents a party that has its origins in municipal governance, which it also reflects in the national political arena. As

198 At the International Conference Que Caminhos para o Futuro?, Beira, 22–23 March 2017; UCM/IESE/MASC, https://soundcloud.com/fundacao-mecanismo-de-apoio-a-sociedade-civil-fundacao-masc.

199 Carl von Clausewitz, 1780–1831, Prussian major general and military theoretician.
such, we see MDM as the only uncompromising driver of decentralisation among the political parties. Legislative initiatives to decentralise public enterprises or abolish the (parallel) district government in municipalities underpin this point.

In conclusion, different party-political postures on decentralisation notwithstanding, we conclude that Parliament, in its present form, is somewhat of an acclamation machinery for legislative initiatives which emanate from the ruling party and its executive and, in exceptional cases, from extra-parliamentary initiatives. Legislation for decentralisation is no exception. All of it was approved by the parliamentary majority, thus overruling the rejection of bills by the opposition or even electoral boycotts. Intra-parliamentary, cross-party initiatives, e.g. via commissions, are not forthcoming. For this reason, the AR cannot be considered a proactive agent for change towards decentralisation, despite the fact that all relevant legislation was produced by it.

2.7 National Association of Mozambican Municipalities

The National Association of Mozambican Municipalities (Associação Nacional de Municípios Moçambicanos, or ANNAM) was founded in the first years of the new millennium. It has a mixed track record arising from the intra- and interinstitutional dilemmas the organisation has faced since its inception. It has not had the full institutional and financial support, i.e. annual contribution payments, of all its (now 53) members during all the phases of its life. This is a result of the politicisation of the decentralisation process, which is biased towards the interests of the ruling party. Municipal leaders belonging to opposition parties are marginalised, or even partially excluded, from assuming leadership functions in ANAMM. Some municipal leaders, even of the ruling party, have questioned the ‘value for money’ ANAMM has for them in terms of lobbying and advocacy activities, technical support and basic information on all municipalities. Some members, observers and stakeholders in the municipalisation process have questioned the way the ANAMM leaders, specifically the president and the secretary general, were and are elected and the criteria for their eligibility.

The leadership of ANAMM, however, minimises these dilemmas and their effects on the organisation and its members, stressing the growing sense of ownership that members feel as well as their increasing willingness to pay their membership fees and arrears. The organisation’s former secretary general affirms that ANAMM has a mandate and is increasingly capable of articulating and negotiating its members’ interests with key stakeholders in municipal affairs, such as EDM, FIPAG and the government (MAEFP, MEF and MOPHRH).200

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200 Interview with former Secretary General, Dionísio Cherewa, and with A.M., Programme Officer, ANAMM, Matola, 09/12/2015.
Central government, i.e. MAEFP, has, however, maintained the convening power, resources and political clout to organise and ‘orient’ the various national municipal conferences, in competition with ANAMM. Thus, ANAMM has often had to play a secondary role in such major national events. Even in relation to activities, projects and partnerships with other national, regional and international partner organisations, such as United Cities and Local Governments or the International Council for Local Environmental Initiatives, the government has at times questioned ANAMM’s mandate to represent the interests of Mozambican municipalities abroad and to enter partnership agreements. However, there is no doubt that relations between ANAMM and the government have improved over the past years, with MAEFP and DNDA consulting with ANAMM leadership on important matters and legislation affecting municipal development.201

Despite its present team, recognised by several stakeholders as competent and motivated, the organisation has suffered from an institutional and resource deficit, which has hampered its performance and role as lobbyist and clearing house. It also did not manage to systematically bring international municipal best practice to the attention of its members and the government. Moreover, it was not always successful in documenting municipal development, e.g. by providing an updated website on municipal affairs and profiles, lobbying for its members in matters of interest to them or supporting them with advice and technical support. Despite these constraints, there are some noteworthy achievements, such as an assessment of the impact of the first 10 years of municipal development (in collaboration with the World Bank and the government),202 collaboration with the MEF and ATM in matters of revenue and standardising municipal budgeting, and the ongoing production of municipal profiles.203 In the Cities Alliance programme ‘Cities without Slums’, aimed at vertically aligning policies and actions concerning participatory urban development and poverty reduction, ANAMM has been an important partner to MAEFP, which was the main executing agency.

With a new technically competent and experienced secretary general at the helm of ANAMM since the beginning of 2016, the organisation is on its way to becoming a more proactive driver of devolution and municipal affairs than was the case in the past. This is helped by its own strategic document (ANAMM, 2016) and the increased support from donors, in recognition of the key role ANAMM plays as a lobbying agent in matters of municipal development. The testing point, however, will be the resolve with which the ANAMM leadership positions itself in relation to

201 Interview with senior official, MAEFP, Maputo, 23/10/2015.
controversial legislation which may reduce the territory and tax base, as well as FCA transfers, for some of its members (see Part II, Section B, 2.5).

3 Meso-Level: The Provinces
In this section, we focus our analysis on provincial governments, provincial assemblies and provincial NGO platforms in the provinces of Nampula and Cabo Delgado. The question of autonomy for provincial governments for six provinces (including Nampula but excluding Cabo Delgado), as contained in a Renamo bill rejected by the AR in 2015, was analysed above.

In our opinion, however, irrespective of the merits of the opposition’s initiative in Parliament, the present institutional–legal framework which defines the role, resources and relationship of provincial institutions of government and accountability merits further reflection. In this sense, the Frelimo majority in the AR, while rejecting the Renamo proposal, left the door open for the reform of the constitution. In our opinion, issues for a broader discussion of provinces’ role in the Mozambican public administrative system might include the following:

• The potential function of the province as intermediary between local and central government, in an approach which replaces the principle of subordination with that of subsidiarity;
• The endowment with, if not entitlement to, dedicated fiscal resources, including a base for OSR, in the framework of an intergovernmental fiscal system which would include a revenue-sharing formula to address stark inequalities in natural resource endowment and fiscal resource allocation;
• The way in which the provincial governor is indicated or elected, and the relationship of relative power between the provincial executive and the Provincial Assembly (Assembleia Provincial, or AP).

All these elements seem relevant not only from a technical reform perspective, but also from that of peacebuilding and consolidation. As such, they should merit further studies and research.

3.1 Provincial Governments
The provincial governments’ function is to guarantee the execution of central government’s policies and programmes. With a status of OLE they are subordinated to central government, which decides on the resource allocation. They have no autonomy in decision-making, nor a fiscal resource base of their own. Typical for a centralist, top-down approach to public administration, the provincial governor is nominated directly by the president, based on political confidence and whom the
governor represents in the province, and is upwardly accountable. The provincial government’s functions in decentralisation may be described as execution, monitoring, as well as control and support of subprovincial governments, as defined by central government institutions. As shown above, this is primarily done through the PS and DATA. Given their present institutional and legal configurations, the provincial governments cannot formally be drivers of decentralisation, unless instructed by central government. In practice, however, provincial governors and governments have some influence in promoting, or preventing, more decentralised forms of governance, accountability and participation. Much depends on the leadership quality of the governor.

3.2 Provincial Assemblies

The provincial government is also accountable to the AP, not in a political but in a technical sense. In line with Law 5/2007, which defines the organisation and functioning of APs, their main task is to monitor the execution of government policies, plans and programmes, i.e. the *Programa Quinquenal do Governo* (Government Five Year Plan) and annual PES and OE, by the provincial governments in their area of jurisdiction. Like the AR, the APs establish up to five working commissions for the following areas:

a) Planning and Finance;

b) Economic Affairs and Local Economic Development;

c) Social Affairs and Environment;

d) Legal Affairs, Public Order and Security;

e) Local Government and Public Administration.

The APs were established in 2008 and its members elected directly in multiparty elections which coincide with the general elections. Their deputies represent the districts of the province,\(^\text{204}\) i.e. their constituencies. Like the AR and the AMs, the APs make little use of their power, enshrined in Article 36ff of Law 6/2007, to reject or approve (provincial) plans and/or budgets, which they usually only comment upon. The main political reasons for creating APs was to provide some institutional space to accommodate opposition parties in subnational governance, in line with the idea of democratic decentralisation. However, many observers consider this process unfinished.

Table 10 gives an overview of the current composition of provincial parliaments in Nampula and Cabo Delgado provinces. More details, e.g. on members per selected constituency or on gender balance, are given in the Appendix.

\(^{204}\) Sixteen in the case of Nampula and 17 in the case of Cabo Delgado.
In both APs, composition has changed with the 2014 elections. In the Nampula AP, Frelimo and Renamo are represented in equal numbers, with a minor role for MDM. In the case of Cabo Delgado, Frelimo has a clear majority.

Based on interviews conducted and previous work in 2015, the major challenges facing the APs in both provinces are summarised as:

- A general lack of institutional capacity (including space) and information and knowledge of relevant legislation which would enable the deputies to better perform their oversight duties. They would like to increase their capacity to analyse and interpret the budget (revenue and expenditure) and to elaborate arguments and evidence supporting proposals for change;
- A sense of ‘impotence’ concerning influencing priority spending and contributing to a better and more balanced distribution of public and private goods and services throughout the respective provinces;
- Some district administrators’ (in Nampula Province) lack of willingness to collaborate with deputies of the AP by facilitating visits to constituencies, sharing information, etc.

Table 10: Composition of provincial assemblies: Nampula and Cabo Delgado provinces

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
<th>AP Nampula</th>
<th>Party</th>
<th>Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frelimo</td>
<td>46</td>
<td></td>
<td>Frelimo</td>
<td>67</td>
</tr>
<tr>
<td>Renamo</td>
<td>46</td>
<td></td>
<td>Renamo</td>
<td>14</td>
</tr>
<tr>
<td>MDM</td>
<td>1</td>
<td></td>
<td>MDM</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>93</td>
<td></td>
<td>Total</td>
<td>82</td>
</tr>
</tbody>
</table>

Source: AP Nampula, Cabo Delgado

On the positive side, the APs are seen by their members to provide a good institutional opportunity for increased citizen participation in provincial governments (by rule, the AP sessions are public) and for assuring national unity by collaboration between party benches and with members of the opposition. The leadership of the Cabo Delgado AP in particular stressed the importance of the AP for government, deputies and citizens alike, in a province characterised economically by resource extraction (timber, minerals, precious stones and, in the future, gas). Sufficient information is lacking for all provincial activities.

