

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 re-emerging 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 following¹⁶⁰:

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 Autarquica* (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 enterprise¹⁶¹ 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

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 (*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 (*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 (*Instituto Médio de Formação em Administração Pública e Autárquica*), the Higher Institute of Public Administration (*Instituto Superior de Administração Pública*) and the Local Governance Training Centre (*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 [*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 *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 LEBOFA (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 (*Direcção Nacional da Contabilidade Pública*) and the National Directorate of Treasury (*Direcção 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 allocation¹⁶³ 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 (*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 (*Unidade Funcional de Supervisão de Aquisições*, or UFSA) in the National Directorate of Assets (*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 (*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.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

163 The formula has two criteria: territory and population size.

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.¹⁶⁵ Five subsystems¹⁶⁶ 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.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

¹⁶⁵ Law 09/2002 and its bylaw (*Regulamento*), Decree 23/2004.

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.

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.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 *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.

2.2.2 *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 (*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.¹⁷² However, collaboration between some municipalities and the ATM is improving, e.g. in citizens’ fiscal education or in databases on small

¹⁷¹ Ibid.

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.

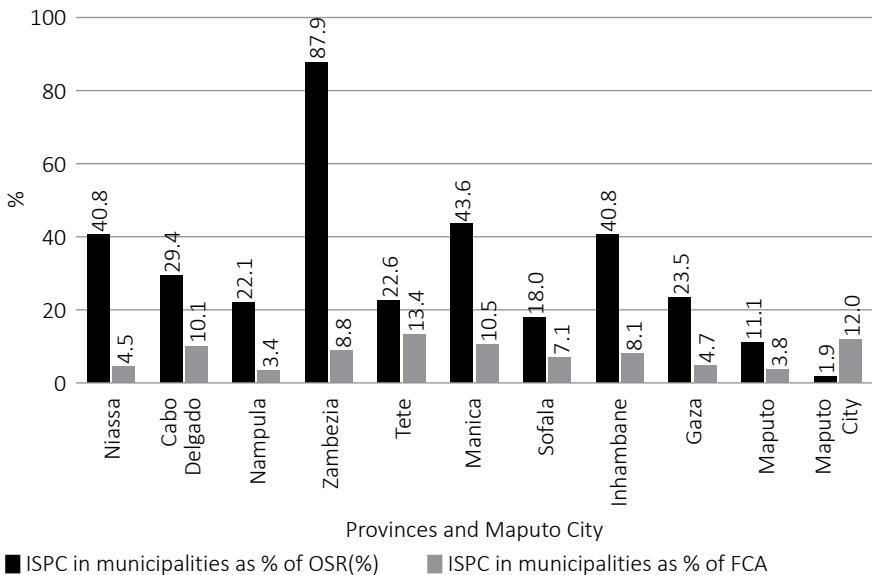
and informal businesses. As argued, the ATM collects the ISPC, with little cost efficiency, which by its nature can be considered a typical local government tax rather than a national source of revenue (see Part II, Section B, 5.5). Therefore, ATM must be an institutional competitor to the municipal 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 (%)



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*).¹⁷³ This has five strategic components:

- a) Human resources capacity building and technology transfer (*'mais saber'*);
- b) Rural infrastructure for access to markets (*'via rural'*);
- c) Provision of basic banking and financing services (*'um distrito – um banco'*);
- d) Increased access to water (*'água viva'*);
- e) 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

¹⁷³ MITADER, *Programa Estrela, sumário*, 2015–2019 (Powerpoint presentation).

produces the desired effects on LED and local income and employment generation.¹⁷⁴ MITADER's approach also largely ignores the 'immunity' of sectors, even of departments in ministries, against improved coordination which arises out of a 'silo-like' organisational structure and rent-seeking behaviour of, 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).¹⁷⁵

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 adaption 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.

