

## ■ MOZAMBIQUE

# Management of public funds must be improved



Although there has been economic growth in Mozambique in the last 10 years, the population's standard of living remains among the lowest in the world. The country continues to face enormous social, economic and regional gaps, and there are no clear inclusive and participatory public policies. Good governance is an essential requirement to provide the population with a minimum of basic social services and living conditions which can pave the way towards ensuring genuine social security.

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More than 60% of the population still depends completely and exclusively on agriculture for survival. According to a recent Ministry of Agriculture report (SETSAN, 2005), there are 520,000 people in the south of the country who are facing a situation of extreme food insecurity and need immediate assistance. The number could rise to 660,000 if no help is forthcoming before October 2007. In the south, the production of cereals has fallen by around 30% and vegetables by 12%. The southern and central regions are ravaged by cyclones, floods and drought.

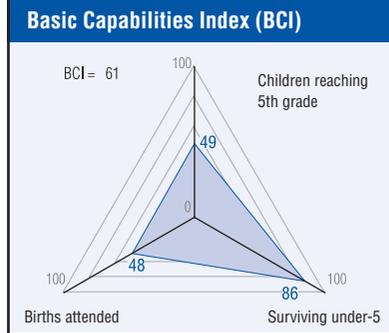
Meanwhile, the report *Poverty and well-being in Mozambique* (2004) reveals that rates of poverty in different regions of the country vary widely. The highest rates are in the central region (around 74%), and in the provinces of Sofala (87.9%), Tete (82.3%) and Inhambane (82.6%), but these areas are not very densely populated and only 28.2% of the poor live in them. In contrast, 39.3% of the nation's poor live in the much more densely populated provinces of Nampula and Zambezia, but although poverty rates are higher in these two regions the annual budget allocation they receive is less than the funds that go to other less impoverished provinces with smaller populations.

According to the report cited above, only 12% of rural dwellers have access to running water and only 31% have an indoor latrine, whereas in urban areas the percentages are 66% and 68% respectively. A mere 20% of the rural population have a health care centre or post in their village. This is probably the reason why some 60% of childbirths in rural areas take place in the home, while in the cities the rate is 16%.

According to the Joint United Nations Programme on HIV/AIDS (UNAIDS), life expectancy in Mozambique is just 41.9 years, among the lowest in Africa, and the HIV/AIDS pandemic is partly responsible for this situation.

### Government plans to promote development

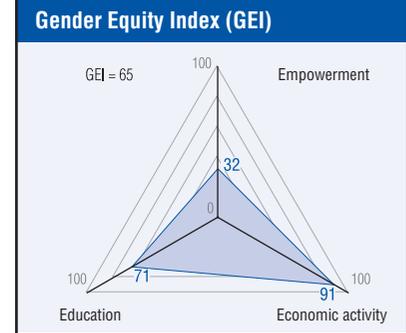
Official projections indicate that the country's economy will grow by 7% in 2007, and there will be one-digit inflation. Investment will be mainly concentrated on improving and harnessing infrastructure in the sectors of energy, communications and water supply in rural and peri-urban areas.



The current government has made the fight against poverty the main priority in its five-year plan. This is seen as a precondition for human, economic and social development not only in the countryside but also in the cities. There are huge differences between rural and urban areas and between the regions near Maputo and those farthest away, and these gaps are a long way from being rectified. The administrative unit in the country's 11 provinces is the district, and the idea is to use each district as a nucleus for national development. One of the most important elements in the five-year plan is the allocation of MZN 7 million (USD 274,000) to each of the 128 districts, to be used initially for public investment programmes.

In 2006, Social Watch Mozambique criticized this policy, alleging that the distribution of funds did not follow coherent allocation criteria nor was it proportional to the potential or the needs of each district. The project was a failure in terms of management, implementation and monitoring, which led the government to decide that the funds would be disbursed as credits or micro-credits to finance initiatives from local development organizations and associations. This connected state activity with the commercial bankers, in spite of the fact that it is a consultative committee run by the local administration that decides which organizations to finance.

The Mozambique school network will be expanded in 2007. There are expected to be 4.9 million pupils in the general education system (covering grades 1 through 10), which represents a 12% increase over the 2006 figure, and there are plans to build 1,425 classrooms throughout the country. This amounts to significant progress, but there are still serious problems as regards the distribution



of school resources. The province of Zambezia, for example, has an enormous population but receives the lowest education allocation from the national budget.

There are also plans to build seven hospitals in rural areas, plus three health care centres and four medicine storage facilities, and to renovate another 17 medical facilities (hospitals and health care centres). In 2007 work will begin on the construction of a general hospital in Matola, training centres in Mocimboa da Praia in Cabo Delgado and Cuamba in Niassa, and the Infulene Institute of Health Sciences in Maputo. In addition, antiretroviral treatment will be extended to cover more than 96,000 people living with HIV/AIDS. It is estimated that around 1.8 million people in Mozambique are HIV-positive.

### Foreign assistance

Overall government expenditure in 2007 is expected to be MZN 70.8 billion (USD 2.77 billion), and around 54% of this will come from foreign sources.