205 Interviews with members of the AP of Cabo Delgado, Pemba, 5/5/2015, 6/10/2015 and 9/19/2015; interview with member of AP of Nampula, Nampula, 27/4/2015.
actors, from governments at the various levels via the AP to citizens, since most of the decisions are taken in Maputo and by central government and international investors. This was also the view of the electorate who, in various meetings with the deputies during the previous mandate, raised pertinent questions about the tangible benefits of extractive industries for the people of Cabo Delgado. Since the deputies lack information and understanding of these complex matters, they are not able to provide answers. This was said to be particularly true in relation to the questions regarding the benefits of gas exploration and production for the people of the province. As the president of the AP in Cabo Delgado put it: ‘the gas is a monster we do not understand’.  

We conclude, therefore, that despite their institutional weaknesses the APs have considerable potential to promote and practise the idea of decentralised governance in a more democratic setting.

3.3 Civil Society and Provincial NGO Platforms

In general, Mozambique’s civil society, professional and vocational interest groups, trade unions and civic associations are still considered to be institutionally weak and fragmented, Maputo-based and, as such, not ready or capable of engaging in effective collective advocacy campaigns and policy dialogue on matters of decentralisation. The bottom line is that civil society is slowly growing and diversifying, but is weak in organisational and budgetary management and monitoring, dependent on support from donors and international NGOs with an inclination to rent-seeking practices (Kaufmann & Borowczak, 2014).

Despite these caveats, the last couple of years have seen an improvement in the strength of certain areas of civil society in the country, and their degree of organisation at provincial level. Their successes in influencing policy and debate are seen in fields where ‘advocacy undertaken by largely national or provincial CSOs...bring[s] research-based evidence into dialogue’ (Topsøe-Jensen et al., 2012, p 5.). In their interaction with governments and parliaments, national NGOs benefit not only from the law on the right to information (Law 34/2014), but also from considerable support particularly through Programa de Ações para uma Governação Inclusiva e Responsável (Action Programme for Inclusive and Responsible Governance or AGIR), which channels its CSO support through international NGOs.

The province of Nampula has a good track record of CSO and community-based organisation work (Macuane et al., 2012). Its Provincial Platform of Civil Society Organisations (Plataforma Provincial das Organizações da Sociedade Civil, or PPOSC) has a noteworthy tradition of engaging with the provincial and district governments, providing capacity-building and technical assistance to Consultative Councils.
(CCs) of communities and municipalities in the field of participatory planning and finances, and in monitoring the quality of development and governance in the province, congregating all national and international CSOs operating in the province. On a rotational basis, the members elect one to the function of executive secretariat. This is done annually to prevent that one organisation and its leadership from maintaining a long-term interest in determining policies and concentrating resources.

PPOSC collaborates with the provincial government of Nampula in monitoring the implementation of the Provincial Strategic Plan 2010–2015, using the government’s Coordination Unit for Integrated Development (Unidade de Coordenação do Desenvolvimento Integrado de Nampula, or UCODIN) as a mechanism for its engagement with the government departments.

PPOSC members are organised in networks of NGOs working in six areas: agriculture, land and natural resources; health, HIV/AIDS; education; water and sanitation; governance; and independent media. A further network is being considered on the use of information and communications technology for monitoring government action. These networks constitute a highly effective way to share and disseminate experiences, studies, evidence and relevant methodologies amongst members, and with other stakeholders, to promote debate and to engage subnational governments on the above subjects. Specific projects aim at increasing citizens’ capacity to monitor the quality of public services, with a focus on water and sanitation (in collaboration with Helvetas), Access to Information and Citizens Engagement (AICE, via SolidarMoz), education (via Akhilezetho, and the use of a citizens’ report card) or municipal services (via Diálogo – Democratic Governance and Support Programme and Strengthening Citizen Engagement).

In Cabo Delgado, the provincial CSO Fórum da Sociedade Civil em Cabo Delgado (FOCADE) claims to encompass all national NGOs and associations operating in the province (e.g. Liga dos Direitos Humanos, or LDH; Christian Council of Mozambique; Grupo Moçambicano da Dívida, or GMD), including foreign organisations (such as Helvetas and the Aga Khan Foundation). The members join the forum on a voluntary basis and are expected to contribute to the cost of activities and the FOCADE. The coordinator, who is also the director of the provincial NGO Progresso, has been directing the platform for several years. FOCADE’s Strategic Plan ended in 2014. The organisation’s statutes and working guidelines, aimed at better structuring collaboration between FOCADE and its members, are under review. The organisation works closely with the provincial government in organising the annual development observatory, whose report is submitted to government once approved by FOCADE members.

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209 Interview with president, Progresso, Pemba, 5/5/2015; another source maintains that several international NGOs have turned their back on FOCADE.
Organised in thematic groups similar to those of its Nampula counterpart, the forum also serves, in the view of its president, as a hub of the District Platforms of Civil Society, which presently operate in five of 17 districts, namely Ancuabe, Metuge, Mocimboa da Praia, Montepuez and Quissanga. However, these local platforms cannot necessarily be considered as encompassing all civil society interests in an independent way, but rather as organisations closely linked to the ruling party. FOCADE is aware that it needs to familiarise its members with the legislation, notably on mining, natural gas and forestry. The leadership admits that those laws have hardly been studied, and they suggest that their dissemination and capacity building on their use should be as intensive and widespread as was the case with the Mozambican Land Law 6/1979.

We conclude that the CSO platforms are important interlocutors for and promoters of decentralisation, albeit with different qualities arising from their history, degree of independence and technical competence.

Particular mention should be made of community radios as agents for change towards decentralised governance and provision of information. Both Nampula and Cabo Delgado can boast of local radio stations, some associated with the Catholic Church, others with the Fórum Nacional de Rádios Comunitárias (National Forum of Community Radios), which are not only popular but also provide critical information for citizens on matters of service delivery, good and poor governance, abuse of power, etc. Many of them have listeners beyond their broadcasting radius. Financially dependent on sponsors, including local governments and businesses, they try hard to keep their editorial independence.

4 Local Level

4.1 District Administrations
The district is widely accepted as the basic level for the political, administrative and economic organisation and development of the country. Its government is part of the direct administration of the state, represented by the nominated district administrator. The management function of the district administration is in the hands of the district PS, subordinated to the provincial government and MAEFP, which is also the focal point of the e-SISTAFE-based PFM system. District administrators are frequently – some say too often – rotated or changed. The institutional configuration of service delivery is through district services, which may not yet represent the optimal form of organisation, e.g. in the health sector, which is lumped together with women affairs and social welfare. The technical and management capacity of staff is considered inadequate in many districts, with their administrations having a restricted capacity to retain qualified staff.

210 Extension of the platform to Mueda, Palma and Chiúre was considered from May 2015 onwards.
The number of districts has recently been increased by dividing up larger districts and creating new ones whose boundaries coincide with those of municipalities (e.g. in Nacala Porto). The strategic and operational planning and budgeting processes have experienced positive evolution, notably through the PNPFD, as has the annual PDUT process. Participation in planning and the allocation of PDD finances through CCs has witnessed mixed results and attempts at elite capture in the case of PDD. Many practitioners believe that the CCs should have more representational and decision-making power, especially if realigned to include representatives of the various ‘councils’ established by the sectors, to assure a participatory approach to planning and service delivery.\textsuperscript{211}

One of the districts’ major ‘handicaps’ is the wide gap between their responsibilities for service delivery in usually large territories, on the one hand, and the lack of sufficient fiscal resources, both transfers for capital expenditure and OSR, on the other. In this context, many district administrators feel that the transformation of rural, semi-urbanised district centres (\textit{vila sede}) into municipalities has meant an ‘amputation’ of its infrastructure and resource base. For their part, municipal leaders complain that the district collects fees and taxes in municipal territory.\textsuperscript{212} One of the outcomes is that districts increasingly lodge claims with central government aimed at obtaining increased resource transfers, especially for service delivery and capital investment, e.g. on the occasion of the National Meeting of District Administrators in January 2016.\textsuperscript{213} This in turn may jeopardise the gradualism in the transfer of functions and resources (e.g. for primary education and CSS) to municipalities.

The relationship between a municipality and the surrounding district (or that coinciding territorially with a municipality) is thus potentially conflictual, especially if the municipality is run by an opposition party. The district administrator represents the state and can usually count on the support of central and provincial government. Thus, the district where the \textit{vila sede} has been municipalised is often the theatre of struggle between opposing forces representing different philosophies of, and approaches to, decentralisation: devolution and deconcentration. But there are also frequent cases in which both local governments, despite different qualities and parties in power, collaborate in the spirit of good neighbourliness and mutual benefit. This is particularly the case in municipalities (and districts) where Frelimo is the dominating political force.\textsuperscript{214} There are also good examples of cooperation in Nampula City, which is governed by MDM. One official of the Rapale District, which surrounds the

\textsuperscript{211} Interview with António Mutúoa, secretary general, \textit{Solidariedade Moçambique} (SoldMoz), Nampula, 19/10/2015.
\textsuperscript{212} Interview with member of municipal government, CM Monapo, 21/10/2015.
\textsuperscript{214} Interviews with senior members of Monapo district government, Monapo, 21/10/2015, and of district government, Nacala District, Nacala Porto, 22/10/2015.
The district governments often suffer from low productivity – a point recently highlighted by the President during a visit to Cabo Delgado Province – due to the administrators’ deficient performance in the areas of designing, implementing and monitoring plans. Many senior government officials are not well informed about the socioeconomic features of their district, or the infrastructural, agricultural, environmental and climate challenges they face. The practice of annually producing a detailed district profile for submission to the central government, in existence until the late 1990s, has been discontinued over time. One reason for the low productivity is the intrinsic link between the administrations and the ruling party, which considers political loyalty and militancy as key criteria for staff nominations rather than professional and technical merit. Lines of accountability are upward rather than downward to the community, which thus has little formal space to hold district staff accountable. The link between representation/voice on the one hand, and taxation on the other, is also not given, because taxes and fees collected in the district accrue mostly to central government, which also allocates the salaries to district civil servants through the state budget, even if the actual management is increasingly done at district level (Maschietto, 2016a). Other reasons are budget constraints that often prevent officials from working in the more peripheral areas of their district, since transport, fuel or both are unavailable.

In terms of policy, we consider district administrations as important players in the game for improved deconcentration, and potential adversaries to devolved (municipal) governments.