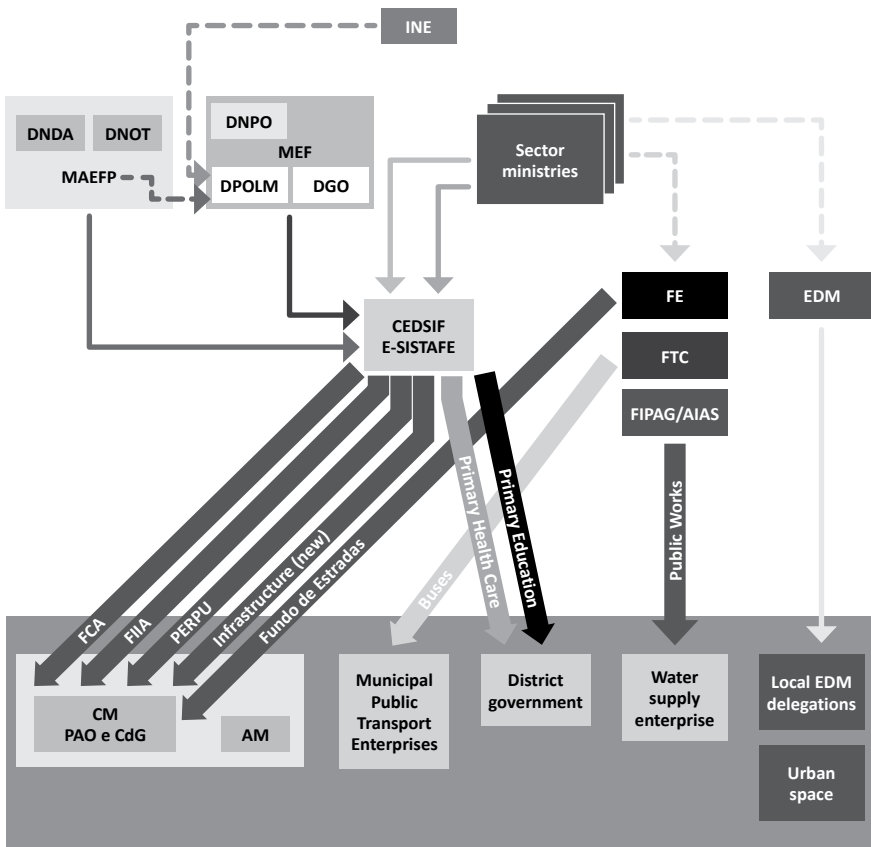
2.4 Sector Ministries

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.¹⁷⁶ 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.

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

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



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 MAEFP 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

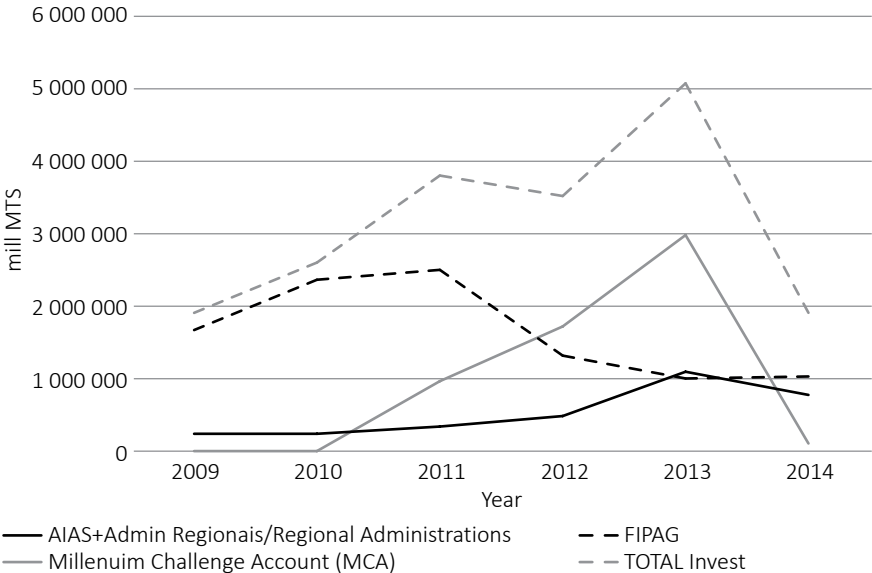
During more than 20 years of reform a plethora of policy, strategic documents and legal instruments related to water and sanitation was introduced.¹⁷⁷ In general, the provision of water supplies follows the logic of deconcentrated management. This means the state, represented by the National Directorate 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 Património 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* (PRONASAR) and *Manual de Implementação de Projectos 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)



