

Mozambique

Status Index (Democracy: 6.95 / Market economy: 5.07) 6.01		Management Index 6.06	
HDI	0.379	Population	19.1 mn
GDP per capita (\$, PPP)	1,117	Population growth¹	2.1 %
Unemployment rate	-*	Women in Parliament	34.8 %
UN Education Index	0.45	Poverty²	37.9 %
		Gini Index	39.6 (1996)
Source: UNDP: Human Development Report 2005. Figures for 2003 unless otherwise indicated. ¹ Annual growth between 1975 and 2003. ² Population living below \$ 1 (1990-2003). * No reliable data available, estimates range between 40-80%			

A. Executive summary

Mozambique is moving toward a crucial stage of its democratization process ten years after its first multiparty elections in 1994. The country is considered by the international donor community one of the rare success stories on the African continent, and can undoubtedly be characterized as an electoral democracy with regular, free and more or less fair elections. However, the consolidation of its democratic structures has been continuously challenged by a political culture shaped by neo-patrimonial structures and endemic corruption within the state apparatus. This not only has a negative impact on the sustainable development of Mozambique, which requires stable and accountable political institutions, but it also affects the state–society relationship and leads to an erosion of the state’s legitimacy.

The latest Afrobarometer survey shows increasing discontent with 39% of the interviewees characterizing the political system as a democracy with major deficits. Only 10% of survey participants regarded Mozambique as a fully entrenched democracy. Until 1999 however, this rather sceptical attitude did not result in high voter abstentions in national elections (1999: 69.5%). The low voter turnout in the 2003 local elections (24.16%) and the high abstention rate in the national polls in 2004 that was won by Frelimo and its candidate Guebuza with an absolute majority, are both a red flag for those entering political competition.

Since the end of the 1980s, Mozambique has been in the process of developing a market-based economy and all that it involves. Negative effects became evident in the cashew sector and this state of affairs led to an introduction of protective measures by the government in agricultural sectors such as cotton and sugar cane.

Mozambique's macroeconomic growth rate can mainly be attributed to the aluminum smelters, Mozal I and II and the gas pipeline project of Sasol. The potential of the industrial sector and the possibilities for local small and medium-sized enterprises (SMEs) remain hampered by domestic capital shortages, high interest rates, excessive red tape and inadequate infrastructures.

Although preliminary results of the 2002-2003 household surveys indicate that the national poverty rate decreased from 69.4% in 1997 to 54.1% in 2002-2003, the regional imbalances are still striking and survey results need to be complemented and substantiated by qualitative studies. A thorough analysis of the poverty reduction program, Plan for the Reduction of Absolute Poverty (PARPA), shows that the government is behind in its target goals. Expenses in key sectors decreased from 19.1% of total expenses to 18.4% in 2003. For example, spending in the education sector fell from 6.8% in 2001 to 4.8% in 2003. There are estimates that about 520,000 Mozambicans are employed in the formal sector (public and private) and approximately 95% of the total labor force depends on the informal sector for their subsistence.

B. History and characteristics of transformation

Mozambique's transition highlights an example where external factors were crucial for the initiation of a democratic transition. The peace process and the subsequent implementation of democratic structures in the run-up to the October 1994 multiparty elections were shaped by pressure from the international community. But the institutional framework of democratization was primarily determined by the former belligerents: Frelimo and Renamo. The multiparty conference for a draft electoral law showed that other political forces, the so-called non-armed parties established from 1990 onwards, had only a few opportunities to influence and shape the transition process. The opposition assumed that every political step Frelimo took was for the party's own advantage.

This feeling of mistrust was not only nurtured, but also confirmed by the ruling party, which dictated the conditions and the conduct of the democratization process. This mistrust continues today. On Renamo's side, this led to the maintenance of Dhlakama's armed guards, which according to the GPA, were meant to be disarmed after the first democratic elections in 1994. For Frelimo, mistrust prevented an integration of Renamo combatants into the police force. With a new army comprising military personnel from both sides, the ruling party tried to maintain loyalty within the police force, and particularly within the rapid intervention forces.

Mozambique's democratization process is dependent on whether it would be possible to develop a pluralistic party system with a competitive structure. Additionally, democratization required the successful transformation of Renamo from a primarily military movement into a political party. Here, Renamo was

confronted with an unusual problem seldom encountered by African political parties. African political parties are groups concentrated in urban areas and focused on the intellectual elite. For the most part, they struggle to create a support base in rural areas. Renamo, however, lacked a support base in the urban centers of the country. Despite structural weaknesses and consolidation problems it can be argued that Renamo did succeed in transforming itself into a political party – albeit one under the autocratic leadership of its former supreme commander. The following factors contributed to this transition: far-reaching demobilization of combatants took place; core structures of a political party were developed; the party was able to establish itself in urban centers.

Mozambique's budding multiparty system was shaped from the outset by the former conflict structure as well as by the antagonism that existed between Frelimo and Renamo. Despite these bipolar features of the party system, Frelimo has managed to dominate the political landscape. In the early 1990s, political liberalization and re-orientation led to the first intra-party rifts within Frelimo. The opposition between orthodox socialists and young technocrats became obvious and this tension manifested itself in the critical approach towards the government's economic policy and subordination of regulations laid down by the Bretton Woods institutions.

In the 1985-1986 period, after the country's request for membership in the Economic Community of Socialist Countries had been rejected (1982), Mozambique started negotiations with World Bank and IMF for a structural adjustment program. The program was implemented in 1987 and spelled the end for Mozambique's experiment with a centrally planned socialist economy and the start of its economic liberalization process. Since then, Mozambique has been prodded along the path defined by the Bretton Woods institutions and the international donor community, turning their "darling" and regional success story.

C. Assessment

1. Democracy

1.1. Stateness

Despite the ethnic heterogeneity of the Mozambican population, Frelimo succeeded in fostering a national identity of "Mozambicanness" through its anti-colonial liberation struggle and the subsequent establishment of socio-political and socioeconomic structures. During Samora Machel's era, racial and ethnic questions were considered a political taboo. As internal conflicts within Frelimo bore a racial and regional connotation and often led to breakaways and opposition, the government tried to prevent ethnic and regional division whilst introducing multiparty democracy in its 1990 constitution. The initial law on political parties

demanded a minimum number of signatures in each province before a party could be legally registered.

However, the centralism inherent in Mozambique's state structure, politically concentrated in the south of the country, as well as the dominance of the southern ethnic groups in government and administration, has led to the alienation of regional groupings. This was perpetuated by the identification of the state and civil service with Frelimo and its political ideology of "democratic centralism", resulting in further marginalization of distinctive elites (e.g. the Makhwas in the North). In addition to localized conflicts such as the one between the Sena and Ndau in Beira, ethnic cleavages are related to regional human development disparities. For example, the human development index (HDI) for the province of Maputo is 0.622 while the HDI for the province of Zambezia is 0.202.

Mozambican citizenship is defined in the 1990 constitution, and it was endorsed by the new constitution in 2004, which recognizes dual citizenship for the first time. The political elite has so far abstained from publicly questioning the Mozambican identity of whites and Indians. The official political discourse is truly anti-racist with an emphasis on African national cultural heritage. However, a degree of racial intolerance toward those minority groups is increasing in the public realm and on the streets. This type of racism is directed primarily at the privileged socioeconomic status these groups enjoy; and a political party to radicalize the existing resentment against whites and Indians could easily misuse this discontentment. All Mozambicans enjoy the same civil rights and with the exception of Renamo's armed guards based in Inhamitanga the state has a monopoly on the use of force.