4.2 Municipalities

There can be no doubt that municipalities are major drivers of change towards decentralisation and devolution, either individually or collectively through their umbrella organisation, ANAMM. The degree to which a municipality engages in decentralisation matters obviously depends on its size, age and financial and human resource bases. Within the municipalities, the executives, i.e. mayors and CMs, are important and proactive stakeholders, as are the local citizens who often have a sense of ‘collective’ identity and pride associated with their municipality. The rising participation in local government elections is an indicator of this. Local NGOs and media engaged in monitoring municipal performance and enhancing the space for municipal debate are also important local stakeholders in promoting decentralisation, local empowerment and citizens’ engagement. Municipal assemblies, despite their

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215 Interview with official of Serviços de Administração e Finanças, SDSMAS, Rapale District, 19/10/2015.
216 AIM, 08/05/17.
legislative powers on plans and budgets, appear more passive and docile, the majority usually not questioning the decisions by the executive. This is also a result of their institutional weakness and the low level of familiarity with municipal legislation. Despite this, as a democratically legitimised body, they provide a space for multiparty engagement and debate and need to be considered important drivers for democratic decentralisation, especially if their members improve their familiarity with the relevant legislation and knowledge to correctly perform their duties as legislative bodies and supervisors of the executive.

4.3 Community Leaders
Community institutions reflect the history of the organisation of the 'primordial public', as well as the relationship with the colonial state and the antagonism the 'traditional leaders' faced from Frelimo immediately after independence. During the civil war, they tended to support campaigns on both sides of the warring parties. With their recognition following the GPA, from 2000 onwards they were made part of the 'community leaders', together with local representatives of the Frelimo party, such as the secretaries of Bairro and other influential persons who are formally recognised by the provincial governor on behalf of MAEFP. Uniformed and integrated into the local political–administrative 'structures', and as interlocutors between the state and the community, they gained status, influence and access to rents. ‘Traditional leaders’ often know with some precision what their land and territory entails in terms of boundaries, resources and history, including the circumstances of its occupation, contestations and changes (Galli, 2003). Apart from their traditional roles and functions, as noted earlier they also play an administrative facilitation role in issuing documents for public and private affairs, such as identity and voter cards, residence permits for foreigners, and even credentials for opening a bank account. Local leaders may have significant power in shaping life in their communities, particularly through the consultation processes embedded in several laws, notably the land and investment laws. Community leaderships are convened into Consultative Councils, with some influence in the planning process at district level. However, they are constrained by ineffective organisation and deficient interaction and information flows.

Traditional and local leaders face substantial upward responsibility, contrasted with weak or non-existent mechanisms of downward accountability to community members. They are also the main target of clientilism and vote buying from the political parties, as they can influence local voting patterns. With their vested interests, they are moderately proactive in relation to devolution and proactive in relation to deconcentration. As a recent succinctly concludes , the central issue is one of empowerment from bottom-up, difficult to achieve in a political setting which functions top-down (Maschietta, 2016a: 258).
5  **Thematic International Development Partners**

Decentralisation in Mozambique without the consistent support of IDPs over two decades would be unthinkable. They are major drivers of both devolution and deconcentration in Mozambique. Most of the support has been in the form of project support directed to municipalities and the PPFDs (Borowczak & Weimer, 2012). From a plethora of thematic IDPs in the early 2000s focusing on municipal development, and after the termination of PNPFD, three main groups of international decentralisation partners remain: the World Bank, the GIZ together with KfW, and the IDPs that are signatories of the Joint Financing Agreement for PRODEM. The trend is towards pool-funded projects and a sector-wide approach. While the World Bank-supported PCMC and PRODEM are ongoing, it is not clear at present whether there will be a successor project to PNPFD (see Part II, Section B, 4.3).

Concerning the World Bank, decentralisation support may come under two topics: global governance practice, which aims to support countries in building open, effective and accountable institutions for inclusive development; and social, urban rural resilience practice. The latter attempts to help the World Bank’s partner countries to build, from a poverty reduction perspective, inclusive, resilient and sustainable cities, villages and communities. While World Bank support for PROMAPUTO and for PNPFD ended in 2015, PCMC is continuing until December 2017. The organisation is presently designing a new country strategy for Mozambique, whose key elements are under negotiation. An urban focus, support for urbanisation and infrastructure development in Greater Maputo, emphasis on SGA for municipal management and a national municipal funding facility may be elements of the strategy, but also a possible successor programme for PNPFD linked to DNPO. At present, two studies are being carried out which will inform the design of the new country strategy: an urbanisation review to better comprehend the special economic, etc. dynamics and consequences of urbanisation in Mozambique, and a study on poverty and inclusive growth in the Greater Maputo area, which also looks at access to land and revenue generation. At the time of writing, as part of the Decentralisation Working Group activities, a World Bank consultant is drawing up and updating a survey of donor activity in the field of decentralisation.

The GIZ, one of the first bilateral agencies to support decentralisation (both municipal and district development) in central Mozambique, with a geographical focus on Inhambane, Sofala and Manica provinces (from 1995 onward), is faced with shaping its programming cycle in relation to the government’s decision and programme priorities. The focus of its present programme, Decentralisation for Rural Development,
running until the end of 2018 in selected districts and municipalities, is on Good Financial Governance. Technical assistance is foreseen to help municipal and district administrations to improve revenue generation and administration, as well as accountable budgetary management, subject to standards of effective internal control and (external) audit. Another element in GIZ’s country strategy is the support, in cooperation with Cities Alliance, to government, i.e. MAEFP/DNDA, with a focus on the National Urban Forum and the National Commission on Human Settlement (Comissão Nacional de Asentamentos Humanos), to ANAMM in its role as advocacy organisation and to CSOs, as well as the promotion of municipal partnerships. Cooperation with KfW-financed PRODIA (Programa de Desenvolvimento Integrado para as Autarquias e as Zonas Rurais Circunjacentes) is envisaged. The latter’s core business is setting up a municipal fund for investment and infrastructure. The project is implemented by a consulting company.

Uncertainties remain on the part of some IDPs regarding future programmes focusing on decentralisation, the budget envelopes and continuation of ongoing programmes such as PRODEM. From the point of view of international partners, one obstacle to full support appears to be the MEAFP and particularly the DNDA, which is increasingly perceived to be a major constraining force for decentralisation, not sufficiently proactive and responsive towards domestic and international constituencies, and lacking both capacity and willingness to take decentralisation initiatives of its own. Examples given are ‘feet dragging’ regarding promoting the idea of the Fórum Urbano Nacional (National Urban Forum) activities, the SGA, and coordination of intergovernmental activities in support of municipalisation. Lack of efficiency and work ethics are other critical points, recently addressed by the president during a visit to the ministry.

6 Private Sector and Decentralisation

The decentralised provision of public and private services is of major importance to business and local economic development (LED). Depending on circumstances of location, type of business and industry, volume of investment, proactive action of national and subnational governments, a mutually beneficial relationship between (local) public entities, and domestic and foreign investors, it may generate local fiscal and social benefits and incentivise LED.

In this section, we examine, from a decentralisation perspective, the role of ‘business’ and the private sector. In the first subsection, we analyse the stance of private sector associations on decentralisation. Secondly, we look at the positive and negative externalities that the investment of private and public business may produce in a region, district or town. Finally, we present two case studies on the impact of mineral resource extraction and associated investment on local governance, focusing on Cabo Delgado, a province famous for its natural resource wealth.
We use the term ‘business’ in the broadest sense to include public enterprises or SOEs such as EDM, FIPAG, Aéroportos de Moçambique (Mozambican Airports Company) and CFM, which, in line with the LEOFA legislation of 2012, are considered decentralised entities themselves (see Part II, Section B, 2.4). Although they are also profit-oriented, they are run by an entrepreneurial philosophy and practice different from that of non-governmental businesses (notably SMEs), as they are part of the established power structure and represent a foundational factor in the analysis of power relations and change (see Part II, Section A, 4.1).

6.1 Private Sector Associations

In the early post-1992 GPA era, and at the time in which the decentralisation legislation was prepared by government for debate in Parliament, the participants of a seminar on Mozambique’s economic perspectives identified several issues and concerns considered important for Mozambique’s economic development. The three major concerns were (Pinto de Abreu, Baltazar & Loureiro, 1994):

- Effective peace, smooth general elections and transition to multiparty electoral democracy;
- Role of local government and decentralisation; and,
- Elevated levels of corruption.

More than 20 years later, in 2014, all three concerns appear to continue to affect business. Concerning decentralisation, representatives of the business community and its associations see the country’s high degree of centralisation, bureaucratisation and corruption as major hindrances to the private sector’s, and notably SMEs’, better contribution to economic development and growth.

For the private sector, the lack of effective decentralisation has a direct impact on its cost structure and competitiveness. Since the provincial and district governments (and specialised agencies such as ATM, SPGC, etc.) have little or no decision-making power of their own, those subnational entities are not necessarily considered primary partners in crucial business operations, tender and investment decisions by businesses. This is one of the main reasons why most industrial and commercial businesses, especially category A and B industrial enterprises, are registered in Maputo where they pay their corporate income tax.

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220 Based on an opinion survey of more than 100 participants representing government, private and public sector businesses, aid agencies, labour unions and academics. See Castel-Branco (1994).
221 Interview, senior manager, ACIS, 07/12/2015. See also, for management of land use and allocation, DFID (2013).
222 These enterprises are grouped into categories according to size, investment and number of workers, with A and B being the major ones.
This forces a kind of ‘functional dichotomy’ upon the enterprises in their relationship with government and fiscal authorities. On the one hand, they work routinely with state and government agencies (e.g. ATM; Balcão de Atendimento Único/one-stop-shop for business registration; Instituto Nacional de Segurança Social, or INSS) in the geographical areas where they operate, trying to build trust and confidence. On the other hand, the businesses must establish and maintain a functional, much more abstract relationship with central government authorities in Maputo when it comes to land allocation, public tenders, complaints concerning tender outcomes, fines and inspections, tax assessments, and reimbursement of value-added tax. The need to deal with government authority at both national and subnational levels at the same time produces high transaction costs for the enterprises (maintaining office and staff in Maputo, travel, etc.). It also leads to a crowding-out effect of local enterprises outside and/or distant from Maputo in favour of those that are geographically closer and/or have ‘connections’. This is particularly the case in public tenders, which are often managed, influenced, decided upon or contested in Maputo, with the consequence that businesses in the periphery are hardly interested in participating in (local) public tenders (Weimer & Macuane, 2011). In this context, it is noteworthy to draw attention to the observation of the mayor of Nampula City that even major municipal tenders depend on suppliers of goods and services which are concentrated in Maputo.

