

# Mozambique

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## Introduction

Mozambique has historically had rather complex political-economic circumstances for local democracy to flourish. However, there have been notable efforts towards establishing a more enabling environment for democratic local governance since the 1992 peace agreement. That prompted the devolution of power and resources to now 53 municipalities with regularly elected assemblies and mayors.

Frelimo, a foundational party emerging from a liberation movement, has exercised political and economic hegemony in Mozambique since independence in 1975, structuring the state politically and administratively in order to preserve and bolster its own position. Its neopatrimonial system of government linked to a highly centralised public administration and economy, together with the legacy of a one-party system in place from independence up to 1990, did not promote local democracy. Nor did this occur during the prolonged periods of war (1977–1992) and political violence (2013–2016). Devolution and democratisation were hampered by the ruling party's attempt to exclude other local, regional and national elites from power, thus creating what can be termed a 'limited access order'.

Advances in decentralisation and local multi-party democracy thus are not the results of far-sighted reforms, but of compromises and

necessities prompted by political violence and war. The introduction of municipalities in 1994, after the Rome peace agreement and the devolution of powers to provinces with elected governors, emanating from the constitutional reform of June 2018, are cases in point. The latter is part of the ongoing peace negotiations with the armed opposition party Renamo.

## About ICLD

The Swedish International Centre for Local Democracy (ICLD) is part of the Swedish development cooperation. The mandate of the organization is to contribute to poverty alleviation by strengthening local governments.

This report is part of a publication series that investigates local democracy in the 19 countries where the ICLD municipal partnership programme operates.

*This report covers events up to 31 May 2019. Events occurring after this period are not considered.*

## General country analysis

Political power in Mozambique can be understood as a hybrid system. This is formally structured by a separation of executive, legislative and justice functions, in a multi-party democratic system, enshrined in the constitution 1990, on the one hand, and in a presidential system in which major powers are vested in the head of state, who, historically, has been also the

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chairman of the ruling party, on the other. A capitalist market economy with privatisation of state enterprises, assets and banks was formally introduced in the mid 1980s. Apart from enabling all pervasive corruption, this move did not bring substantive change to the structure and competitiveness of the country's rent-seeking economy, which is based on export-oriented extraction of agricultural, forestry, mineral and fishery resources. Nor did it affect the structure of the public administrative system and its hegemonic control. Furthermore, it did not lead to domestic accumulation of capital for public and private investment in business and infrastructure. Instead the country became highly dependent on aid, foreign investment and domestic and external credit, at all levels of government.

The dependence of local governments on aid and transfers is particularly obvious now. Aid and foreign investment in the non-extractive sectors have been substantially reduced due to illegal debts amounting to more than \$2 billion, contracted in 2016 for privately owned state enterprises in the security sector. This has heightened awareness among citizens and development partners about the state's fragility and the risk of its failure, particularly at local government level. Municipalities have suffered from a reduced tax base, delayed fiscal transfers and a lack of investment capital for infrastructure and services. Their decision-making powers and service delivery competencies have been systematically and tightly controlled. From 2003 onwards, legislation has created a complex system of cohabitation between deconcentrated administrative units of central government (in rural areas) and devolved municipal governments in urban areas, with financial, political and asset autonomy. The former – known as 'district governments' – have their administrators and heads of service units nominated by and subordinated to provincial and central governments. In municipal territories, the

administrations represent central government and govern often in political, functional and fiscal competition with elected councils and mayors. Basic service delivery, such as for primary healthcare and education, legally assigned to municipal councils, have not yet been devolved, due to resistance from the highly centralised sector ministries. The new constitution adopted in June 2018 enshrines, for the first time, the principle of subsidiarity and foresees a systematic devolution of defined functions to Mozambique's 10 provinces; and, from 2024 onwards, to the 153 districts. Both the fiscal endowments to provincial governments ('Decentralised Provincial Executives') and the future division of labour between them and the municipalities still need to be framed functionally and legally.

## **Fiscal decentralisation**

Based on five-year strategic district development plans, the district administrations produce their annual Social and Economic Plans and Budget. These are reflected in part in the annually approved national Social and Economic Plan and the State Budget, legislated by the National Assembly. They receive financial endowments from the central budget via the Public Financial Management system, basically for financing their recurrent expenditure. Decisions on capital investments and respective financial allocations are largely taken by provincial and national government. District administrations are deprived of substantial own source revenue (OSR), particularly from taxes. Municipalities have their own tax base, through vehicle, property and property transaction taxes and a tax on economic activity. Market and licences fees are typical of the non-fiscal part of OSR. A formula based on the intergovernmental fiscal

transfer system<sup>2</sup> is in place, with municipalities receiving a maximum of 1.5 percent of domestic revenue in the form of block grants and conditioned grants. On average the municipal budgets are financed from grants for more than 51 percent of the total, with a higher degree of dependency for smaller and more remote municipalities. No municipality would be sustainable without the block grants, if sustainability is defined as the ratio between recurrent expenditure and OSR. Municipal tax effort varies with the size of municipalities. On average these depend on non-fiscal revenue; less than 17 percent of OSR is taken in taxes. It is estimated that 50 percent of tax revenue potential is not collected. Despite this, in recent years the ratio of capital to recurrent expenditure increased to a level above 50 percent on average.

### Political decentralisation

The introduction of municipalities in 1997 opened up the opportunity for political change in a multi-party municipal democracy. The fifth regular municipal elections held on 10 October 2018 demonstrated this: the opposition parties MDM and Renamo and their mayors increased the number of municipalities they governed from four (2013) to nine, while the remaining 44 municipalities went to Frelimo. Had it not been for alleged electoral manipulations and, in a few cases obvious fraud, the opposition parties might have won another eight municipalities. Regular elections, however, do not necessarily imply increased (horizontal) accountability of municipal executives to the elected assembly nor of their members to the local voters, tax payers and consumers of public services. Factors preventing this are corruption and local elite capture of contracts and privileges, together with politically aligned assemblies – typical in

neopatrimonial systems. Many citizens keep a distance from their municipal council and prefer being part of the informal economy, to avoid being taxed for a municipal public service, which is often not timely, of sufficient quality or coverage. Or they are conditioned to pay a corruption fee. Were it not for donor-financed programmes and national and international NGOs promoting accountability, participatory and gender budgeting, the accountability deficit would presumably be larger.

### Conclusion: possibilities and barriers for municipal partnerships

Given this legal and institutional context, the transition to a more structured system of sub-national governments, and the signs of fragility among central, provincial and local governments, donor-supported municipal programmes are considered to be one of the few ways to systematically engage with municipal governments and promote sub-national democracy. At present, bi- and multilateral development partners are designing new programmes of support to sub-national governments. This does not mean, however, that other forms of cooperation may not be considered, such as support for the national Association of Mozambican Municipalities (ANAMM) or town-twinning arrangements. Either way, careful risk management regarding the consequences of the country's high indebtedness and the imminent wave of new corporate investments associated with extractive industries is part of any form of cooperation.

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<sup>2</sup> The intergovernmental transfer system is the main funding source for municipalities in Mozambique

## References

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