Mozambique is a secular state in which de jure religious parties are not allowed. The country's status as a secular state led to a renaming of Yusuf Sibindy's initial Partido Islâmico de Moçambique to Partido Independente de Moçambique. Although the party finds its core support within the Muslim community, its political platform speaks to all denominations.

The continued identification of the state with the ruling party is also related to the fact that an independent and apolitical state bureaucracy has not yet developed. However, according to Max Weber, an independent and efficient state bureaucracy is one of the core elements of democracy. Most public servants in Mozambique are members of the ruling party and benefit from association this in one way or another. The lack of separation between the state and the ruling party is a leftover from the communist principle of democratic centralism and the double subordination of administrative units under the state and the party.

1.2. Political participation

On December 1-2, 2004, Mozambique has its third parliamentary and presidential elections since the introduction of a multiparty system introduced at the end of the country's civil war. A surprisingly low voter turnout characterized these elections. After the end of the civil war in 1992, a clear majority of the electorate (87.89%) participated politically and demonstrated support for the peace and democratization process. For most voters these elections symbolized the return to peace, and the majority expected an improvement in living conditions from the new democratic system.

In 1998, Mozambique's democratization process encountered its first setback when voter turnout was as low as 14.58%. The following factors contributed to the low-turnout: an election boycott by Renamo, a lack of alternatives of Frelimo, the chaotic organization of the election itself, and insufficient efforts in explaining to voters the significance of local elections and its process. This outcome demonstrates disillusionment and apathy that should not be ignored and can be understood considering the high hopes of the population. Instead of enjoying an improved standard of living, the majority of Mozambicans faced increasing costs of living and a deterioration of public services.

However, during the second parliamentary and presidential elections in 1999 Mozambique's voters returned to the ballot boxes. The relatively high turnout of 68.5% gave the winners of both elections a sufficient legitimacy, despite irregularities and a charge of fraud by the opposition, which had threatened political stability. Considering the small margin of victory for Frelimo candidate Joaquim Chissano in 1999 (difference of 205 593 votes), a high voter turnout was expected in 2004. It was also anticipated that the election would bring about the so called "turnover test" that is, according to political scientist Samuel Huntington, a criteria for the consolidation of democracy.

Parallel counts carried out by Radio Moçambique and the Observatório Eleitoral indicated an overwhelming victory for Frelimo, and the final results were announced by the Chairperson of the National Electoral Commission (CNE), Arão Litsuri on December 21 (four days after the legal deadline). The final results came as no surprise. According to the official results, Frelimo won the parliamentary elections with 62.03% of the 3 321 926 votes cast against 29.73% won by Renamo and 2% by the Partido para Paz, Democracia e Desenvolvimento (Party for Peace, Democracy and Development, PDD). In Mozambique only parties able to achieve 5% of the national vote can enter Parliament. Once again Frelimo and its electoral alliance Renamo-União Eleitoral dominate in Parliament with the former as a clear winner with an almost two-third majority.

Distribution of seats by constituency (=province) with 1999 figures in brackets

Province	Seats	Frelimo	Renamo
Niassa	12 (13)	9 (6)	3 (7)
Cabo Delgado	22 (22)	18 (16)	4 (6)
Nampula	50 (50)	27 (24)	23 (26)
Zambezia	48 (49)	19 (15)	29 (34)
Tete	18 (18)	14 (8)	4 (10)
Manica	14 (15)	7 (5)	7 (10)
Sofala	22 (21)	6 (4)	18 (17)
Inhambane	16 (17)	15 (13)	1 (4)
Gaza	17 (16)	17 (16)	0 (0)
Maputo Province	13 (13)	12 (12)	1 (1)
Maputo City	16 (16)	14 (14)	2 (2)
Emigrants Africa/Europa	1 (0) / 1(0)	1(0)/1(0)	0 (0)/0(0)
TOTAL	250 (250)	160 (133)	90 (117)

Source: <http://www.poptel.org.uk/mozambique-news/newsletter/aim290.html#story>

When looking at the absolute figures it is striking how well Frelimo managed to maintain its support. With 1,889,055 votes in this year's election, Frelimo only ran short of 115,648 votes compared to the 1999 result of 2,005,703 votes. Also Guebuza did well with 2,004,227 in his succession of Joaquim Chissano, who won in 1999 with 2,336,333. Frelimo candidate Armando Guebuza defeated his Renamo opponent with 63.74% of votes. Raul Domingos, the presidential candidate of the newcomer PDD, came in third with 2.73%.

An unprofessional and chaotic organization of the elections became apparent during voter registration, yet voters were able to participate by and large peacefully. Voter's rolls (cadernos) constituted one of the most serious problems. Some voters ended up at the wrong polling station, or some voters showed a valid voter card, but were not on the registration list. There were inconsistencies with voter's numbers and names, as well as names in voter's rolls without registration numbers. In some cases the presiding officers reached consensus with the party agents present and decided in favor of the citizen who had come to vote. However, in other cases voters were excluded from the political process due to errors and omissions in the preparation. Scrutiny of the available statistical data of the demographic that had reached voting age showed before the elections that the voter's roll included double registrations or names of voters who had already passed away. This was particularly problematic at the provincial level as the allocation of parliamentary seats is done based on registered voters.

In terms of transparency, a serious omission was the non-availability of a final polling station list with registration book numbers and the numbers of registered voters. What was declared a "state secret" by the CNE would have been a valid instrument for observers and political parties to see how polling stations had been allocated and to assess whether this corresponds with the tabulation software.

There were logistical problems regarding the distribution of election material, and because the distribution started during the rainy season, many provinces kept their polling stations open for one day only or were closed completely due to heavy rainfall (such as ten polling stations in Cabo Delgado and 33 polling stations in the district of Milange). Approximately 24,943 registered voters were unable to vote.

The politicized electoral commission is an obstacle to the transparency and credibility of the political process. On the bases of their seat allocation in Parliament, Frelimo and Renamo appointed 10 and eight members respectively. Since 2003, the President of CNE would be proposed by civil society and elected by CNE party members. Although the inclusion of civil society is step in the right direction, the majority of the ruling party within the CNE hinders an atmosphere of trust and cooperation, particularly at the national level. There was suspicion created before the elections around the tabulation of votes and access of national and international observers at this stage of the process. This was a problem in 1999 and was one of the points that Renamo had taken up as fraudulent. Before the elections, international observers continued to insist on an unrestricted observation of all phases of the electoral process. After cumbersome negotiations between CNE and international observers the re-assessment of invalid and contested votes could finally be observed within allocated time-slots. The secretive character of the procedure raises additional questions about the credibility of the electoral process.

Incidents of irregularities additionally tainted Mozambique's last set of elections and the state of its democratic structures. Observers of the post-election phase reported tally sheets (*editais*) with unrealistically high voter turnouts. These occurred mainly in the provinces of Niassa, Tete and Gaza where polling stations showed a 100% turnout (compared to 30 to 40% at the national level) and a 90% support for Frelimo. It was also mainly in those regions that party agents were denied credentials, observers encountered problems getting access, and opposition campaigners were intimidated. There were also speculations that ballot boxes were rigged in favor of the ruling party. During the reclassification of invalid ballots by the European Union Election Observation Mission (EOM) to Mozambique in 2004, it was noted that a high number of invalid ballots from the provinces of Niassa and Tete showed a consistently applied pattern of additional ink marks that were mostly seen on ballots that would have otherwise been for Renamo.