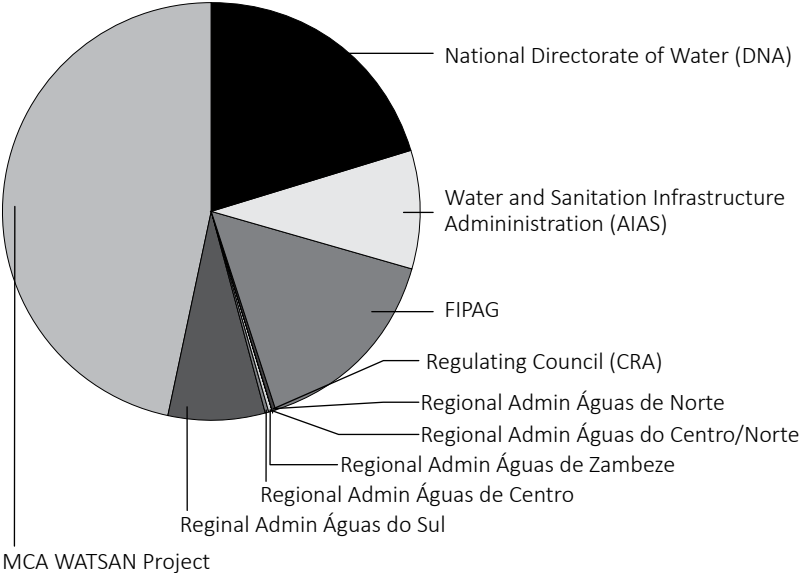
Source: authors, based on REO, various years

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.

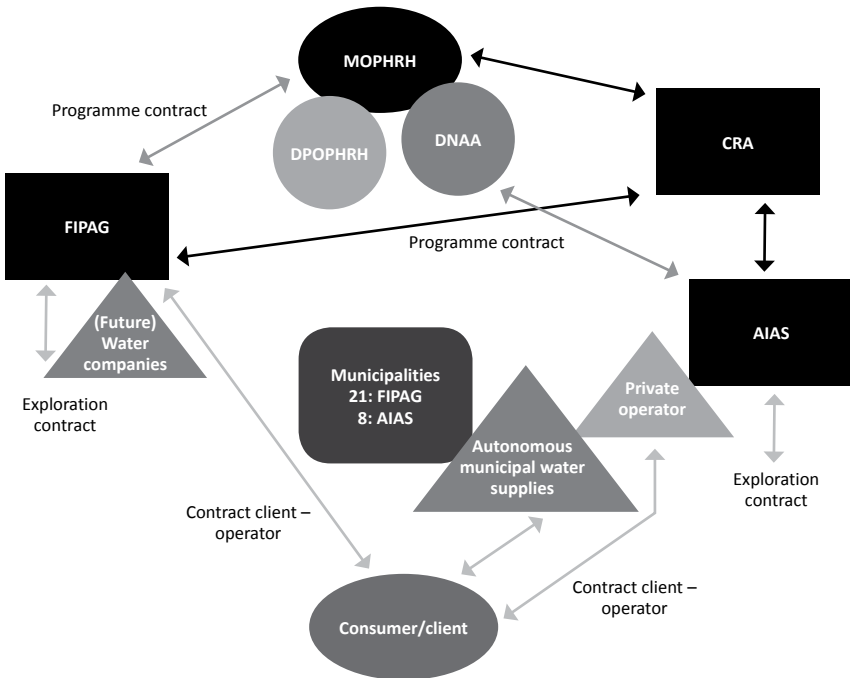
The degree of effectiveness, efficiency, transparency and accountability of the system varies across districts and smaller municipalities. Notable good examples observed during the research are the districts of Ancuabe and Chai, as well as the municipality of Mocimboa da Praia, all in Cabo Delgado Province, 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 (%)



Source : authors, based on REO data

Figure 18: Deconcentrated water supply system: Organisational structure (example: PSAA)



Source : MAP Consultoria (2017)

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 2015.¹⁷⁸ 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 Hidricos*, 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

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.¹⁷⁹ Even PSAs 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.¹⁸⁰ 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, ORAITA, 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 Secundários* (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).