The World Bank promised USD 70 million in 2007 to support the government's programme to combat extreme poverty with the Social Economic Plan, and this sum came into the country's general state budget in the form of a credit. The government made a commitment to use these funds to reduce poverty levels and promote rapid economic growth that would be sustainable and inclusive, but it did not give any concrete data about the plan. The USD 70 million was to be handed over in two payments, one in each six-month period. A World Bank representative said that the poverty reduction assistance programme included a new series of credits whose main objective was to support the implementation of the Action Plan to Reduce

**TABLE 1. Measures of the incidence and depth of poverty (using the basic basket approach)**

	Incidence of poverty			Depth of poverty		
	1996-1997	2002-2003	Difference	1996-1997	2002-2003	Difference
National	69.4	63.2	-6.2	29.3	25.8	-3.5
Urban	62.0	61.3	-0.7	26.7	26.2	-0.5
Rural	71.3	64.1	-7.2	29.9	25.6	-4.3
North	66.3	68.1	1.8	26.6	27.7	1.1
Centre	73.8	59.2	-14.6	32.7	23.5	-9.2
South	65.8	63.6	-2.2	26.8	27.1	0.3
Niassa	70.6	61.2	-9.4	30.1	21.8	-8.3
Cabo Delgado	57.4	72.3	14.9	19.8	28.1	8.3
Nampula	68.9	68.1	-0.8	28.6	29.1	0.5
Zambezia	68.1	58.6	-9.5	26.0	21.1	-4.9
Tete	82.3	71.6	-10.7	39.0	34.2	-4.8
Manica	62.6	60.2	-2.4	24.2	26.3	2.1
Sofala	87.9	48.4	-39.5	49.2	16.6	-32.6
Inhambane	82.6	80.1	-2.5	38.6	41.3	2.7
Gaza	64.6	58.6	-6.0	23.0	19.7	-3.3
Maputo Province	65.6	66.9	1.3	27.8	28.9	1.1
City of Maputo	47.8	45.5	-2.3	16.5	16.2	-0.3

Source: *Poverty and well-being in Mozambique (2004)*.

Absolute Poverty 2006-2009 (PARPA II). This will include three annual operations to be implemented between 2007 and 2009. The programme began in 2004, and the country received the sum of USD 60 million in that year.

In July 2007, the United States awarded Mozambique a five-year grant totalling USD 506.9 million, to be invested in reducing poverty rates in the country. The government has decided to invest these funds in the provinces in the northern region.

In Mozambique the financial sector is very weak because of high levels of corruption, a lack of transparency and access to information, fraud in the banking system, and the fact that the legal apparatus does not have the independence to tackle financial wrongdoing.

### Failures in governance erode the people's trust

Poverty in the country is generally defined as serious deficiencies in the areas of nutrition, health, schooling, access to potable water, and a safe and healthy living environment, which are all critically important for individual well-being. Therefore, poverty is seen as an evil that must be attacked by implementing public policies geared to individual and social well-being.

This definition of poverty suggests that the government should implement public policies that are not just designed to improve the country's economic development indicators but are aimed at improving people's lives. Every day there are reports that large numbers of people are dying for lack of medical attention or medicines, and in the district of Chibabava in Sofala province there are many who have nothing but wild fruit to live on. The government went so far as to finance the purchase of donkeys at some administrative posts in the north of the country to help move sick people, and at the hospital in the city

of Nampula there is a three-month waiting list for medical consultations.

### Citizens' participation versus bureaucracy and centralization

Under pressure from donors, the government of Mozambique set up a mechanism known as the 'joint review' whereby each year the government itself, the donors and representatives from civil society review current economic and social plans by examining the balance of what has been achieved. This mechanism should be transparent and honest, but it is becoming more and more complicated and centralized because the flow of information is rather slow and the data that is supposed to be discussed, compared and monitored by those taking part is not received in good time.

In the joint review this year it was suggested that the problem was not that the government lacked the resources to improve the lives of the people, but that it lacked suitable public policies and the political will and ability to manage public funds. For example, in 2006 the Ministry of Justice received a mere USD 100,000 to reform the prison system, while a permanent secretary in the province of Sofala spent around USD 325,000 from the public treasury to buy and renovate a house for himself. This fact is on the record, documented in the accounts of the Administrative Tribunal.

It is this kind of mismanagement of public funds and poor rationalization of resources, plus the fact that state agents accused of corruption and appropriating public funds for their own ends are not brought to trial, that constitute the main obstacle to reducing poverty in Mozambique.

### The wrong choices

In 2007 the government announced that it was giving priority to the 'green revolution', a programme whereby subsistence-level peasant farmers would

be transformed into traders. However, this scheme overlooked the fact that agricultural techniques in the country are rudimentary and there is no incentive to modernize them. Something similar happened last year, when the government promoted the cultivation of jatropha to produce biofuel as an alternative to petrol, which was becoming more and more expensive. Vast areas of land were allocated to this crop, but today its future is unclear because there was no defined policy as to how this product was to be produced and exploited, and already people are talking about the negative and polluting effects this plant can have.

Mozambique is a member of the Southern African Development Community (SADC), and starting in 2008 various consumer products will be exempt from 20% of customs duties under the trade protocol in this regional agreement. Business leaders in the country are predicting disastrous results from this tariff change because they are not in a situation to compete with a strong economy like that of neighbouring South Africa.

### Citizenship without security

The people of Mozambique are further and further away from being able to exercise their economic rights or enjoy the benefits of economic justice. It has been calculated that half the population is not officially registered, which means that these individuals cannot prove that they are citizens for any official purposes. One of the main reasons why enrolment rates in schools are so low is that many children are unregistered and do not have any kind of personal documentation or identity card.

Crime rates are increasing, mainly in the big urban areas, and according to the newspaper *Journal Domingo* more than a thousand people were murdered last year alone. In 2006, a study by the Mozambique Human Rights League found that 69% of the young people involved in crime and prostitution in the cities of Beira and Maputo had resorted to these activities for lack of work, food or housing. This suggests that good health care and education have a direct impact on well-being, because they improve quality of life and the ability to participate in society, just as good health and education increase an individual's ability to be economically productive. ■

### References

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