According to ACIS, government offices in Maputo usually have better human resources, institutional capacities and knowledge of legislation and rules than local branches of central state institutions. Another concern is that during recent years, decision-making on important matters concerning business, notably on the acquisition of land-use title deeds (DUATs), has been centralised.

From the perspective of business in general and ACIS, more autonomy for provinces therefore makes sense. This is, however, not necessarily a unanimous view, perhaps contested by business representatives for reasons of ‘political correctness’. ACIS in particular want to see provincial governments with more competencies, authority and resources in the following areas which are crucial for their operations and economic viability:

- Management of land, including a publicly accessible land cadastre;
- Taxation, including claims of contestation and reimbursement of value-added tax;
- Contracting of foreign specialist workers and employees and issuing of work licences and resident permits;
- Public tenders and associated arbitrations in cases of contestation;

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223 Interview with Mahamudo Amurane, mayor of Nampula City, 12/10/2015.
224 Reference is made to the CTA president’s speech at the organisation’s general assembly in May 2015, in which he refuted the idea of autonomous provinces.
• Approving of local investment plans and registration of businesses and facilitation of business opportunities.

The National Confederation of Business Associations (Confederação das Associações Económicas de Moçambique, or CTA) has a different approach to the question of decentralisation. It promotes its own decentralisation by establishing Provincial Business Councils (Conselhos Empresarias Provinciais, or CEP) run by CTA's provincial members. Following a top-down approach, CTA branches are foreseen in selected districts. Its main objective is to attract foreign business partners for investment and joint ventures in the province. The CEPs collaborate, where necessary, with the government’s provincial one-stop shops (Balcão de Atendimento Único) in matters of registration and licensing, and with the ATM concerning tax issues. Their cooperation with municipal authorities varies from province to province, but is less pronounced.

From the point of view of business, policy makers at both central and local governments lack an understanding of private enterprise, its *modus operandi* and the type of support it needs for being productive, lucrative and competitive. The tax burden is considered high (45%), but there is hardly any equivalent in terms of quality, reliability and coverage of public services. Concerning municipalities, the classic examples are proper land-use planning, or its absence, and solid waste management. The link between tax burden and provision of essential, satisfactory quality public services is often not favourable from the entrepreneurial point of view. While the private sector and its associations agree that municipalities need to raise and increase their own-source revenue, they disagree with the design, rates and burden of some taxes, notably the IPRA. The way it is designed and the rates defined, if fully applied the taxation would contribute to killing an enterprise. During the research the authors heard of a case in Beira where the company preferred to move its head office to a different place because the IPRA charged was beyond its financial capacity. The practice by municipal and provincial governments, and the ATM, to conduct repeated inspections and apply fines instead of investing in an efficient, effective, just and transparent local taxation system is counterproductive to confidential business interests and their willingness to become proactive players in LED.

6.2 Foreign Direct Investment and Local Governments: Case Studies of Cabo Delgado Province

Economically, Cabo Delgado Province is well endowed with natural resources and thus considered a preferred destination for extractive industries and associated investments in infrastructure and services.

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225 Interview with senior manager, CEP/CTA, Nampula, 13/10/2015.
226 Interview with manager of *Chez Natalie* lodge in Mocimboa da Praia, 19/08/2015.
High-value precious stones, notably ruby, are mined in Montepuez District. Montepuez Ruby Mining, Lda (MRM), a partnership between British company Gemfields and Mozambique’s Mwiriti Ltd., extracts high-value rubies in an area covered by the administrative post of Namanhumbir in the district, for export to and auctioning in South East Asia. Major mining operations of the huge reserves of high-quality graphite are being prepared, or are under way, in Ancuabe, Namuno and Balama districts. Major international players are the Australian-based Syrah Resources, the Triton Company in joint venture with the Chinese graphite products specialist Yichang Xincheng Graphite (YXGC), as well as the Amsterdam-based AMG Mining AG, which operate a graphite mine in Ancuabe District through its German subsidiary Graphit Kropfmuehl.

The province is well on its way to becoming a major global theatre of offshore extraction and liquefaction of natural gas, with one of the major known offshore gas reserves in northern Cabo Delgado, adjacent to Palma District, and south-east to the offshore reserves of Tanzania. The leading concessionaires are Anadarko (US) and ENI (Italy). The production of LNG in Palma and Afungi (in Palma District) was initially expected to come on-stream in the early 2020s, with an estimated investment cost of up to US$20 billion. Given the persistently low energy prices on the global market, the final investment decisions, originally expected at the beginning of 2016, have not yet been taken (also see Part II, Section C, 1.4). Associated with the LNG project is the projected construction of a logistical base in Pemba Bay, adjacent to the present port, intended to serve as the backbone for the LNG operations further up north.

The widespread exploitation of other natural resources such as timber has declined, also for reasons of low commodity prices and lack of demand in China. Timber from Cabo Delgado was once exported to China in massive quantities, allegedly by illegal and corrupt networks in the logging industry (EIA, 2014; Miombo Consultores, 2015). Cabo Delgado’s tourism potential is also potentially a major factor for its economic development. The National Park of the Quirimbas and the border areas with Niassa in north-western Cabo Delgado have, however, lost some of their potential and attraction due to economically driven incursions (e.g. logging) and, over the past few years, a dramatic increase in elephant poaching, with illegal exports of ivory destined to the markets in East and South East Asia damaging the province’s tourism.
potential. This prompted MITADER, in collaboration with the police, to undertake major interventions, e.g. the public incineration of confiscated ivory.

With President Nyusi hailing from the north of Cabo Delgado, where the economic centre of gravity in resource extraction in the gas and mining industries is now located, a shift of the political centre of gravity to the north has also occurred. Together, this turns Cabo Delgado into a major centre of power, notwithstanding the fact that it has always represented one of Frelimo’s strongholds.

6.2.1 Pemba Logistical Base

What is the relationship between a major planned investment by national and international capital into a logistical base for the extractive industry, with its overarching strategic implications for Mozambique’s future revenue and economic development, on the one hand, and Pemba Municipality, the capital of Cabo Delgado, on the other?

The logistical base is planned to support the emerging LNG industry in Palma District in northern Cabo Delgado. The project is driven by a governmental decision in 2013, *Portos de Cabo Delgado* (PCD; Cabo Delgado Ports), in which *Caminhos de Ferro de Moçambique* (CFM) and *Empresa Nacional de Hidrocarbonetos* (ENH) are the shareholders, each with 50%. In turn, PCD granted, without a public tender, the concession to ENH Integrated Logistics Service (ENHILS), a private company which is 51% owned by ENH Logistics (owned by ENH) and 49% by Orleans Invest. The latter’s majority shareholder and CEO is the Italian billionaire Gabriele Volpi, with Atiku Abubakar, Orlean Invest’s business director, a former vice-president of Nigeria, as minority shareholder. ENHILS has also chosen to establish a technical partnership with Sonangol Integrated Logistics Services, part of the Angolan Sonangol group. Orlean Invest provides the ‘financial muscle’ for the logistical base. Newspaper reports suggest that Volpi has made an upfront payment of US$10 million in commissions only.

The area for the logistical base, 8.8 thousand hectares, is located in Pemba Bay, the third largest natural bay in the world. In administrative terms, it covers part of the territory of the Pemba Municipality and the recently created Pemba-Metuge District. According to well-informed local sources, the area is far too large for a logistical base, suggesting that part of the area is destined for other purposes, i.e. land speculation. In PCD’s opinion, the land will be used to provide land and services to attract private and public enterprises and investment.

In 2014, PCD asked the Municipal Council of Pemba (MCP) to manage the resettlement of the population living in the area needed for the logistical base (port) in Pemba Bay. This occurred because PCD initially attempted to start fencing and

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235 *O Publico Semanário* (Maputo), 19/10/2015, p. 17.
clearing the land for the base on its own, contracting lawyers and a Chinese company for that purpose. This was met with resistance from the population, who did not want to talk to lawyers handing out business cards in case claims were lodged but instead demanded the involvement of the local authorities.

In what appears to be a draft agreement between PCD and MCP, the former promised to pay for the resettlement, and in fact transferred an unknown amount into a special account of the Municipal Council, to be used exclusively for that purpose. The Municipal Assembly knows about this transaction, but lacks detailed information regarding the agreement and the monetary values involved. Deputies from both Frelimo and the MDM opposition suggest that the project and transfer was not reflected in the municipal budget or approved by the local legislative body, which was side-lined.\textsuperscript{236} A commission chaired by the PS of the provincial government, which includes representatives of the MCP, is charged with coordinating and overseeing the resettlement process. The assumption is that this needs to be done correctly, according to the existing legislation,\textsuperscript{237} and with due indemnity for those to be resettled. The conflictual and partially violent experience with resettlement in other places in Mozambique, e.g. Cateme (Tete Province), is to be avoided.

About 800 families (equivalent to 4 000 persons) are to be resettled, mostly small-scale farmers and fishermen. A few national and foreign residents and house owners, including the owner of an eco-lodge, are to be compensated for the loss of their property in direct negotiations with PCD, i.e. outside its agreement with the MCP. There is, however, no unanimity concerning the rates (price per m\textsuperscript{2}) to be used for paying indemnity for appropriated land. The institutional variations in these rates are shown in Table 11.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Rate (MT/m\textsuperscript{2})</th>
</tr>
</thead>
<tbody>
<tr>
<td>CM Pemba</td>
<td>40</td>
</tr>
<tr>
<td>Government</td>
<td>23</td>
</tr>
<tr>
<td>PCD</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: CM, AM, Pemba

In lengthy negotiations with PCD it was suggested that the price should be 7.5 MT/m\textsuperscript{2}. Apart from paying the monetary value of the appropriated land, the resettled households should be given guarantees of employment for at least one family.

\textsuperscript{236} Interviews with members of the AM of Pemba.
member during the construction phase of the logistical base. And there are other compensations to be effected in kind, e.g. for fruit trees, destroyed houses, etc.