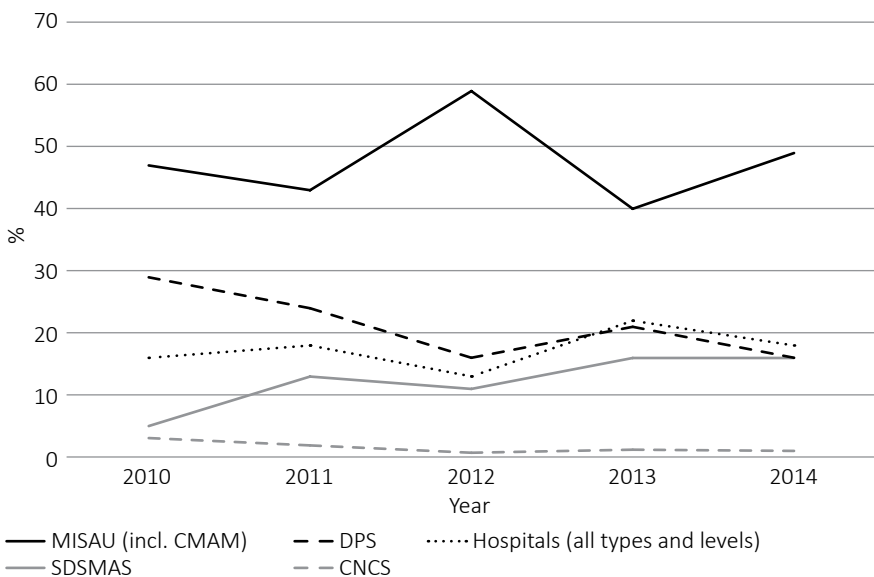
Figure 19 represents health spending by major components over the past few years.

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.

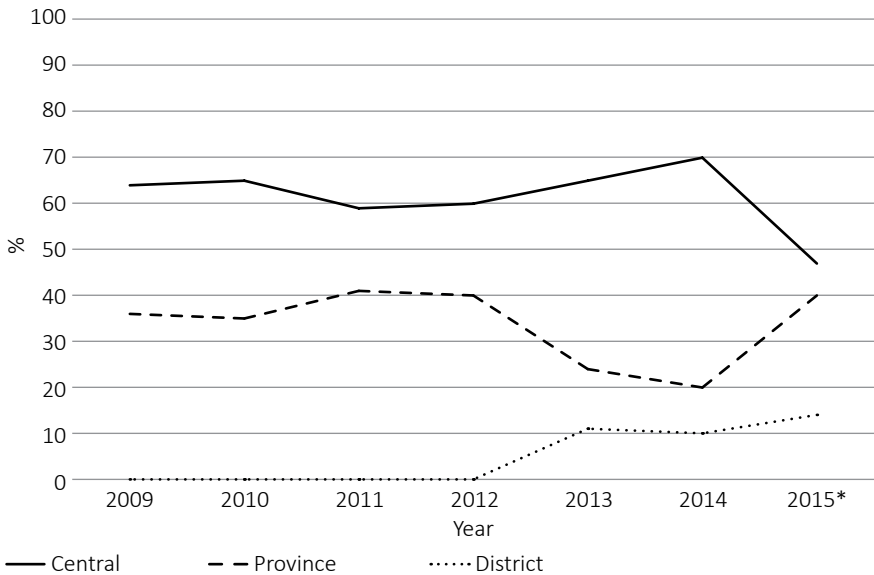
As can be seen from Figure 20, the budget allocation in the health sector was highly centralised until 2014, with resources allocated to then national level Ministry of Health (*Ministério de Saúde*, or MISAU) and the five hospitals in Maputo consuming more than the budgets allocated at both province 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.