In order to safeguard its victory, the ruling party tampered with an electoral process already vulnerable to political manipulation and not on par with the quality criteria for an electoral democracy.

With the Local Government Act (08/2003) the institutional participation of local communities in planning, budgeting, and decision-making was enhanced. At the

district and sub-district level so-called Institutions for Participation and Community Consultation (IPCC) are at the centre of the de-concentration strategy for public administration. Apart from the thirty-three autonomous municipalities the new local government acts as the “outreach” of the state and has been extended to a further sub-national level, that of “locality” at grassroots level. However, neither district structures nor municipalities benefit from a decentralization of human and fiscal resources for better public services.

1.3. Rule of law

The symbiosis of state and party established during the socialist era and the re-endorsement of a presidential system by the 2004 constitution not only support the hegemony of the ruling Frelimo party, but also have a negative impact on the independence of the judicial system. The appointment of Supreme Court judges and the Attorney General by the president calls into question their political neutrality. However, Parliament did pass a bill in 2003 that established the Constitutional Council (CC). Until this point, the tasks of the CC were undertaken by the Supreme Court (Tribunal Supremo). However, the neutrality of the Tribunal Supremo (and of the Attorney General) provoked concern among the opposition, especially when it came to judgments concerning complaints of fraud during elections. The new CC comprises five judges appointed by Parliament. The president appointed the presiding judge, and the other members elected the seventh member of the CC.

The outcome of the disputes surrounding the 2003 local elections showed that the CC, through its high degree of professionalism and impartiality, was not only able to bestow credibility on the electoral process but also managed to give constructive criticisms. It is clear that the office of the Attorney General needs a strong personality capable of standing up to political pressure as well as to the formal and informal influence of the executive. Even the incumbent Joaquim Madeira, who seems committed to reforms, has been showing his limitations. For example, in his 2001 report to Parliament, Madeira openly referred to the illegal activities of the political elite who tend to ignore a summons to the Department of Public Prosecution, with the knowledge that they are untouchable.

Although the separation of powers (legislative, executive and judicial) is formally enshrined in the constitution, the relationship between them is characterized by partially overlapping functions and this creates a politically defined grey zone. The salaries of High Court judges, for example, are not published.

A major concern within the realm of horizontal accountability is the independence of the judicial branch. Provisions for checks and balances between the legislative and the executive exist *de jure*, and are manifested in the right of interpellation and in the function of the Tribunal Administrativo to audit the state accounts and government budget execution reports before going to Parliament. Parliament

increasingly insists on transparency with regard to budget issues, particularly when it comes to funds provided by donors and non-governmental organizations (NGOs) on a project basis. These have thus far been only marginally reflected in the accounts, and Parliament has requested that the technical system of accounting be revised to include these categories. Parliament's oversight function on government is limited in practice considering that it Parliament is dominated by the governing party. However, the audit reports of the TA provide welcome opportunity to heavily criticize government in Parliament.

Strong party discipline within Frelimo, however, ensures that there are no contradictions between government and the main faction in Parliament. When tensions do surface, they are often rooted in the existing cleavages and frictions between different Frelimo wings. The opposition constitutes the minority in Parliament and as a result levels of influence remain low. The majority of bills are proposed and drafted by the executive. Only when it comes to constitutional amendments where a two-thirds majority is required, can the opposition play a role.

1.4. Stability of democratic institutions

Structural factors, as well as the political deadlock resulting from a sound Frelimo majority, limit the control function of Parliament. Even if the government does not obstruct access to information, its capacity to search for and access information, as well as its level of technical analysis, remains limited. The sustainability of a technical office to support legislators with data when drafting laws and decrees cannot be guaranteed. One reason for this is that donor funding is running out and no provision has been made on the Mozambican side to take over this financing.

Although Mozambique has an adequate legislative and regulatory framework the implementation of the rule of law is inter alia constrained by the structural dysfunctions of the justice system. Mozambique's justice sector suffers from a lack of territorial expansion, an adequately trained staff and financial resources. According to the Ministry of Justice, only 90 of 128 rural districts have district courts. Independent analysts reduce this number to 80, considering the legal status and the fact that some of those considered as district courts are actually community courts. As a study in the middle of the 1990s showed, Mozambique's justice system was short of 120 judges. Of the existing 122 judges, only 27 hold an academic law degree (including seven judges of the Supreme Court). The concentration of educated and trained judges particularly at the provincial level leads to further congestion of the justice system. The second key institution to uphold the rule of law is the police. At the end of Mozambique's civil war, the *Polícia da República de Moçambique* (PRM) was confronted with the challenge to comply with requirements contained in the new democratic constitution and the Rome GPA (1992), both of which demanded an impartial police force. Renamo

combatants were integrated into the armed forces after the civil war, but this was not the case with the police force. The Frelimo government maintained troop loyalty to the party and the state.

As far as the relationship between citizens and the police, it is noteworthy that PRM sees itself primarily as an authority of the state to which the citizen must obey. The role of the police as providers of services has yet to gain momentum. A general problem facing the PRM is its heterogeneity resulting from the merger in 1992 of the formerly independent transit police, the criminal police (PIC), and the migration of border police. Additional reforms would have inevitably meant the loss of power and position for certain people, and resistance in those ranks remains high.

The case of the PIC is even more complicated as these officers used to have a special ranking above ordinary police agents, but are now treated as equals. The PIC has the reputation of being a closed and non-transparent unit, and particularly hostile to reforms. The alarming state of the PIC became obvious after the 2002 release of the Attorney General's report to Parliament. According to this report, attorneys have to conduct their own investigations since the evidence collected by the PIC is rudimentary or deficient and legal proceedings therefore cannot be instituted. It is quite common that files are lost or requests by public prosecutors are simply ignored. The level of corruption within the PIC prompted the Attorney General to call for a new police unit, *Policia Judiciaria*. This was established in the Ministry of Interior and is expected to start taking over tasks presently the responsibility of the PIC.

Faith in government and state institutions is low considering the prevalence of petty corruption in the state administration: 70.2% believe that the police are corrupt, followed by the government (58.8%) and the courts (58.1%). Mistrust in state institutions such as the justice sector is alarming, and cuts to the core of democratic values. Whereas mistrust of government can be articulated around election-time, the lack of faith in the justice system may provoke the use of non-democratic and violent methods in order to resolve problems.

However, an unpublished study commissioned by the Technical Unit of the Public Sector Reform (UTRESP) suggests that public trust has increased in some sectors (such as health) and is high with regard to the independent media, and the religious institutions. This survey confirmed that corruption is still considered endemic in the justice system, the police, and political traditions and in schools.

As the 1999 elections in Mozambique have demonstrated, political institutions are still substantially weak and the occurrence of political violence remains a threat to the stability of the country. A fundamental problem is the lack of confidence between the main political antagonists – at the national or at the local level – and the absence of any mechanism that would include the opposition in governing the country.

Mozambique's electoral system should be seen as one of many factors that contribute to political instability. For Mozambique's parliamentary elections, a system of proportional representation with party lists and a threshold of five per cent of the votes at national level are used. In the presidential elections, a candidate needs to receive more than 50% of the votes, in two rounds if necessary. Although the country applies a proportional system that in general supports the diversification of representation, Mozambique is one of the rare examples where proportional representation has, in fact, the impact of a majority system, which contributes to the bipolarization of party politics.