At the time of the research in Pemba (September 2015), there was a potentially highly conflictual stand-off between key stakeholders:

- The Municipal Council and the provincial government disagree with the total (unknown) sum for indemnity payments offered by PCD, considering that what was offered by PCD is too low in relation to the established resettlement norms and current indemnity practice;
- According to well-placed sources, the Municipal Council decided to refuse to continue to negotiate with PCD in early October 2015, unless it accepts the Municipal Council's terms and volume for indemnity payments;
- Alternative land for the families to be resettled, especially along the coast of the bay in the Pemba-Metuge District, has not been identified and is unlikely to be available since the length of this coastal strip is already occupied and used for various activities by the resident population;
- The Chinese subcontractor has started demolishing and taking away occupied land from ‘simple people’, obviously on occasions forcefully entering their plots for this purpose and destroying property. ‘Já foi’ (It’s gone [my land]), a resident woman, working as a domestic worker, told her employer after returning home from work;
- There are reports of other local and foreign residents’ properties and plots having been illegally invaded, and there is evidence of bullying, threats and the use of force;
- A tourism lodge was invaded during the owner’s absence abroad. His staff was told that the building would be removed. Later an indemnity sum of an estimated US$1 million was negotiated, and he received one-third of the value as down payment, but PCD defaulted in the payment of the other agreed tranches;
- Local people complain that they do not know where the Municipal Council stands at present in defending their interests and that their requests for information have so far not been responded to. On the other hand, they recognise the MCP as their potential ally;
- The outcome of the adjudication of the contract for construction of the logistical base in favour of the ENHILS and partners’ consortium (linked to former president Guebuza), without any public tender, is contested, and not only by the civil society watchdog Centro de Integridade Pública (CIP), which argues that the adjudication process was irregular. The outcome of the adjudication is also contested in a court of law by the consortium Muyake

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linked to former president Chissano and his business associates. They claim that their company initially signed the contract, which was later revoked in favour of the competitor. According to sources in the municipal and provincial governments in Pemba, it appears that the court may be in favour of reversing the contract decision in favour of the earlier ‘winners’;

• The Administrative Tribunal, which needs to authorise the sublease contracts, has not done so, presumably because it considers the sublease by PCD to ENHILS as not being in line with legislation, since there was no public tender;

• The leadership of PCD, notably its CEO, is said to have an unfavourable track record concerning transparent management of large-scale land-based projects, including in the pertinent resettlement question. This may pose a reputational risk for the project and its future users;

• The lead concessionaires in the planned LNG industry in Palma, ENI and Anadarko, appear to be losing interest in the Pemba logistical base, for the following reasons:
  – The high degree of uncertainty concerning the future market (price and customers) for oil and gas. Recently, ENI announced discovering a major gas field off the Egyptian coast in the Mediterranean, and China, one of the major markets for energy, in 2015/2016 reduced LNG imports due to directly linking offshore gas fields in Myanmar’s part of the Bengal Sea to consumers in China’s Yunnan Province via a pipeline;
  – The logistic base appears overdimensioned and the Pemba Bay area may not be suitable for large ships;
  – The base is too far away from the location of the future LNG industry, necessitating (expensive) road transport between Pemba and Palma on a stretch in which the road and bridge infrastructure, in some parts, is vulnerable to natural disasters like floods. ENI is studying the feasibility of reactivating and upgrading the old road to the north along the coast, which has fallen into disuse since colonial times;
  – Lack of transparency of the procurement process and the choice of partners involved in the ENHILS-led project;
  – The perception by Anadarko management that Orleans Invest has a track record, particularly in Nigeria, of charging too high a price for their logistical base services, i.e. not providing reasonable value for money;
  – Alternative options, e.g. trans-shipment of inputs for the LNG industry from the Comoros, have not been sufficiently explored;
  – The present global economic conjuncture is not favourable for the oil and gas industry, leading to a rethink and potential pullback or pullout of investors and potential buyers from ongoing projects.
This case study shows that the Pemba municipal government, and even the provincial government, need to be considered minor players in a business which generates major investments and expectations, and which is a rule changer. Both levels of government are caught in the middle, defending national interests, on the one hand, and those of the local population trying to negotiate a fair deal in the question of resettlement, on the other. And in comparison to the major investors, they are small players. It is doubtful whether the municipal government is being or will be compensated for the externalities that a major investment will produce, given that the big investors are not registered in the town or province and do not pay taxes there. This concern, typical for places with large-scale investment such as Nacala Port, is an issue, even on the agenda of ANAMM, which needs special attention by government.

6.2.2 Ruby Mining: Montepuez District

The district of Montepuez includes four administrative posts, namely Montepuez-Sede, Mapululo, Nairoto and Namanhanumbir. According to the administrator and senior officials of the district government, the major challenges the district government faces are elevated levels of poverty in all districts, and conflicts in Namanhanumbir associated with ruby mining in general, and between the MRM mining company and local and foreign artisanal miners or garimpeiros. The lucrative ruby business attracts a vast number of foreigners, most often from West, Central and North African countries, who seek their fortunes in Montepuez.239

Public services, notably in education and health, in the district are fragile, with long daily queues of waiting patients at the hospital and health posts. Teachers’ absenteeism from class poses a major problem to the authorities. In some schools, the direct small-block grant (Apoyo Directo à Escola, or ADE) is not managed in a transparent way, and conflicts between school administrators and the Conselhos de Escola (CEs) abound.

According to the district administrator, the local CSO platform is an important and legitimised stakeholder in conflict settlement in Montepuez and in the attempt to negotiate a fairer share and more benefits from the extraction of precious stones. The role of CSOs, political parties in the AM and AR, as well as religious leaders in conflict mitigation needs to be emphasised, considering that Montepuez has had an unfortunate history of postelectoral violence since the 1999 elections. In 2002, Renamo overran a police station, seizing weapons, and the government retaliated by imprisoning close to 100 opposition members in a tiny police cell, where most of them died from asphyxiation.

239 In operations carried out by the defence and police forces in early 2017, up to 4,000 foreign, mostly African, miners were evicted and most repatriated, effectively curbing what authorities consider illegal mining. See Mozambique 370 News reports & clippings, 02/05/2017.
The centre of ruby mining is in the administrative post of Namanhanumbir (quarry of the ruler). According to its head (Chefe), major conflicts and hostility characterise the relationship between the mining company (MRM) and the local community:

- Eight peasants have complained that their fields were incorporated into the mining area without due indemnity;
- There are reports of brutality from the company’s private security force against residents and artisanal miners, who trespass, by coincidence or on purpose, onto the mining concession;
- MRM has no policy and practice of consultations with the local community, either directly or via the local government;
- The community does not see any benefits from the mining operations (both the formal and informal parts) but is aware that the turnover and profits of the company and the garimpeiros are considerable. Local government and the community are aware that the mining law enshrines the community’s right to obtain, for their benefit, a certain percentage of the royalties. In the case of the garimpo (informal mining activity), mostly organised by foreigners, turnover and profits are high as well, and the benefits (in the form of sums of money, motorbikes, cars, etc.) are informally shared with selected, influential community members, the police, etc. Neither the local government nor the community leaders has any clear estimate of the profits, let alone accurate information. Both articulate a need to obtain accurate information, at least on the company’s turnover and profits;
- The company’s corporate social responsibility activities have been slowly forthcoming. Some boreholes have been drilled and a health post project has emerged. But the local population want to see more benefits and improvements in the provision of local public goods and services (e.g. a school, street lighting, an ambulance, etc.);
- Local associations and members of the ‘local civil society platform’ are banned from entering the concession areas and are not considered stakeholders by the MRM company.

The vice president of the Montepuez Civil Society Platform, a former military officer in the colonial army and a Frelimo member, is working closely with the district

240 Interview with A.C., Chefe do Posto, Namanhanumbir, 04/05/2015.
242 According to one journalist interviewed, it is possible at any point in time to meet Mozambican and foreign informal miners who are well armed and carrying substantial amounts of cash in Metical and SUS, in Nhanupe, a booming settlement in Namanhanumbir (Interview with Sister Anselmina, Rádio Sem Fronteiras, Pemba, 08/5/2015).
administrator. The platform is said to encompass all 53 associations which exist in the district, from farmers’ associations to those of teachers, nurses, women and religious groups, as well as more politically oriented ones such as the Associação Armando Emilio Guebuza and the Associação 4 de Outubro (the latter operating in Namanhanumbir). The foci of the Montepuez platform are health, education and agriculture. It produces the district inputs into the annual report of the provincial development observatory organised by FOCADE. Three of its members also participate in the Conselho Consultivos (CC) of the district.

The vice president also confirmed the conflictual situation in Namanhanumbir mining area described above. He laments the lack of (access to) information on mining operations and the fact that various attempts to talk to the mining company’s directors have failed. The other concern, shared by several interviewees, is the increasing violence and crime rate in the district and in Montepuez, and the fact that children, both boys and girls, do not attend school, instead trying to provide some ‘service’ (labour, prostitution, etc.) to gain some benefit from the garimpo.

This case study demonstrates that district governments, already underresourced and institutionally weak, are minor players in the political economy of mineral extraction. Again, as observed in the case of Pemba, the districts suffer from externalities that they have neither the political nor the fiscal means to resolve. They can easily be sidelined by powerful local forces allied with international capital.

Concluding the above two sections, we see that local governments, both OLE and the municipal type, have limited power and roles to play in major investment projects in their respective jurisdictions – as stakeholders, shapers of outcomes or as beneficiaries. They are at the ‘receiving end’ of a chain of decision-making events leading to such investment, and are usually ill-prepared, ill-informed and underresourced to deal with arising and challenging social, infrastructural and economic issues, including resettlement of inhabitants and the provision of services, and the institutionalisation of orderly, transparent procedures. Their leaders need to carefully gauge and negotiate the risk of being seen to position themselves ‘against’ superior interests, be they national (i.e. emanating from Maputo) or of senior members of the ruling political elite. The case of Pemba municipality and other similar cases shows that their own procedures and established rules of doing things tend to be simply overruled.

7 Local Economic Development, Elite Capture and Externalities

The relationship is complex and does not necessarily lead to dynamic LED and increased municipal capacity to generate revenue and provide public service. Some
interlocutors even think that the SOEs, based in Maputo and linked to the political powers, are preventing dynamic LED and the empowerment of municipalities.

The argument needs to be looked at in a different way. While the above may be true, it is also true that locally registered and operated SMEs are interested in maintaining a healthy and mutually beneficial relationship with the Municipal Council, and paying the fees and taxes, or even contributing in kind or donations, to municipal development. Of course, they expect to receive an equivalent value of public services and goods, such as reliable and efficient solid waste management, public security, licences for their business operations, and land-use requirements. Often, these local business interests in the formal sector are represented in the legislative or even executive bodies of the municipal authorities. Sociologically, they may be considered a local middle class with investments, business turnover and capacity in management, who pay taxes and exercise their citizens’ rights in local (municipal) polities. Differences between political parties appear minimal. On the other hand, a conflict of interest is also observable in cases where municipal office bearers or family members are owners of businesses. This may lead to a situation of elite capture, i.e. the winning of contracts in public tenders by the local business-cum-political elite, and to an emphasis on taxation which shifts the tax burden to less wealthy strata of the local society. The non-collection of IPRA, predominantly from the wealthier, property-owning segment of the local community, is another case in point. Local elite capture is a disincentive to effective decentralised service delivery (Skhemani, 2010, 2013).