Figure 19: Health budget (NHS) by main components, 2010–2014 (%)



Source: authors, based on CGE data and data provided by UNICEF

Figure 20: Health expenditure (NHS) by level of public administration (%)



*Budget

Source: MAP Consultoria (2017), based on REO

(2012). 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 managed 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 Medicamentos 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.¹⁸⁶ 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’.¹⁸⁷

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

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>.

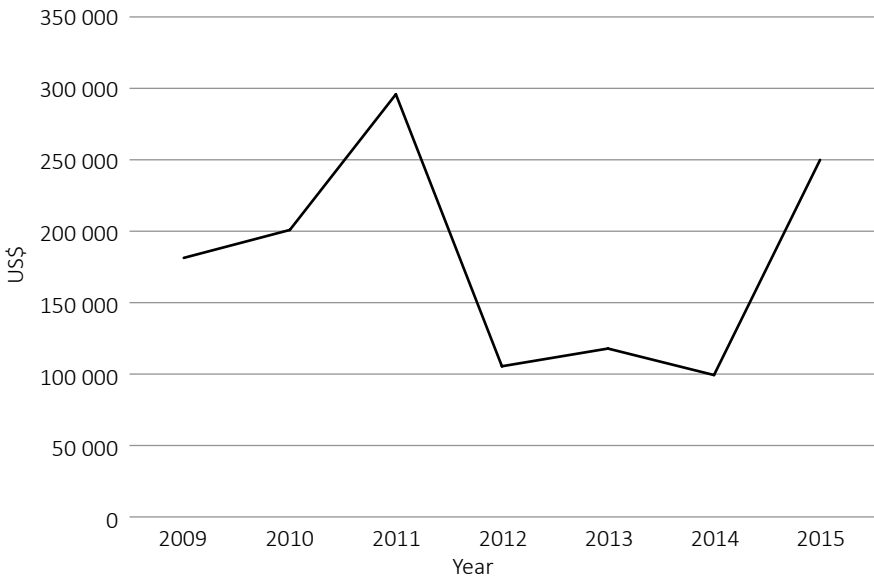
government level (Decree 56/2003), allocating these resources as a conditioned grant in a modality aligned to the intergovernmental transfer system.

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 constraint to the smooth flux of resources for road construction and maintenance.

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



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 Education¹⁸⁹

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,¹⁹⁰ 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.

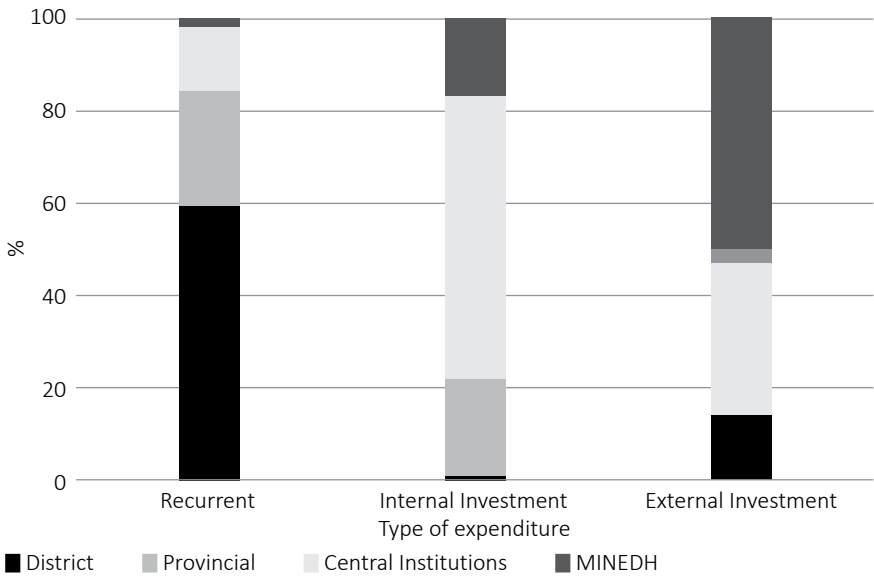
Figure 22 shows the spending pattern across the levels of public administration, and by type of expenditure for 2014. It demonstrates that the bulk of recurrent expenditure is already managed by district governments, and more than 10% of externally funded investment via the ADE. Thus, deconcentration 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.