Mozambique's electoral system supports the non-representation of large parts of the population (particularly those in the centre and centre-north provinces), and the congruence of provinces with constituencies leads to super-large electoral districts (for instance Nampula with 1,434,764 voters). This feature increases the gap between voter and parliamentarian. The fact that candidates enter Parliament via party lists diminishes the voter's ability to hold politicians accountable. The exclusion of large segments of the population and the lack of responsiveness between politicians and the population already reflects itself in the growing abstention of voters (13% in 1994; 30% in 1999 and 63.7% in 2004).

1.5. Political and social integration

The participation of a large number of Mozambicans in the political life of the country is impeded by a variety of structural factors that date back to colonial and post-independence times. The Portuguese concept of assimilation (*assimilação*) clearly limited the levels of participation for most Mozambicans. The authoritarian nature of the post-independence state later continued to restrict participation for those not in line with the socialist policy. Once the civil war began, a politically incorrect statement could easily lead to the loss of a job or even to deportation to a "re-education" camp. This historical legacy is characterized by the level of mistrust evident in Mozambican society. Although the majority of Mozambicans (57.8%) prefer a democratic government above all other systems, the attitude Mozambicans have with respect to the government reveals an interesting picture.

When asked in a national survey carried out by the Centro de Estudos de População et al., in 2002 whether government should be like a father taking care of his children or whether they prefer a government that is at the service of the people who control it, 76.1% of the respondents expressed a wish for a paternalistic government. This attitude is reflected in the level of participation in Mozambique's socio-political life. Mozambican citizens have a very weak relationship to political institutions as well as to civil society. Governmental bodies or political parties are hardly ever called on for assistance (only 6.6% and 7.2% respectively had approached representatives for assistance).

Participation is further restricted by structural constraints such as poverty, isolation and illiteracy. With 54.1% of the population living below the poverty line and with literacy rate of 25.9% among women (rural areas 14.9%) and 55.4% among men (rural areas 43.6%), awareness of, and participation in the socio-political life of the country encounters natural obstacles. Both on municipal and district levels, reforms for stronger participation at the level of local government have been introduced. The first experiences, notably in the province of Nampula show that local government responds well to the needs of the citizens. Their institutional mechanisms of participation as well as their resource endowment (local development funds) also contribute substantially to poverty reduction.

However, any discussion of participation in a democratic context must take into account the structure of the political system. Within the bipolar clash of Mozambican politics and the exclusion of at least 31.73% (Renamo and PDD votes) of the population, participation could also mean a sharing of power – particularly locally. Increased citizen participation via political forces other than the ruling party is currently limited. Out of fear of losing control and power, the governing elite is not willing to open up new channels – be that by way of increasing the number of autonomous municipalities or by integrating federal elements into the political system.

Although the outcome elections in 1999 gave the impression that the one-party dominance within a *de jure* multiparty system could end, subsequent intra-party developments on the side of the opposition as well as the 2004 election results indicate that in the medium term the bipolar structure of the party system might not last. Therefore, the development of another one-party/Frelimo-dominated party system is likely. Most of the 32 political parties that have registered since the 1990 multiparty constitution came into practice remain little more than manifestations of their leaders' personalities. Parties have often become insignificant due to split-ups and walkouts based on personal rivalries. None of the numerous so-called “unarmed parties” has been able to consolidate their founding bases of 1994 or expand their influence. With the exception of the parties united in the Renamo-UE electoral coalition, none of the personality and urban concentrated political groupings was able to enter Parliament in both 1999 and 2004. Even Raul Domingos' newly founded PDD that had hoped to become the third force in Mozambique's party spectrum did not manage to make it the 5% barrier in December 2004.

Mozambique has seen a proliferation of civic organizations in light of a phase of peace and democracy. The increasing emergence of NGOs since 1991 (approximately 200 in 1991, 400 in the late 1990s and 813 registered in 2002) does not necessarily mean the existence of a vibrant civil society, since many of the NGOs are almost entirely donor dependent. Only toward the end of the decade did NGOs begin to perform activities linked to development and advocacy (e.g. activities related to external debt, the campaign against landmines, HIV and

AIDS, land and electoral and family law discussions) with the aim of influencing public policy. Despite these developments, civic organizations (CSOs) are neither "self-organizing" nor entirely autonomous. Most NGOs comprise of urban elites and lack a sense of mission and clear socio-political objectives, not to mention their weak management capacity. This raises concern about their ability to engage proactively in advocacy activities and to react promptly to major government policies that may be decisive for society. Most NGOs are service providers orienting their activities along the interests of donor agencies, even if they are complementing the role of the state in the performance of delivering services. An additional shortcoming is that most donors provide support and financing on a project-approach basis instead of on a program basis, which would allow for longer-term activities and simultaneously for the creation of capacity building. There is also poor coordination among donors with regards to their support activities to NGOs.

Nevertheless, in certain cases Mozambican civil society has successfully struggled to make its voice heard, and to gain some influence on government policies as well as having a say in the policy dialogue between government and donors. A visible example of such a case is the Poverty Observatory established in 2003, in which CSOs held the same number of seats as government and donors (namely 20). At this meeting representatives of the CSOs presented their own poverty assessment that critically questioned that of the government, based on the household survey.

2. Market economy

2.1. Level of socioeconomic development

The results of the 2002/2003 household surveys indicate that the national poverty rate has decreased from 69.4% in 1997 to 54.1% in the 2002-2003 period. Yet the regional imbalances are still striking. According to the survey, 80% of the population of the province of Inhambane lives in absolute poverty. The Plan for the Reduction of Absolute Poverty (PARPA) aims to reduce the poverty rate to 50% in 2010, but will face major difficulties in achieving this ambitious aim, particularly in the health sector.

In the meantime, a thorough analysis by PARPA has shown that government is actually behind in meeting its defined targets. Expenditure in key sectors of priority decreased from 19.1% of total expenses to 18.4% in 2003. Spending went down in the education sector from 6.8% in 2001 to 4.8%. Increasingly more teachers are being trained, yet high dropout and repetition rates emphasize the profound lack of quality in education. Although access to primary education in general has improved significantly, only 30% of children enter the upper primary

level of grades six and seven. Access to secondary education is significantly biased in favor of the urban youth from the south. Nevertheless only 2 to 3% of schoolchildren complete 12 years of education.

The Annual Joint Review between the government and 16 donors, including the World Bank that gives direct budget support, addressed the concerns regarding the progress of PARPA implementation. In 2004 it concluded that although the performance of most sectors was, by and large, satisfactory, big challenges still remained in the fields of private sector development, institutional reform (incl. decentralization for better service delivery), anti-corruption measures and legal and justice sector reform. A special concern of donors particularly continues to be the improvement of public fiscal management.

Reliable data on Mozambique's labor market hardly exists. Estimates assume that about 520 000 Mozambicans are employed in the formal sector (public and private) and approximately 95% of the total labor force depends on the informal sector for their subsistence. This distortion also results from a poorly educated workforce with limited skills. Although large companies are prepared to invest in the training of their workers it is mainly the small and medium-sized enterprises that lack the necessary resources for training.

2.2 Organization of the market and competition

Mozambique has been in the process of developing a market-based economy with all its advantages and disadvantages since the end of the 1980s. The cashew sector has suffered under a market-based economy, and this led to the introduction of protective measures by government for certain sectors. Although the formal rules and institutions of a market economy are in place, the large informal sector plays an important role.