On the other hand, big national and international businesses and SOEs with major investments in municipal territory are also entitled to, and claim, municipal services, i.e. issuing of land-use titles/DUATs, water and solid waste management services, often as major consumers. Particular examples are port towns such as Beira, Nacala and Pemba, or centres of extractive industry such as Tete and Moatize, in the case of mining. These are economic growth points due to their economic, strategic and logistical importance. The direct benefits to the municipality and to LED are, however, often doubtful, for the following main reasons:

- The large businesses and particularly the FDI companies are part of consortia that are registered offshore, in other countries and/or in the capital Maputo, where they also pay their taxes, if not covered by tax holidays and exemptions. The benefit to the local municipality where they operate is minimal;
- The large-scale investors produce externalities for the local governments. On the positive side, they stimulate local economic growth through the demand for basic services, consumer goods, local transport, etc. due to the purchasing

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243 Interview with one member of the CM of Pemba, and two members of AM of Pemba, one from Frelimo and one from MDM, Pemba, 05/10/2015.
power of their employees and workers. The negative externalities, i.e. drop of demand, sometimes drastic, occur when such globalised enterprises are negatively affected by a change of investment preferences and locations, a fall in commodity prices and even disinvestment, leaving behind rising ‘unemployment, social conflict and criminality’, as well as unfinished housing estates, unused hotel capacities and failing businesses. This produce a negative social and economic impact on the local economy, and also on municipal finances;

- Other positive externalities in areas where major extractive industries and investors operate may be benefits arising from the funding of social infrastructure such as schools and sportgrounds via the companies’ corporate social responsibility schemes. These cases represent the transfer of a privately financed good to a public asset, and should, in line with pertinent legislation, be reflected in the budgets and register of assets of local and national government institutions, which is often not the case;
- Another type of negative externality of large-scale investment is damage to public infrastructure such as roads, often built and/or maintained by the municipality. Due to the intensity of their use, e.g. by heavy trucks in port and mining towns, their wear and tear is considerable. But the municipality, without much (fiscal) benefit from the large-scale investment, has little means to maintain and expand its road networks.

8 Drivers and Restrainers of Decentralisation

8.1 A Ranking Exercise
Based on the stakeholder analysis in the previous sections we now attempt to identify drivers and restrainers of decentralisation. To do so we firstly distinguish between the two types of decentralisation simultaneously present in Mozambique, devolution and deconcentration, the latter with a focus on districts. Both have different premises and are to a large degree mutually exclusive in the medium to long term (Weimer, 2012). Secondly, we see the parameters, such as the stakeholders’ vested interests, relative power and resources, their policy commitment and capacity to form strategic alliances, as key determinants of their role as drivers and/or restrainers of either devolution or deconcentration. Thirdly, we rank the various stakeholders in relation to both types of decentralisation according to their more active role (‘driver’) or more restraining role (‘restrainer’) in the decentralisation process, with scores attributed accordingly. The range includes very proactive (score +2), moderately proactive (+1), neutral (0), moderately restraining (–1) and very restraining (–2).

244 Interview, M.A., Pemba, 6/10/2015.
This ranking exercise is not only informed by the numerous interviews conducted during the study, but was also subject to discussion and review with decentralisation experts during an internal seminar held in early December. It should be noted that we consider the overall result of this exercise to be illustrative of the perceptions of proactive agents of decentralisation as captured in the interviews, rather than the result of a rigorous survey analysis based on a stochastic sample. Figure 24 shows the results of the ranking exercise.

The assessments of the stakeholders’ (more or less) active role in promoting decentralisation, either as devolution or as deconcentration, confirm the results of the Power and Change Analysis (Part II, Section B). The perception of drivers and restrainers shows that government institutions at central and provincial levels have a clear preference for deconcentration, although also democratic decentralisation, i.e. municipalisation is also moderately supported – or tolerated? – given its formal constitutional existence. But, in the views of interviewees, this comes as

Figure 24: Drivers and restrainers of devolution and deconcentration

Source: authors

* merger of formerly separated MAE and MFP
** merger of formerly separated MPD and MF
*** merger of former MICOA with directorates of land (DNT/MINAG) and rural development (DNDR-MDP/MAE)
a second policy priority, with almost all sectoral government agencies restraining devolution in favour of deconcentration and with district governments perceived to have a range of stances (tolerant to hostile) toward devolution, but not outright drivers of a cause which is not theirs. There are certain exceptions: MITADER is seen to be more on the proactive side, supporting both municipalisation (e.g. municipal cadastres via MCA and elaboration of the urban land-use policy and legislation) and OLEs. The opposite is true for health, which appears, in the opinion of many interviewees, as a restrainer of both devolution and deconcentration. The Ministry of Education is perceived as the only sector which has adopted a proactive deconcentration stance. The more technical departments in MEF, IGF and UFSA, with the latter’s link to the UGEAs, at all subnational levels are moderately proactive concerning both forms of decentralisation, which cannot be said of CEDSIF, in the case of devolution. Only recently did it show an interest in supporting the IT-based PFM of municipalities. In general, MEF, responsible for the planning and execution of the budget, needs to balance the allocation, distribution and stabilisation functions of the budget. Since unfettered decentralised spending is often seen as a risk by finance ministries all over the world – considered to be conservative in their outlook – they are not seen to be great champions of decentralisation, unless a clear-cut, effective and transparently managed intergovernmental fiscal system and its monitoring are in place.

Regarding political parties, MDM may be considered the only driver of devolution, given its historical origins. Frelimo, once the most proactive founder of municipalisation more than 20 years ago, is perceived to have changed its preference in favour of deconcentration ever since the constitutional amendment 20 years ago. Renamo’s position is considered neutral, since it appears to not have a defined position on either deconcentration or devolution, on occasion opportunistically supporting or boycotting municipal legislation and local government elections, their recent initiative concerning devolved provincial governments notwithstanding. Other stakeholders seen as promoters of devolution seem to be local communities and the local voter in municipal elections, and ACIS among the business associations. Donors, notably bilateral thematic partners, are identified with drivers of both devolution and deconcentration, with more emphasis on the former. The World Bank is a less enthusiastic driver given its technocratic approach and support to central government rather than directly to municipalities, as is the case with other bilateral donors.

Overall, central government and sector ministries are not perceived as the most active promoters of devolution. Rather, these are seen to be the municipal institutions themselves, the community, including in its role as voters in local government elections, some donors or programmatic partners, and MDM among
the political parties. Deconcentration is promoted most proactively by the ruling party Frelimo and its successive governments at central, provincial and district levels, as well as by the national Directorate of Water and the Ministry of Education. In this ranking exercise, health is hostile to decentralisation in both its forms.

8.2 Incentives and Disincentives

The degree to which stakeholders support or constrain the two forms of decentralisation will also depend on the political and administrative incentives and disincentives they face. With selected criteria garnered from the academic literature on incentives/disincentives (e.g. Ibeanusi, 2011; Knight & Li Shi, 1999; Skhemani, 2011, 2013) and based on the analyses in Part II, Section A, we suggest a set of incentives and disincentives which may have influenced the outcomes of the Mozambican decentralisation process. Table 12 lists what we believe are the main incentives and disincentives, or enabling (enhancing) or disabling (restraining) factors, which have shaped the outcome of the Mozambican decentralisation process.

Each of the factors enumerated would merit a more profound discussion, which is, however, not possible within the context of this study. On balance, the Mozambican decentralisation process has faced more disincentives than incentives. This means that, once some or more of the disincentives are properly identified and addressed in a reform process, it is likely that decentralisation in Mozambique will gain a new dynamic and may achieve better outcomes in comparison to those achieved thus far.

In the following section, we offer some scenarios for decentralisation and its reform, which, by their very nature, are theoretical. Their purpose is to serve as stimulation for debate on the subject.
Table 12: Decentralisation in Mozambique: Incentives and disincentives

<table>
<thead>
<tr>
<th>Incentives</th>
<th>Disincentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ineffectiveness of previous centralised service delivery</td>
<td>Institutional dominance of central government</td>
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<tr>
<td>Political and administrative geography neglecting peripheral parts of the country</td>
<td>Changes of the rules of the game leading to a highly complex legal institutional framework for decentralisation</td>
</tr>
<tr>
<td>Initial legal framework favouring devolution</td>
<td>Established patterns of budget allocation and distribution</td>
</tr>
<tr>
<td>Post-war reconstruction and peacebuilding (1994)</td>
<td>Decentralisation policy and strategy without benchmarks and monitoring</td>
</tr>
<tr>
<td>Window of opportunity for downward extension of clientelist system and local elite capture</td>
<td>High fiscal cost of present competitive system of deconcentration and devolution</td>
</tr>
<tr>
<td>Local government elections and multiparty electoral politics</td>
<td>Low human resources retention capacity at local government level</td>
</tr>
<tr>
<td>Administrative, fiscal and municipal autonomy</td>
<td>Status of mayors and municipal functionaries at margin of public service</td>
</tr>
<tr>
<td>Revenue-sharing formula</td>
<td>Nomination of local candidates by central party authorities</td>
</tr>
<tr>
<td>Local, community-based ownership and identity</td>
<td>OLE lacking own-source revenue</td>
</tr>
<tr>
<td>Invited spaces for democratic participation and consultation</td>
<td>No integrated intergovernmental fiscal system which includes provinces and districts</td>
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<td></td>
<td>Absence of performance-based approach to decentralisation and fiscal management</td>
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<td></td>
<td>No policy alignment of fiscal decentralisation with LED</td>
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<tr>
<td></td>
<td>Low correlation between OSR/revenue and capital expenditure</td>
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<td></td>
<td>PDD logic changed to that of constituency fund</td>
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<td></td>
<td>Pattern of registration and taxation of companies</td>
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<tr>
<td></td>
<td>Little influence of subnational representatives within the party or parliamentary system</td>
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<tr>
<td></td>
<td>ANAMM institutionally weak</td>
</tr>
</tbody>
</table>

Source: authors
PART IV: Insights and Conclusions

1 Dynamics and Outcomes

Decentralisation in Mozambique has had many meanings and faces over the past 20 or more years. It has seen an enormous effort by many women and men in national, provincial and local governments, state institutions, the dominant Frelimo party and the political opposition, civil society and sympathetic international supporters, to make changes to the historically inherited – and, under one-party rule, consolidated – central state and its *modus operandi*, i.e. improved local service delivery, more local democracy, and the reform of intergovernmental institutions and fiscal relations.