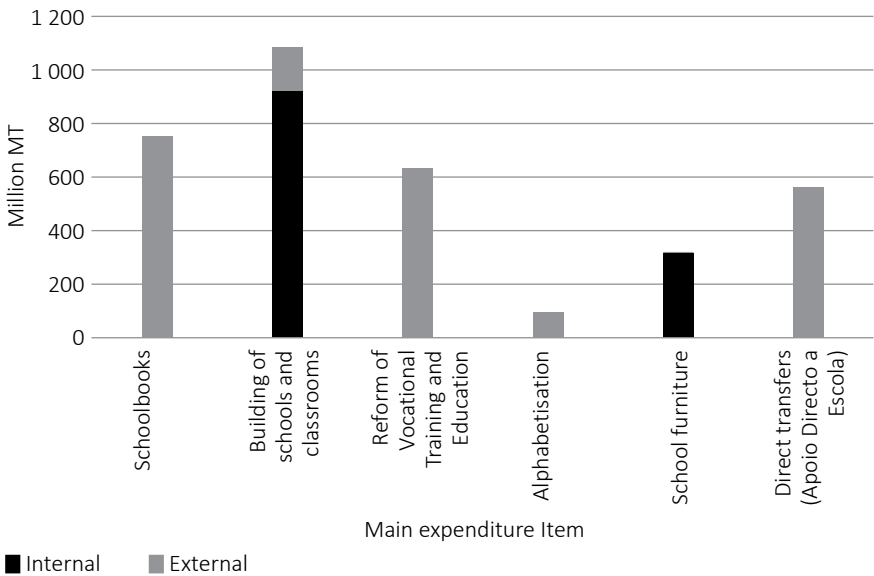
190 Política Nacional da Educação (PNE) of 1995 and, since then, two Planos Estratégicos para o Sector da Educação (PEE, PEE I and PEE II).

Figure 22: Expenditure in education by type and level, 2014 (%)



Source: REO 2014

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



Source: OE (2015)

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

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.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 *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).

2.5.2 *Internal Audit: Inspeção Geral das Finanças*

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

191 Personal communication with senior consultant, Maputo, 4/7/15.

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 Adquisições¹⁹²

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 (*Direcção Nacional de Património 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*)¹⁹³ 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

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,¹⁹⁴ 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

¹⁹⁵ <http://opais.sapo.mz/index.php/politica/63-politica/44572-assembleia-da-republica-chumba-proposta-do-mdm-de-se-extinguir-governos-distritais.html>.

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 file¹⁹⁶ 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

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’,¹⁹⁸ 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’s¹⁹⁹ 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

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.

202 *Desenvolvimento Municipal em Moçambique: As Lições da Primeira Década*, <http://siteresources.worldbank.org/INTMOZAMBIQUE/Resources/MunicipalPort.pdf>.

203 Perfil dos dados básicos das cidades de Moçambique. Documento de consulta para ‘Mesa de Cooperação-Brasil Moçambique’. II Encontro dos Municípios com o Desenvolvimento Sustentável, Brasília, 23/04/2013, <http://asfes.org/files/descargas/PUBdefinitiva.pdf>.

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,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 2015,²⁰⁵ 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

AP Nampula		AP Cabo Delgado	
Party	Seats	Party	Seats
Frelimo	46	Frelimo	67
Renamo	46	Renamo	14
MDM	1	MDM	1
Total	93	Total	82

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

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’.²⁰⁶

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 Platforms²⁰⁷

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 Acções 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

206 Interview with Antonio Mugalla, Chairman, Provincial Assembly, Cabo Delgado Province, Pembe, 7/19/2015.

207 This section draws heavily on IBIS (2015).

(CCs) of communities and municipalities in the field of participatory planning and finances,²⁰⁸ 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 *Akhilizetho*, 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).²⁰⁹ 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.