At present Mozambique's agricultural sector represents 20% of the GDP. In addition to large-scale subsistence agriculture, it is mainly the cultivation of sugar cane, cotton and cashew nuts that contribute to agricultural growth rates. In particular, government incentives on sugarcane (VAT exemption) have attracted foreign capital to the sugar industry. Sugar mills such as Marromeu and Xinavane have generated work in rural areas on a large-scale basis. The exponential growth in cotton production seen between 2000 (11,251 tons) and 2002 (25,000 tons) unfortunately slowed down with the decrease of prices on the international market. Developments in the cashew-nut production indicate that the sector has never recovered from the liberalization in the early 1990s, and production is in constant decline.

The growth rates of the agricultural sector in 2002 (130%) and 2003 (30%) demonstrate a solid performance, yet its potential still remains largely unexploited due to a lack of infrastructure, insufficient productivity and market fragmentation.

The industrial sector has mainly benefited from lower import tariffs on intermediate and capital goods as well as from more efficient customs procedures. The aluminum smelters Mozal I and II should be acknowledged for their growth rates of 4% to 5% with spill over effects into the construction industry. In general however, the potential of this sector and the possibilities for local SMEs are still hampered by shortages of domestic capital, high interest rates, excessive red tape and inadequate infrastructures.

Access to credits remains problematic for entrepreneurs. Most banks incurred a high level of debt, and are wary about lending. The banks charge excessively high borrowing rates, for example 32% in June 2003, where credit rates stood around 12%. The difficulties to recover loans due to the lack of efficient judicial procedures, as well as a complex and problematic land tenure system, impede access to bank credits and discourage agricultural investments. In 2003 the state turned its attention to substantive banking reforms to improve the state of the system; however, despite these efforts Mozambique has a long way to go in terms of competitive banking considering that the market is dominated by Banco Internacional de Mozambique.

On the basis of the new micro-finance law, many of the foreign funded micro-finance programs became institutions. At the beginning of 2003 at least 30 institutions were registered and attended to approximately 50 000 clients. For small and medium enterprises these institutions represent the only possibility to gain access to credit. At present about 57% of credits are located in the informal trading business. Only 18% are requested for agricultural projects and only 15% for the manufacturing sector. Generally speaking, numerous regulatory barriers (it takes about 152 days to establish a business), pervasive rent-seeking behavior, and the emergence of protectionism threaten the competitiveness of Mozambique's economy. At the moment Mozambique has neither the human capacity nor the necessary strong judicial institutions nor the budget to implement sound competition policies.

2.3. Currency and price stability

Inflation in Mozambique is strongly influenced by the South African rand's exchange rate. This is due to the fact that the majority of food imports originate from South Africa. The control of the money supply along with reforms in the financial sector reduced inflation from 56.5% in 1995 to 9.1% in 2004.

In relation to the U.S. dollar, the local currency (metical) remained relatively stable and its stability attracted more bank deposits in metical (23% in 2003) than in foreign currency (10% in 2003). Nevertheless, the banking sector in Mozambique is heavily "dollarized" and more than 50% of deposits are still held in foreign currencies.

The overall balance of Mozambique's budget remains largely negative and the deficit increased from 6.1% of the GDP in 2000 to 7.9% in 2002. The budget deficit in 2003 (2.7% of the GDP) resulted from decreasing capital expenditure due to delays in the implementation of local projects that partly resulted from the fall in donor grants. The reduction of capital spending in 2003 was partially compensated with increases in current spending due to increased public sector wages and the costs of the local elections. It can be expected that capital spending will continue to decrease in the future. Public sector wages are predicted to increase. Despite the fact that revenue income will increase due to improved tax collection mechanisms, the decline in donor financing will nevertheless lead to a forecasted budget deficit of about 4.0% in 2004 and 4.2% in 2005.

2.4. Private property

The first legislation for the privatization of state-owned enterprises was approved in 1989 after Mozambique was placed under the 1987 Structural Adjustment Program. The outcome of this process is seen as ambivalent. In a liberal setting, the traditional redistribution system characterized by its informal, kin-based structure, has led to an economy that reflects the neo-patrimonial structures of the state. In the process of privatizing state assets, high-ranking officials used their political clout to place themselves in advantageous positions vis-à-vis private entrepreneurship. The ways politicians took advantage of their connections, inside knowledge and perhaps direct control over privatization, is widely referred to as "silent privatizations," and was addressed by the Attorney General in a 1992 report to Parliament. As a result many smaller companies encountered substantial difficulties due to their weak capitalization, inexperienced management, or management that solely worked toward the extraction of capital. In comparison, larger companies purchased by foreign multinationals proved to do well.

Large enterprises in the transport and telecommunications sector are not yet privatized. Companies such as the airline Linhas Aereas de Moçambique find it difficult to compete in the private sector. One of the most recent acts of privatization under negotiation for at least four years has been the Maputo port management contract awarded to a consortium of British, Swedish and Portuguese companies in partnership with the public Mozambican railway company Caminhos de Ferro de Moçambique. A bill approved by Parliament in 2004 also cleared the way for the privatization of the telecommunications service provider Telecomunicações de Moçambique (TDM) and opened up the monopoly that TDM held on the landline market thus far.

Under the Mozambican Constitution "land is the property of the state" (Article 46); it can neither be sold nor be mortgaged. The land law (Lei das terras 19/97) was elaborated in a two-year process of national consultations including all relevant stakeholders and authorizes three modalities of land use: individuals and communities have the right to land they have traditionally occupied.

Mozambicans have a right to land which they have occupied in good faith for at least 10 years, and People and companies can be authorized by the government to use land.

Mozambique's land law is de jure the most progressive in the region with regard to the guarantee of peasant rights. However, there are still shortcomings on the implementation side that contribute to the ambivalence that exists between the empowerment of local communities and protection of their rights on the one hand, and rural development on the other. Land grabs, bribery and high-level corruption distort the system, and disenfranchise serious investors as well as local communities.

2.5. Welfare regime

Most of Mozambique's labor force is concentrated in the informal sector and for subsistence economy the family remains the only social security network in disposal. However, there are no social welfare mechanisms in place that could cover the individual where the majority of the population is still living in absolute poverty. Additionally, the HIV and AIDS epidemic has increasingly disrupted family structures. For those employed in the formal sector, social security contributions are deducted from their salaries and deposited with the Instituto Nacional de Segurança Social (INSS). However, regular payments are reported for only 35.9% of the labor force registered with INSS, and it seems that corruption by employers leads to situations where deductions of social security from salaries are channeled into the employers' own pockets. The pension those employed in the formal sector currently receive is problematic. The minimum pension of 590,000 meticaís (in 2003, approximately \$28) barely covers the basic needs and is almost half of the industrial minimum wage (982 717 meticaís in 2003).

2.6. Economic performance

Although Mozambique's economic growth rate is the second largest in southern Africa after Angola (13.8% in 2003), a close look at its economy shows that apart from mega-projects, such as Mozal or the Sasol gas-pipeline, the growth of the industrial sector is stagnating or even decreasing. Between 1998 and 2002, approximately 30% of SMEs changed the nature of their activities or closed doors.