This was achieved as a result of politically driven yet contradictory approaches, several changes to the rules of the game, i.e. steps forwards and backwards, and, more recently, under renewed political violence and economic and fiscal stress. The 20 years of decentralisation from 1997 onwards were driven by conflicting decentralisation philosophies and their corresponding approaches and instruments, devolution and deconcentration, difficult to reconcile in territorial, democratic, fiscal and administrative terms. This *mélange* has produced:

- An extension of the (existing) political-cum-civic public to (geographical) areas and peripheral ‘primordial publics’ and spaces, where the state and the dominant party, the ‘*estruturas*,’ have been weak, distant or absent;
- In the case of municipalities, their constitutionally enshrined right of autonomy to elected mayors and assemblies and to exercise legally defined functions in the provision of public services, as well as limited public resources for this purpose (transfers, own tax base);
- Enhanced possibilities for the ruling elite to at least partially satisfy the demands of its peripheral urban clientele for some power, access to public resources, postings and decentralised opportunities for rent seeking, elite capture and vote buying;
- A possibility for opposition parties to win (and lose) local power and influence, to conquer political space and even become, as in the case of MDM, a potential rule changer;

245 This term, often used by local populations, epitomises the representatives and powers of party and state.
• Considerable advances in providing basic services, both in municipalities and districts, but with few resources to expand these services and improve their quality. Key public services such as water and electricity supplies remain outside the scope of local government, posing major challenges of institutional interaction, accountability, reliability and cost efficiency of the service provided. Municipal governments need to improve on key services such as urban land management and solid waste management;

• A political and institutional space for democratic participation in municipalities, and consultation in OLE governments, by local ‘citizens and subjects’ (Mamdani, 1996);

• A carefully controlled setting in which the central command and control by all party headquarters is not relinquished, the partial municipal autonomy notwithstanding. The elected mayor (or candidate) is to a large degree subordinated to the party’s central decision-making power (or its degree of tolerance) at the central and provincial levels, if necessary to the detriment of a mayor’s electoral mandate or a candidate’s local credentials;

• An apparent lack of political and institutional trust and little willingness to transfer, on a generous scale, the necessary resources (human, fiscal, infrastructural, technological, managerial) to the devolved system of municipal government. This can be compared to a municipal ‘baby’ created by the Frelimo ‘fathers’ and ‘mothers’ in 1994, but one which has seen some stunted growth, always in competition with the older district ‘siblings’, which are equally poorly endowed with resources, with the lion’s share of alimentation and resources remaining at the metropolitan ‘households’ and ‘palaces’ of the ‘parents’;

• A system of disincentives for effective and accountable local government management arising from lack of retention capacity of well-performing human resources, and a political rather than performance-driven reward and remuneration system;

• A potential and an institutional space, only partially used, for establishing strong and regular internal and external control mechanisms and routine procedures of quality control of local governments’ financial and fiscal management practices, including procurement. This has cast a shadow on the accountability of local governments, contributed to the perception of decentralised corruption and reinforced the notion of elite capture;

• A national policy and strategy of decentralisation, albeit reluctant and with much delay. However, the question is whether it serves its purpose as a navigational system when we do not know exactly how to use it and what
guides us, and when we are not prepared to sufficiently equip the team of (municipal) explorers for their mission;

- An opportunity, not used systematically, to document and monitor the varied experiences in local government, fiscal management, urban planning and delivery of improved services, and the challenges to sustainable local government, whether overcome or not. Few stories of success and failure of local government have been told and listened to;

- An expensive, and, for the local citizen, often confusing form of local governments in which territory, functions and resources are contested by their competition, rendering the local government system less effective and efficient, at an excessive cost;

- Few opportunities and initiatives to reflect upon decentralisation, i.e. the strengthening of the subnational state, including provinces, in a perspective of subsidiarity as a possibility to address peace and stability;

- Lack of opportunities for dynamic LED dovetailed with decentralisation. This, together with the previous point, is likely to have contributed not only to improved services for poverty reduction, but also to the diversification, democratisation and stabilisation of Mozambique’s political economy and the reconciliation of opposing ideas, militarised and expressed in the form of enmity, on how to rethink the system of government and public administration in the interests of all Mozambicans and not only of political parties.

In our attempt to establish a net balance of what decentralisation in Mozambique has or hasn’t achieved, we conclude that promises and expectations initially associated with decentralisation have only partially been met and a recentralisation has occurred, with emphasis on direct state administration through central government and its deconcentrated units, the provincial and district OLEs. Our conclusion is that Mozambique has not deviated much from other cases, where decentralisation has ‘failed to usher in the type of reform that it is associated with’ (Ibeanusi, 2011, p. 27). This is particularly the case in other African countries (Dickovick & Wunsch, 2014).

We conclude, therefore, that despite some tangible progress made in decentralisation, the need to rethink the Mozambican state and its economy and public administration continues to exist, as does that of addressing the incentives and disincentives for decentralisation. Thus, a ‘reform of the decentralisation reform’ is deemed to be a valid proposition. How realistic is such a proposal at a time when the politics within and between parties and the economy and public finance is quite unsettled? Answering this question leads us to discuss theoretical scenarios for decentralisation reform.
2 Scenarios for Decentralisation

In this section, we present five scenarios for discussion, in a time horizon of the coming four years, i.e. a period corresponding to the first mandate of President Nyusi. If a decentralisation reform is part of his political agenda, his political space of manoeuvre will be determined by:

a) The way he addresses the peace process with Renamo and can make concessions, else risking another bout of violent contestation in politics with high economic costs;

b) The outcome of an ongoing change or political settlement process within the Frelimo party, (i.e. in the Central Committee, the Political Commission and the Party Secretariat) and, in consequence, in the public administration (e.g. ministries, district administrations, security apparatus) where the influence of the allies of former president Guebuza may be further contested, confirmed or reduced. The first indications of the changes are likely to be known only when the Frelimo Congress, scheduled to take place in September 2017, approaches, or id President Nyusi effects a retirement of senior staff in key ministries, including MAEFP;

c) The perspectives for recuperation of the economy and the budget deficit. The present unfavourable scenario for the managers of the MEF and the Central Bank may change unexpectedly with a (currently unlikely) sudden upward trend of global commodity prices, in particular those for oil and gas. This might in turn trigger or accelerate withheld investment in the extractive sector and infrastructure, with positive effects on growth (short term) and on revenue and employment (long term). Until such a situation, the government will have to make ends meet, make the most of windfall gains from low oil prices and contain the social consequences of economic contraction, increased inflation, curbs on salaries and an increased tax burden.

To contextualise the following scenarios, we first revise some basic facts and figures in Table 13 which show, under the gradualism perspective, what is left for decentralisation if we consider that so far 53 cities, towns and vilas have been municipalised.

Taking these figures into consideration and assuming that gradualism in devolution continues to be a valid proposition and that decentralisation is ‘unfinished business’ (see Part II, Section B, 7.4), we present the following scenarios for a continued decentralisation process for discussion.
Table 13: Decentralisation: Basic numbers

<table>
<thead>
<tr>
<th>Unit</th>
<th>Number</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipalities/autarquias (1998)</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Municipalities/autarquias (2016)</td>
<td>53</td>
<td>11 cities, 12 towns + 30 vilas (= 42 sedes distritais*)</td>
</tr>
<tr>
<td>Urban Areas (2007)</td>
<td>91</td>
<td>23 cities/towns + 68 vilas (source: INE)</td>
</tr>
<tr>
<td>Provinces</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Districts (2016)</td>
<td>152</td>
<td></td>
</tr>
<tr>
<td>Administrative Posts</td>
<td>436</td>
<td></td>
</tr>
<tr>
<td>Localities</td>
<td>1 217</td>
<td></td>
</tr>
<tr>
<td>Villages (povoados/povoações)</td>
<td>±8 000</td>
<td></td>
</tr>
<tr>
<td>Community leaders thereof</td>
<td>±45 000</td>
<td></td>
</tr>
<tr>
<td>1º escalão (tier)</td>
<td>±6 300</td>
<td></td>
</tr>
<tr>
<td>2º escalão (tier)</td>
<td>±10 700</td>
<td></td>
</tr>
<tr>
<td>3º escalão (tier)</td>
<td>±28 000</td>
<td></td>
</tr>
</tbody>
</table>

Note: * District centres

Source: authors, based on MAEFP and INE data, interviews

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**Scenario A: Minor Change to Present Approach, ‘Business as Usual’**

**Elements:**
- No or slow increase in number of municipalities;
- Simultaneously slow increase in number of districts;
- Competition municipalities – districts continue;
- Resource constraints/competition for resources continue;
- Adjustments of territories (in favour of districts);
- Subscenario of accelerated deconcentration focusing on districts, with possibility of increasing the number of districts and their resource base (e.g. own taxes, increased transfers).

In our view, this scenario has a **high likelihood** of being realised.
Scenario B: Accelerated Devolution

Elements:

- Hypothesis 1 (for 2018): municipalisation of all remaining vilas, i.e. increase from 53 to 91 municipalities;
- Hypothesis 2 (for 2018): three new municipalities per province i.e. increase of number of municipalities by 30 to a total of 83;
- Competition municipalities – districts in favour of municipalities;
- Resource constraints/competition for resources continue;
- Implies rethink of FCA/FIIA formula;
- Requires profound policy change;
- Requires adjustment of territory.

This scenario, in our opinion, has a low likelihood of realisation.

Scenario C: Autonomous Provinces

Elements:

- Requires:
  - Political consensus and constitutional reform and new decentralisation legislation, as outcome of the ongoing peace negotiations;
  - New, coherent intergovernmental fiscal system;
  - System of subsidiarity, i.e. redefinition of relations of provincial government – municipal, district government;
  - Review of central government – provincial government relations.
- Subscenarios:
  - Partial autonomy, own tax base, revenue-sharing formula;
  - Election of provincial governors or nomination by majority in APs.
- Resource constraints continue;
- Adjustment of territory is not necessary.