208 Governo da Província de Nampula/PPOSC, 2014.

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.²¹⁰ 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.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 (*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.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 2016.²¹³ 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 *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.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

211 Interview with António Mutúoa, secretary general, *Solidariedade Moçambique* (SoldMoz), Nampula, 19/10/2015.

212 Interview with member of municipal government, CM Monapo, 21/10/2015.

213 <http://opais.sapo.mz/index.php/politica/63-politica/38803-administradores-dos-distritos-querem-gestao-do-fundo-de-estradas-e-de-escolas.html>.

214 Interviews with senior members of Monapo district government, Monapo, 21/10/2015, and of district government, Nacala District, Nacala Porto, 22/10/2015.

territory of Nampula City, alludes to mutually beneficial arrangements concerning primary health care.²¹⁵

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.²¹⁶ 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

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 clientelism 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 PPFs (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 2015,²¹⁷ 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,²¹⁸ 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.²¹⁹ 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,

217 The same is true for the Sub-National Technical Assistance (SNTA) for improved budgetary management in four Mozambican municipalities directly implemented by the World Bank under the Public-Private Infrastructure Advisory Facility (PPIAF) framework.

218 Cities of Maputo and Matola.

219 Interview with World Bank consultant, Maputo, 29/09/2015.

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 Assentamentos 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, *Aéropostos de Moçambique* (Mozambican Airports Company) and CFM, which, in line with the LEBOFA 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.²²⁰ 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.²²¹

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,²²² are registered in Maputo where they pay their corporate income tax.

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.²²³

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’.²²⁴ 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;

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.²²⁵ 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.²²⁶

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.

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,²²⁷ 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,²²⁸ the Triton Company in joint venture with the Chinese graphite products specialist Yichang Xincheng Graphite (YXGC),²²⁹ as well as the Amsterdam-based AMG Mining AG, which operate a graphite mine in Ancuabe District through its German subsidiary Graphit Kropfmuehl.²³⁰

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)²³¹ and ENI (Italy).²³² 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,²³³ with illegal exports of ivory destined to the markets in East and South East Asia damaging the province's tourism

227 <http://corporate.gemfields.co.uk/assets/montepuez-ruby-mine-mozambique>. Mwiriti's majority shareholder is a Frelimo war veteran who is part of Cabo Delgado's political and economic elite.

228 <http://www.syrahresources.com.au/OurBusiness/OurProjects/BalamaMozambique.aspx>.

229 <http://www.tritonmineralsltd.com.au/>.

230 <http://www.amg-nv.com/Investors/Press-Releases/Press-Release-Details/2012/AMG-Subsidiary-Graphit-Kropfmuehl-AG-Announces-Opening-of-Graphite-Mine-1129959/default.aspx>.

231 <http://www.anadarko.com/Operations/Upstream/Africa/Mozambique/>.

232 http://www.eni.com/en_IT/media/focus-on/focus-on-mozambique.html.

233 <http://allafrica.com/stories/201505280255.html>.

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'²³⁴ for the logistical base. Newspaper reports suggest that Volpi has made an upfront payment of US\$10 million in commissions only.²³⁵

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

²³⁴ Mozambique: Nigerian Group Preparing to Invest in Pemba Logistics, <http://allafrica.com/stories/201405100030.html>.

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.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,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 m²) to be used for paying indemnity for appropriated land. The institutional variations in these rates are shown in Table 11.

Table 11: Logistical base Pemba: Indemnity rates for resettlement

Institution	Rate (MT/m ²)
CM Pemba	40
Government	23
PCD	2

Source: CM, AM, Pemba

In lengthy negotiations with PCD it was suggested that the price should be 7.5 MT/m². Apart from paying the monetary value of the appropriated land, the resettled households should be given guarantees of employment for at least one family

²³⁶ Interviews with members of the AM of Pemba.

²³⁷ Law on Planeamento Territorial (Law 19/2007, Decree 23/2008, Diploma Ministerial 181/2010), and by-law on Resettlement Action Plans (*Regulamento sobre o Processo de Reassentamento Resultante de Atividades Económicas*) (Decree 31/2012).

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),²³⁸ which argues that the adjudication process was irregular. The outcome of the adjudication is also contested in a court of law by the consortium Muiyake

238 <http://www.cip.org.mz/article.asp?lang=&sub=actual&docno=301>.