The following factors all constitute obstacles for the growth of Mozambique's industrial sector: Employee friendly labor laws, high interest rates of commercial banks and the lack of alternatives, substantial transport costs particularly in the North-South trade, unsatisfactory supply of water and energy as well as the lack of skilled labor. One can observe a strong concentration on a few products and a

decreasing diversification of the industrial sector. In 1959, 50% of Mozambique's industrial production was concentrated on 10 products, in 2001 already 80% concentrated on 10 industrial goods. This tendency makes Mozambique extremely vulnerable to terms of trades and prices on global markets and dependent on imports. Thus, growth is certainly not broad-based and does not contribute to the emergence of a more differentiated productive sector (industry, manufacturing) with forward and backward linkages. It also lacks a healthy local base of social and financial capital.

2.7. Sustainability

In order to achieve its ambitious poverty reduction goals Mozambique would have to maintain an annual growth rate of 8% over the next seven years. In the face of declining aid flows and particularly the shift from grants to loans, this will become a major challenge for the government. Until now, high growth rates were based on capital-intensive mega-projects with spin-offs for other sectors. However, the alleviation of poverty necessitates a growth of local small and medium-sized enterprises and with an increase of private investments. These have been limited by lack of access and the high cost of finance. Very few firms are using external credits, and most enterprises rely on their own funds for working capital requirements and investment needs. Due to a lack of funds, only a few resources are dedicated toward improving production processes or new products. Key constraints to investments are the overall policy environment such as tax administration and tax rates, a weak justice system, and widespread corruption. In an investment climate assessment in 2003 firms admitted that about 5% of annual sales had to be paid as facilitation fees to corrupt officials. Additionally regulatory barriers in the import/export process are major impediments. The competitive advantage of being close to the South African market is insignificant if the clearance of trucks crossing the border takes up to seven days.

For foreign investors labor flexibility is most important, but Mozambican labor regulations protect the employee with large retrenchment packages. Generally speaking, labor and capital productivity is low. In order to enhance labor productivity the level of skills would need to be improved drastically. Bottlenecks are still prevalent in the development relevant sector such as skills development. The skills development system is fragmented and uncoordinated. Duplications produce a waste of scarce national training resources. Lack of involvement of relevant stakeholders from the business side is responsible for training programs and curricula that are not related to the demands of the labor market.

Ecological compliant growth is one objective of the government to lay out in its industrial policy as well as in the national environmental management program. With the exemption of the exploitation of oil, gas and minerals every industrial project has to demonstrate its compliance with environmental standards. The Ministry for Environmental Affairs plays a coordinating role in following an

integrated approach in order to support sustainable development of the country. These norms, however, are often breached because the Ministry for Environmental Affairs often closes its eyes to environmental mismanagement.

3. Management

3.1. Level of difficulty

Mozambique witnessed a strong numerical incidence of poverty reduction in the period 1997 to 2003, yet it still remains one of the poorest countries in the world with a per capita GDP of \$210. Despite being confronted with the cyclical occurrence of natural disasters (floods and severe droughts), the Mozambican government managed to maintain its prudent monetary and fiscal policies. Mozambique has benefited significantly from foreign aid that amounts to about 15% of the GDP. Annually, inflows of ODA amount to approximately 50% of the annual recurrent budget and more than 90% of the investment budget. Only about 20% of the money is on budget, thus creating a substantial transparency and accountability challenge. Mozambique is one of the most donor-dependent countries in the world. The massive inflow of aid money is the cause of a kind of “Dutch disease” by which easily available foreign exchange permits importation of consumer goods and stifles local industrial production and its exports. However, as aid flows are already decreasing in real terms a substantial fiscal effort will be needed in order to protect the macroeconomic balances. Although national revenue generation has increased in the past few years, it is insufficient for compensation. Tax evasion is rife and a tax system not systematically linked to better and more effective public administration and service provision discourages citizens from a contribution to the building of a national economy.

In 2003 the Mozambican government re-adjusted its HIV and AIDS figures as infection rates increased from 12.2% (2002) to 13.6%. The Mozambican police force lost 375 agents due to HIV and AIDS in 2003.

Profile of the Political System

Regime type:	<i>Democracy</i>	Constraints to executive authority:	2
System of government:	<i>presidential</i>	Electoral system disproportionality:	4.3
		Latest parliamentary election:	01./02.12.2004
		Effective number of parties:	2.1
1. Head of State:	<i>Armando Guebuza</i>	Cabinet duration:	02/00- 02/04
Head of Government:	<i>Pascoal Mocumbi</i>	Parties in government:	1
Type of government:	<i>unified</i>		
2. Head of Government:	<i>Luisa Diogo</i>	Cabinet duration:	02/04-01/05
Type of government:	<i>unified</i>	Parties in government:	1
3. Head of Government:	<i>Luisa Diogo</i>	Cabinet duration:	02/05- present
Type of government:	<i>unified</i>	Parties in government:	1
<p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Electoral disproportionality (Gallagher index) reflects the extent to which electoral rules are majoritarian (high values) or proportional: $\sqrt{\frac{1}{2} \sum (v_i - p_i)^2}$; v_i is the share of votes gained by party i; p_i is the share of parliamentary mandates controlled by party i. For presidential/ semi-presidential systems, the geometric mean of presidential election and parliamentary election disproportionality is calculated. Effective number of parties denotes the number of parties represented in the legislature, taking into consideration their relative weight (Laakso/Taagepera index) = $1 / (\sum p_i^2)$; p_i is the share of parliamentary mandates controlled by party i.</p>			

Mozambique has only a weak tradition of an independent civil society. Before the country's transition toward democracy, civic engagement took place in organizations such as Organização das Mulheres Mocambicanas (OMM) that were co-opted by the party. Due to widespread low- and high-level corruption, trust in institutions remains low. Despite a history of civil war and a bipolarized party system, Mozambique's society currently does not show any irreconcilable cleavages.

3.2. Steering capability

The government sets up strategic priorities that define an impressive agenda for the medium term development of the country. The implementation of reforms is often postponed or limited in scope due to lack of overall low capacities (such as administrative skills), political will and neo-patrimonial structures.

Moreover, the dialogue between business and the government cannot replace these deficits. The dialogue between the government and the business community in Mozambique began in the mid-1980s when the country embarked on the free market experiment after more than a decade of socialist planning. Due to insufficient use of economic statistics in order to support developmental aims and public-private partnerships, dialogue was vague and it mainly relied on perceptions and little-shared objective knowledge. In Mozambique statistical services lack the capabilities and versatility to generate and disseminate information relevant for business and policy decision-making in a timely manner. Traditional aggregate measures of activity or output such as the GDP are coming

out too late to be of any relevance for policy making or proactive business decisions.

Alongside the underdevelopment of statistical capacities is the almost non-existence of economic analyses or forecasting of economic performances. The best example of this lack of economic analyses is the academic silence around the phenomena of significantly high growth rates in GDP and foreign direct investments that fail to transform into improved social development.

Domestic and foreign investors interested in business ventures are faced the difficulty to make decisions on the basis of weak perceptions and unclear information. Public policy making remains insufficiently scrutinized considering that opposition in Parliament has either remained silent or is absolutely obstructive when it comes to the passing of the government's budget and regulatory guidelines.