In our view, this scenario is presently possible yet extremely unlikely unless it becomes part of a negotiated settlement between the government and Renamo.
Scenario D: Municipalised (Self-Governed) Villages (Povoações)

Elements:
• No new legislation required, but profound policy change;
• Potential: 8 000 self-governed villages (with democratic elections?);
• What functional responsibilities, public services and (human, fiscal) resources?
• FCA needs review;
• What type of gradualism? Who exercises tutelage?
• Needs territorial delimitation;
• Competition between district vs. self-governed villages is likely;
• Resource constraints continue;
• Subscenario: Inclusion of devolved land administration; introduction of reviewed land-use tax as fiscal revenue.

This scenario appears extremely unlikely, although preferred by a number of interviewees.245


Elements:
• Requires political consensus and constitutional adjustments;
• Total possible: 53 municipalities + 152 District Autarquias = 205 Autarquias;
• Implies multiparty election of district administrator and district assembly;
• Requires:
  – Adjustment of present system (loss of districts coinciding with municipalities);
  – New, coherent intergovernmental fiscal system and revenue-sharing formula for FCA, FIIA;
  – System of subsidiarity, i.e. redefinition of relations between provincial government and municipal government;
  – Adjustment of territory only in newly created districts coinciding with municipalities.
• Resource constraints/competition continue.

In our opinion, this scenario, although possible and technically feasible, is presently unlikely. Indicators are that the topic was struck from the peace talks agenda, as well as the AR’s rejection of the MDM legislative initiative in April 2017, aimed at extinguishing district administrations in urban areas where there are municipal governments. This scenario, promoted by the OSC, only becomes possible if it finds its way back into the ongoing peace negotiations as an alternative to the autonomous provinces scenario.

246 Interviews with national mediator, Maputo, 23/09/2015, and senior member of PPOSC, Nampula, 20/10/2015.
3 Concluding Remarks: Peacebuilding and State Consolidation through Decentralisation?

Looking back at the brief theoretical discussion in Part I of this book on the role decentralisation might play in conflict resolution and state consolidation, there certainly is not a straightforward answer, considering the present state of affairs of decentralisation analysed in Parts II and III.

One could argue, in fact, that the present critical juncture would provide a major opportunity to rethink the structure of what appears to be an ever more fragile state, including in the relationship between central, provincial and local governments, to prevent full state failure. One could further say that history is repeating itself, considering, for example the unsustainability of foreign debt and the fact that the Rome Peace Accord triggered necessary reforms, including decentralisation. The difference is that at present, little reform initiative has been noted on the part of Frelimo and its government, as well as the major opposition party, both interlocked in unending cycles of political violence and peace talks.

It is recognised that the political leadership of military and liberation movements is key to initiating and implementing change (Dudouet, 2009). However, where is Frelimo, the foundational party and its government, let alone the armed opposition, in this debate? Do the opinions matter of members of their ‘thinking class’ who sympathise (privately rather than publicly) with the positions and initiatives of CSOs concerning the need for reform of the state (and the party), and a new, more encompassing project of socioeconomic and democratic development? Has this elite become complacent with using and benefiting from its position as foundational party and liberator, from shaping and reshaping events, laws, policies, electoral outcomes, etc., to the political needs of the day, particularly in order to stay in power, a need also driven by fear of loss or justice? Does this party suffer from a *milieu of political autism*\(^{247}\) which prevents it from seeing beyond the limited horizon of the declared ‘enemy’, for example, at the fate of historical and contemporary ‘comrades in arms’ and allied parties in southern Africa, the former leadership of the then-socialist regimes in Europe and Latin America, or whole countries with ‘revolutionary’ regimes such as Venezuela?

From a Gramscian perspective, one would conclude that the hegemony of a political, economic and military elite has produced what this Marxist thinker would call an ‘organic crisis’ in which all the partial crises of the polity’s subsystems – economic, fiscal, public services, social, financial, business – are inextricably linked and mutually influencing and reinforcing. Equally, the superstructure, the realm of ideas and ideologies, is in crisis, since no novel programmatic and innovative

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\(^{247}\) The dean of German peace and conflict researchers, Dieter Senghaas, sees the ‘escalation of domestic conflicts as leading, on both sides, to an “emotional selfishness” and “bigotry” which shapes the autistic milieu, that in turn prevents the parties to look beyond for relevant experiences of conflict resolution and ways of conflict transformation’ (Senghaas, 1995).
political discourse on the socioeconomic vision and corresponding reform projects can be identified on the part of the hegemonic elite. The initiative for ‘rethinking Mozambique’ presently lies in the hands of the opposition parties, the CSOs, academics and religious institutions. They depart from the premise that the mere fact of 17 years of violent conflict out of 40 years of independence should suffice to demonstrate that the way the state, politics and the economy are structured and managed will promote neither peace nor development (CIP, IESE, MASC & OMR, 2016). Consequently, their thoughts on reform go way beyond the reform of public administration and decentralisation, including topics such as agrarian and land reform, and reform of the justice system and the electoral regime (CIP, IESE, MASC & OMR, 2016b).

From a Gramscian perspective, only an organised alliance of social, business, peasant, religious, etc. forces would be able to take on the hegemonic elites and produce momentum for change, not in the sense of a revolution but of profound, radical structural reform and of the political discourse to address the organic crisis.

One may argue that such a proposition is not very realistic now. Firstly, the limited platforms for engagement between civil society and the ruling elite have been weakened – if they ever existed – through the exclusionary and hostile attitudes vis-à-vis intellectuals, independent thinkers, leaders of professional associations, community leaders, etc., which characterised the Guebuza era. Secondly, the various (religious, professional, etc.) segments of civil society, mostly concentrated in the capital Maputo, have never really had a nationwide platform of their own and lack experience in defining concertation of positions, strategies and tactics to conquer political spaces on a major scale. Thirdly, both the government as part of the hegemonic elite and a considerable part of organised civil society depend to a large extent on foreign financial support, which reflects agendas and approaches institutionally defined outside Mozambique. Fourthly, the expected transition into an extractive economy with the investments into the gas industry will be a game changer altogether, for both the hegemonic elites and civil society, with new challenges adding their weight to the ‘organic crisis’. This turns the Gramscian proposition of a profound, encompassing reform resulting from civil society engaging the hegemonic elite into a faint ideal in the case of Mozambique. But who else could lead the much needed process towards structural reform?

The literature on political–military movements and their transition to non-militarist political forces recognises their need to initiate and adapt to profound changes if they want to leave conflict and state fragility behind. In analysing the successful transition of several armed movements from a military to a political mindset, Dudouet (2009) points to three decisive factors, reconfirming some of the theoretical tenets discussed in the introductory part of this book. These are:

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a. **Party internal shifts and political settlements** coupled with more democratic internal decision-making and consultation processes to increase cohesion, as well as leadership able to take bold initiatives and recognise and seize contextual and international (regional, global) changes and opportunities. The active demilitarisation of the mindset is another crucial factor;

b. **Interparty dynamics** and settlements which, on the one hand, recognise the underlying causes of the conflict (high degree of centralisation, social exclusion, state fragility, etc.) and are capable of building alliances with civil society and other societal forces, recognising their ‘war fatigue’. In steering towards and expanding an interparty political settlement, the recognition of a ‘mutually hurting stalemate’ can be a decisive factor, which may lead to the negotiation of a win-win situation, avoiding a winner-take-all outcome. Once a peace agreement is achieved, it should be translated into constitutional reform and legislation which seek to institute structural changes that address the causes of the conflict. Long-term reconciliation, arrangements and alliances within the democratic structures of the country are necessary to prevent such reforms ‘falling prey to shifting political dynamics’ (Dudouet, 2009, p. 49);

c. **International factors** also play a role when foreign countries intervene in one way or the other in domestic conflict settlements, such as promoting and/or undoing sanctions (direct and indirect), mediators and facilitators in peace talks, or development agencies committed to financing reforms agreed at the negotiation table. This could include focusing on important postsettlement aspects, namely support reform, including decentralisation, and other power-sharing mechanisms as well as the restructuring and ‘democratisation’ of the police and security apparatus.

Finally, we reiterate, in line with the reasoning and arguments discussed in this book, that well-defined and coherent decentralisation policies and programmes, as part of the reform of the state and its political administrative system, have a key role to play in achieving peace and consolidation of the state in Mozambique. To prevent decentralisation from fomenting conflict, those eventually responsible for such a decentralisation reform would have to keep the following technical and political criteria for successful decentralisation in mind (Sharma, 2014):

- Social preparedness and mechanisms to prevent elite capture;
- Strong administrative and technical capacity at the higher levels;
• Strong political commitment at the higher levels;
• Sustained initiatives for capacity-building at the local level;
• Strong legal framework for transparency and accountability;
• Transformation of local government organisations into high-performing organisations;
• Appropriate reasons to decentralise: intentions matter; and,
• Effective judicial system, citizens’ oversight and anti-corruption bodies to prevent the decentralisation of corruption.

At present, it is unclear to what extent Mozambican leaders are prepared, let alone willing, to embrace such an agenda to initiate change, leading the country on a trajectory towards a more peaceful and less fragile state. The Mozambican people will see whether the leaders they have elected will fail them, again, or learn the lessons from the past.
### Assembleia da República and Provincial Parliament of Cabo Delgado and Nampula: Composition

<table>
<thead>
<tr>
<th>Province/Institution</th>
<th>Presidente da Assembleia</th>
<th>No. of deputies</th>
<th>Frelimo</th>
<th>MDM</th>
<th>Renamo</th>
<th>Others</th>
<th>Commissions *</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>F</td>
<td>M</td>
<td>Sub-Total</td>
<td>F</td>
<td>M</td>
</tr>
<tr>
<td>Assembleia da República</td>
<td>Veronica Macamo, Frelimo</td>
<td>250</td>
<td>98</td>
<td>152</td>
<td>144</td>
<td>69</td>
<td>75</td>
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<tr>
<td>Assembleias Provinciais</td>
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<td>Cabo Delgado</td>
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<tr>
<td>Assembleia da Provincia (AP)</td>
<td>José Matias Mugalla, Frelimo</td>
<td>82</td>
<td>29</td>
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<td>67</td>
<td>27</td>
<td>40</td>
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<td>Nacala Porto Constituency</td>
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</tr>
</tbody>
</table>

Note: F = Female, M = Male  
Source: IBIS-(2014)


Rebucci, A. (2001). Why did Mozambique fall into debt? Mozambique’s debt burden in