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 (*Apoio 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*),²⁴⁰ 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 company²⁴¹ and the *garimpeiros*²⁴² 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.

241 The first two auctions of MRM rubies from Montepuez in Singapore held since June 2014 have generated US\$76.8 million in aggregate revenue for the company, <http://www.londonstockexchange.com/exchange/news/market-news/market-news-detail/12177396.html>.

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 \$US, 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

interlocutors²⁴³ 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

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’,²⁴⁴ 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 sportsgrounds 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

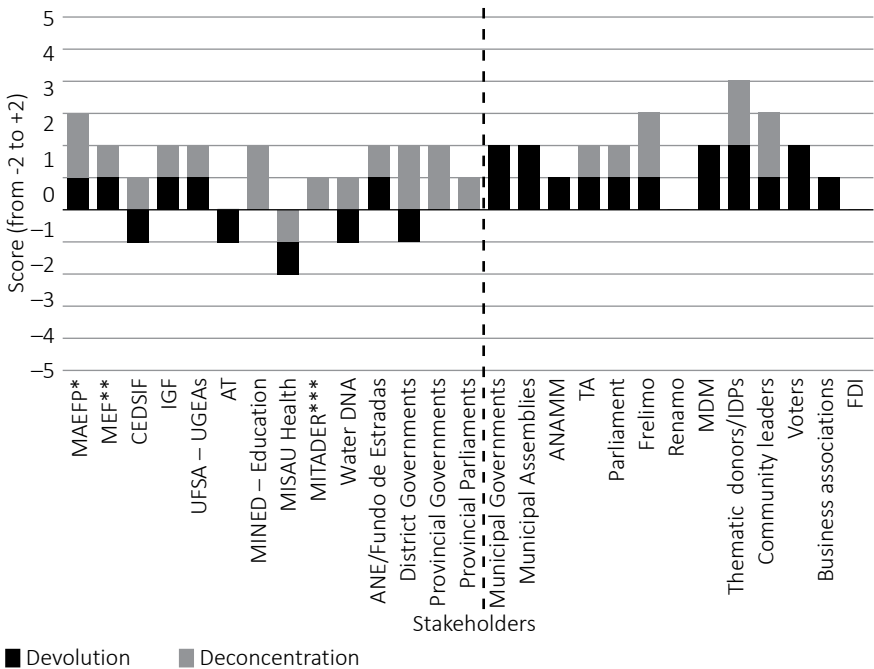
Based on the stakeholder analysis in the previous sections we now attempt to identify drivers and restrainers of decentralisation. To do so we firstly distinguish between the two types of decentralisation simultaneously present in Mozambique, devolution and deconcentration, the latter with a focus on 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



■ Devolution ■ Deconcentration

* 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)

Source: authors

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

Incentives	Disincentives
Ineffectiveness of previous centralised service delivery	Institutional dominance of central government
Political and administrative geography neglecting peripheral parts of the country	Changes of the rules of the game leading to a highly complex legal institutional framework for decentralisation
Initial legal framework favouring devolution	Established patterns of budget allocation and distribution
Post-war reconstruction and peacebuilding (1994)	Decentralisation policy and strategy without benchmarks and monitoring
Window of opportunity for downward extension of clientelist system and local elite capture	High fiscal cost of present competitive system of deconcentration and devolution
Local government elections and multiparty electoral politics	Low human resources retention capacity at local government level
Administrative, fiscal and municipal autonomy	Status of mayors and municipal functionaries at margin of public service
Revenue-sharing formula	Nomination of local candidates by central party authorities
Local, community-based ownership and identity	OLE lacking own-source revenue
Invited spaces for democratic participation and consultation	No integrated intergovernmental fiscal system which includes provinces and districts
	Absence of performance-based approach to decentralisation and fiscal management
	No policy alignment of fiscal decentralisation with LED
	Low correlation between OSR/revenue and capital expenditure
	PDD logic changed to that of constituency fund
	Pattern of registration and taxation of companies
	Little influence of subnational representatives within the party or parliamentary system
	ANAMM institutionally weak

Source: authors