3.3. Resource efficiency

Mozambique's government shows serious weaknesses. The capacity of the state to cover most of its expenses through revenues is very limited. International donors finance approximately 50% of the state budget. The transfer, management and control of financial allocations between the Ministry of Finance and the various line or sector ministries on the one hand, and between province and district administration on the other is inadequate. The legal framework of fiscal administration has been insufficient, yet the Ministry for Planning and Finance has been trying since 2002 to set up a policy framework that might improve efficiency, transparency and the responsible use of public funds. Inter alia the creation of a central revenue authority (*autoridade tributária de Moçambique*) aims to further increase fiscal revenues. A reform unit for public finances has also been set-up (*Unidade Técnica de Reforma da Administração Financeira do Estado*), whose task is to roll out the new financial administration system of the state (*SISTAFE*). This might improve the realization of objectives as laid out in the state budget and might foster the efficient control of state budget administration as current expenses are monitored centrally.

The government is trying to improve its human capital bases through reforming the public administration. However, tight labor laws tie government's hand when it comes to dealing with over-staffed departments particularly in lower ranks. The lack of skilled labor remains a problem for public sector management on higher levels.

A legislative framework is in place to combat corruption in Mozambique, but the difficulty lies in implementation. An anti-corruption law is in place that foresees the establishment of a Central Anti-Corruption Office, and currently a new institutional framework for public tenders is being discussed. However, the anti-

corruption unit within the office of the Attorney General is understaffed and does not have the financial means and political clout to do its work properly.

Generally speaking, the government tries to coordinate conflicting objectives and interests but has only success. For example in the justice system, the coordination between the Ministry of Justice, Ministry of the Interior, Supreme Court and the Office of the Attorney-General has sometimes been conflict-ridden and divided responsibilities (some prisons are under the administration of Ministry of Justice others fall under the responsibility of the Ministry of the Interior) do not always lead to resource efficiency. The Coordination Council for Legality and Justice established by decree in 2004 is not functioning properly.

3.4. Consensus-building

In Mozambique all relevant stakeholders agree on the development of a market-based democracy. There are no anti-democratic veto actors. In the realm of economic reforms, consensus-building primarily takes place between government and donor institutions. The Renamo party is known to thwart consensus building in the political sphere between itself and government. This in turn leads to tensions in political discourse. It appears as though the Frelimo government is less and less inclined to engage in consensual decision-making processes. Whereas previous CNEs, irrespective of the fact whether Frelimo held the majority, took decisions on a consensual base, and the new electoral law stipulates decision-making on the majority principle.

Government has not successfully managed to counterbalance regional disparities. Of concern remains the possibility of an instrumentalization of those by the political opposition. The government does engage with civil society and the academy in consultative processes. The elaboration of the Poverty Reduction Strategy Paper as well as the land law was planned under consultation with all relevant stakeholders. In its initiative called “parceria inteligente” government supported partnerships between local and external stakeholders from different sectors in order to promote the development of the country.

After the end of the civil war neither Frelimo nor Renamo engaged in a national reconciliatory process that would address atrocities committed against the population by both sides. On local level, however, NGO’s such as Boa Esperança worked with traumatized child soldiers and supported their re-integration into their respective communities.

3.5. International cooperation

Mozambique excels in its cooperation with bilateral and international donors. The government adheres to strict macroeconomic conditions and utilizes

international assistance productively for its domestic policy agenda. Inter alia, Mozambique qualified for the Millennium Challenge Account facility of the United States, and reached the heavily indebted poor countries (HIPC) completion point as part of the African Peer Review Mechanism, where it presented its Poverty Reduction Strategy Paper. At present, a number of 16 donors give budget support (among other modalities such as sector wide approaches and projects) to Mozambique. This support takes place within the framework of the Monterrey Compact and thus lays the foundation for the achievement of the United Nations Millennium Development Goals.

Coordination initiatives in the aid sector have been sparse and appear to be donor driven. The conclusion of a Memorandum of Understanding between government and 15 budget support donors in 2004 committed partners to mutual accountability and a joint performance review. This represents significant progress towards harmonization, and was a positive proof of the government's commitment to take a strong lead. The Mozambican government has gained the reputation to be a credible and reliable partner on the international as well as on regional level. Within the framework of SADC as well as within the African Union, Mozambique plays an active role alongside the leading neighbor of South Africa.

4. Trend of development

4.1. Democratic development

The local elections held in November 2003 were decisive for Mozambique's democratic future. Surprisingly, Renamo won in only in five municipalities (Beira, Nacala, Ilha de Moçambique, Angoche and Marromeu) and lost strongholds in Milange where the party had achieved its best result (76%) in the 1999 elections. Renamo's limited success made it easier for the ruling party to remain the competitor who generously accepts localized defeats. The overwhelming Frelimo victory in the local elections gave the Frelimo candidate, Armando Guebuza, a boost for the 2004 presidential election. This was an important step since Guebuza's candidacy did not have unlimited party support. This was particularly the case of his predecessor Chissano, who would have preferred a candidate from the younger generation. The timely set-up of the CC, which is responsible for electoral disputes, proved to be a major contribution toward strengthening democratic structures in Mozambique. Its professional and impartial ruling gave the local elections credibility, thus allowing all participants to accept the final election results. The CC also provided a thorough analysis of the weaknesses, errors and shortcomings of the electoral process and its key institutions, for instance, the CNE.

Mozambique's democracy is fragile, yet it is important to acknowledge that a constructive potential for change does exist. It is particularly important to not only focus on the institutions but to look for actors of potential change.

The first of these potential actors for change is the growing civil society sector. If strengthened and made more independent, this sector could constitute an effective check on state activity, and would serve not as an alternative to it, but rather a "compelling" voice of "awareness".

A second positive development is the work of various CSOs, NGOs, religious groups and traditional authorities in maintaining a conciliatory position concerning polarized issues, both at the national and local levels. These organizations also provide social services and help alleviate poverty, especially in the rural areas.

A third positive mover for change is freedom of the media. Although critical journalism suffered a setback after the murder of the journalist Carlos Cardoso, the media seems to have maintained its position and has remained vocal and critical of the current events in the country. There are, however, problems of polarization in this sector, whereby the two main currents – one pro-government and the other pro-opposition – are at times at odds, rather than working together toward a more positive conflict-resolution process. This tends to stifle possible alternatives. However, the liberty that is conceded by government in this area is remarkable, particularly in comparison to the freedom of the media (or rather the lack thereof) in other countries in the region.

Another positive factor is President Chissano's decision not to run in the 2004 elections; a decision supported and fostered by his party. This showed a mature democratic political awareness on the part of Mozambique's leader and the ruling party. In comparison, leaders in many other African countries are changing constitutional provisions to allow incumbents to run for uninterrupted terms, or for life. This practice serves to reverse the few gains (if they existed at all) of democratization in these countries.

The 2004 presidential and parliamentary elections demonstrated that a major challenge for all political parties, government and the international community continues to be strengthening the electoral institutions and to address deficiencies that put the transparency and credibility of Mozambique's electoral process at risk and taint the country's democratic track record.

Frelimo comfortable majority in the 2004 elections, served to strengthen its hegemony. An effective opposition with significant weight is not yet visible on the political horizon, and political institutions that could provide the necessary checks and balances within the system remain weak. There is now the danger that

Mozambique's political landscape will fall once again into a vicious circle of overwhelming one-party dominance with all its unfavorable implications for democracy.

Dominant party systems are responding increasingly less to public opinion as the governing party is assured of its re-election. The political process in a one-party dominant system quite often is characterized by a blurring of the boundary between party and state. This phenomenon has been apparent in Mozambique's state administration since independence and might become reinforced once again. This has the side effect of reducing the likelihood of a formation of civic organizations that would be autonomous from the ruling party. The growing preponderance of political power fosters the abuse of office and arbitrary decision-making that undermines the integrity of democratic institutions. In particular, the legislature is weak and has not been able to do its job properly, such as its ability to check up on the executive. Although society's response to, and continuation or cessation of support for, the dominant party is determined by society's perception of the opposition, one-party dominance openly forces the opposition to develop strategies and policies in response to the dominant party and not along their own profile.

The unprofessional conduct of electoral bodies, their partisan character, the in-transparent decision-making practices at CNE, an unwillingness to admit mistakes and shortcomings as well as evident fraudulent practices, do further damage to the reputation of Mozambique's electoral and democratic process. Although the highlighted shortcomings and irregularities have not made permanently damaged the overall election results, and Renamo will not be able to claim as they did in 1999 that they were deprived of their victory by fraud, the 2004 elections leave the observer of Mozambique's democratization process with a bleak outlook. It became evident in these elections that the political arena remains bipolarized, with Renamo increasingly losing support. As in the 2003 local elections, a low voter turnout favored the ruling party and Frelimo managed to sufficiently mobilize its core supporters. But Mozambique's latest elections demonstrated that Renamo is not perceived as a credible governmental alternative. This was the conclusion despite the small margin between of victory between Frelimo and Renamo in 1999. The growing dissatisfaction of Mozambicans with the Frelimo government instead transforms into a silent protest of voter abstention.

4.2. Market economy development

The overall long-term growth rate activity in Mozambique oscillates around 9%. It is worth noting that the long-term trend and trend-cycle growth that had been increasing since the beginning of the 1990s started to dwindle by mid-decade. When the planning phase of mega-projects such as the Aluminum Smelter Mozal and the Witbank highway between South Africa and Mozambique was concluded, the economic growth rates began to reach peak levels.

The institutional framework for market-based action is improving in a slow but steady pace. However, progressive regulatory frameworks continue to lack sound mechanisms for implementation and verification. Oligopolistic structures at the commanding heights of the economy (including the banking sector) and the weakness of the justice sector remain detrimental for market economy development.

Mozambique's socioeconomic development measured on the bases of the HDI has improved gradually over the last seven years: 1995: 0.318; 2000: 0.342; 2002: 0.354. Against a growing infection rate of HIV and AIDS, it can be expected that the country's HDI will develop negatively over the next years, due to a decrease in life expectancy. Mozambicans average life span has already declined from 42 years in the post-war period to 38.1 (2000-2005).

Table: Development of macroeconomic fundamentals (2000-2004)

	2000	2001	2002	2003	2004
Growth of GDP in %	1.5	13.0	7.7	7.0	8.4*
Export growth in %	32.22	58.54	14.15		
Import growth in %	-9.00	-13.22	13.87		
Inflation in % (CPI)	12.74	9.06	16.76	10.6	
Investment in % of GDP					
Tax Revenue in % of GDP	13.2	13.3	14.2	12.9*	12.6
Unemployment in %					
Budget deficit in % of GDP (include. grants)	-6.0	-6.6	-7.9	-2.7*	-4.0*
Current account balance in billion \$					

Source: Source: World Bank, African Development Indicators 2004 (for data until 2002); * estimated.

D. Strategic perspective

After the 1994 elections Brazão Mazula developed five scenarios ranging from military instability to a real democracy, and inspired hopes that Mozambique would develop towards a real democracy – or “real convivência democrática”, in Mazula's own words. However, until recently, Mozambique's transition has mainly oscillated between a state of destabilization (“o cenário da anarquia e ingovernabilidade”) and political co-optation and re-patrimonialization (B Mazula, 1995, *As eleições moçambicanas: uma trajetória da paz e da democracia*, in: B Mazula, editor, *Eleições, Democracia e Desenvolvimento*, Maputo, pp. 26-77.).

A state of destabilization is characterized by mutual accusations, with the opposition positioning itself against everything emanating from the government (“faz-se uma oposição por oposição” – opposition for opposition’s sake). The government, in turn, uses the media to tarnish the opposition’s public image. Feelings of deep-rooted mistrust are prevalent and tend to radicalize. Although governing becomes increasingly difficult under such circumstances, the combination of a lack of financial resources and domestic support makes the likelihood of increasing militarization highly unlikely.

Co-optation and re-patrimonialization refers to the winning party centralizing power and its attempts to secretly co-opt oppositional forces in order to avoid an undemocratic image. Key groups that remain outside the power structures are now integrated into neo-patrimonial networks and are supplied with various benefits. The objective of this tactic is to eradicate forces that may disturb the hegemony of the ruling party and to merge society and the state with the party (“[...] torna a sociedade e o Estado suas propriedades” – to turn society and the state into one’s property) in Mazulas words. National reconciliation is conditional and is based on the terms and interests of the hegemonic party. Such a situation only secures a temporary peace, characterized mainly by passive resistance within society, until latent social discontent eventually erupts.

While the initial phase of Mozambique’s transition (1990–94) seemed to indicate that the country was on a sure path to democracy and that the process of democratic consolidation was one of mutual respect between political actors, tolerance, dialogue and a climate of social trust, the years after 1994 clearly highlight the re-emergence of patrimonial structures and deeply rooted mistrust amongst political forces. Frelimo successfully managed to dominate and steer Mozambique’s transition process. It initiated an economic and political liberalization process, and continues to do so. The entanglement of party and state, Frelimo’s patrimonial networks and the corrupt behavior of the political elite, constitute severe obstacles for Mozambique’s progress toward consolidated democratic structures. Since 1994, Mozambique has complied with the minimum conditions of an “electoral democracy”, yet there has been no consolidation of democratic structures.

Sustainable development and successful economic reforms necessitate solid political institutions. Despite some reform attempts, the capacity of political institutions is still limited and the justice system in particular is characterized by inefficiency and corruption.

Neo-patrimonial networks and corruption have become constitutive elements of Mozambican political culture. Interaction between political parties is driven by mistrust: there is little motivation to reach an agreement and even less when it comes to consensus.

The outbreak of large-scale violence in Mozambique seems rather unlikely, particularly since the memories and scars of the civil war are still fresh. An ideological war instigated by the political elite and fought with forcefully recruited soldiers, there is general confidence that such a mobilization would now be unlikely. Mozambicans are more interested in securing their daily economic survival, and politics receive secondary importance. However, this fact does not prevent the outbreak of violent clashes – such as in Montepuez – where people feel continuously neglected and marginalized by the government. Another factor limiting a possible violent outbreak is the availability of arms. Although hidden arms caches may – despite Operation Rachel – still exist, these weapons are probably not usable, given that they have been hidden for over 10 years in a climate that is favorable to rapid corrosion. Mozambique’s donor dependence constitutes another significant factor. In comparison to their Zimbabwean neighbors, Mozambican politicians are sensible enough to realize that the country will remain on the “drip” of the international donor community for some years to come, and it is highly unlikely that the international community would remain silent if violent clashes between political antagonists were to dominate the political landscape.

Nonetheless, from a structural, institutional and even sociological perspective, the possibility that Mozambique will develop into a “society of fear” cannot be totally disregarded. This is all the more likely considering the impunity of growing criminal activities by organized crime networks and the ineffectiveness of the police and justice systems. The state will either become increasingly implicated in these criminal and corrupt networks or, even if this tendency is reversed, the state will remain weak in terms of control mechanisms that provide security to citizens.