

## Country Brief

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Mozambique has been a strong economic and social performer in Africa. Since the devastating civil war ended in 1992, the country has enjoyed a remarkable recovery, achieving an average annual rate of economic growth of eight percent between 1996 and 2008. As a result, the poverty headcount index fell by 15 percentage points between 1997 and 2003, bringing almost three million people above the poverty line (out of a total population of 20 million). From the human development perspective, this has meant a 40 percent decrease in infant and under-five mortality, and a 76 percent increase in net primary school enrollment. Inequality has remained relatively low by regional standards, and progress has been made toward the key Millennium Development Goals of infant mortality and primary enrolment. (To access more data on Mozambique, visit the World Development Indicators 2008).

### Mozambique Country Map and Brochures



[Country Brochure](#)  
[Versão em Português](#)

### Summary of Country Progress Indicators

Country Indicators	1990/92	2008
GDP per capita (US\$)	150	370
Average inflation (%)	39	10.3
External Debt (% of GDP)	286	36.8 (nominal debt to GDP ratio)
Poverty Incidence (%)	69 (1997)	54 (2003)
Net primary school enrollment rate (%)	43	76
Under-five child mortality (per 1,000)	235	138
Population (millions)	16.5	20.5

Sustaining this impressive performance requires further investments and reforms to improve the business environment, make the legal and judicial sector more effective, strengthen public financial management and the overall governance framework, and further decentralize and bolster the delivery of key services, especially in rural areas. Reducing the high HIV/AIDS infection rate, at 16 percent, is also critical.

### World Bank Group Partnership Strategy

The World Bank Group (WBG) is actively supporting Mozambique in meeting its development challenges. Since it began operations in Mozambique in 1984, World Bank assistance has evolved from helping to stabilize the economy in the 1980s to post-war reconstruction in the early 1990s, to a comprehensive support strategy in the late 1990s, to the current strategy that involves close collaboration with the Government, development partners and civil society.

The World Bank Group Country Partnership Strategy for 2007-11 sets forth priorities and activities to support Mozambique's efforts to reduce poverty and promote sustainable economic growth. The strategy is timed to be aligned with the Government's second poverty reduction support strategy (Plano de Acção para a Redução da Pobreza Absoluta II or "PARPA II"), and is guided by three overarching principles:

- Increased accountability and public voice
- Equitable access to key services
- Sustainable and broad-based growth

The strategy also seeks to address cross-cutting issues such as HIV/AIDS, private sector development, and capacity and institutional strengthening. To respond to Mozambique's evolving development needs, the strategy offers a suite of World Bank Group products, including International Development Association (IDA) financing and non-lending activities; International Finance Corporation (IFC) support for private sector investment; Multilateral Investment Guarantee Agency (MIGA) political risk guarantees for foreign investment; International Bank for



[Map of Mozambique](#)



[The World Bank Group in Mozambique - Country Partnership Strategy 2008-2011](#)

[About 20 year of collaboration between the World Bank and Mozambique](#) (pdf)



Reconstruction and Development (IBRD) partial risk guarantees; and access to trust funds managed by the World Bank such as the Global Environmental Facility, Carbon Fund, Water and Sanitation Program, Public-Private Infrastructure Advisory Facility, and Africa Catalytic Growth Fund.

The World Bank Group's 2007-11 strategy was developed through consultation with the Government, development partners and civil society, and is in line with the emphasis of the Bank's Africa Action Plan: strengthening global development partnerships; building capable states; and supporting results frameworks. The World Bank works in close collaboration with the International Monetary Fund on the macroeconomic program for its assistance to Mozambique and other partners that provide general budget support.

### **IDA Lending Activities**

IDA lending activities support government development projects through concessional credits (no-interest loans). Eighteen IDA projects, including two regional projects are currently active in Mozambique with a total commitment of US\$777 million, plus three World Bank administered Global Environment Facility grants totaling US\$19 million for energy, environment and tourism, and agriculture.

Recently approved operations include a US\$44.6 million World Bank credit for the health sector through the Health Services Delivery Project for the three northern provinces of Nampula, Cabo Delgado and Niassa; US\$25 million IDA credit for the Competitiveness and Private Sector Development Project; US\$31 million World Bank credit for the Regional Communications Infrastructure Program in Mozambique, a regional project also including Malawi and Tanzania; US\$90 million World Bank credit for general budget support, plus US\$10 million from the Global Food Crisis Response Program (GFRP); a US\$79 million World Bank administered grant for the education sector from the Fast Track Initiative for Education (FTI); and a US\$6 million of a World Bank Administered grant from the Global Partnership on Output-Based Aid (GPOBA) for the water sector.

Projects under preparation include the National Decentralized Planning and Finance Program; Higher Education, Science and Technology; Market Driven Irrigation; Energy Development and Access; Sixth Poverty Reduction Support Credit; Water Resource Development; Maputo Municipal Development II and Lake Niassa Fisheries..

### **IDA Non-Lending Activities**

IDA non-lending activities include technical assistance and studies, which are prepared in collaboration with the Government, development partners and other stakeholders, and are disseminated once completed. The financing for these studies is from IDA's administrative budget, often complemented by support from other development partners.

The World Bank Institute (WBI), one of the knowledge services of the World Bank Group, engages in training and distance-learning activities in Mozambique. Mozambique is one of its focus countries.

Recently prepared studies span topics such as Investment Climate Assessment (launched in March 2009); the Country Procurement Assessment Review (December 2008); the Municipal Development in Mozambique: Lessons from the First Decade (launched in May 2009); Country Economic Memorandum (launched in July 2009). Other recent studies include: Value Chain Analysis; Poverty, Social and Gender Assessment; Labor Law Reform; Horticulture Development; Education Fee Reform Impact Analysis; and a National Water Resource Strategy.

In addition to country-specific activities, the World Bank offers a range of regional and global knowledge products relevant to Mozambique. These include the Doing Business annual survey and report that provides information on comparable measures of business regulation and enforcement in 175 economies; the Africa Development Indicators report that provides macroeconomic, sectoral and social indicators of 53 countries.

### **IDA Support for Debt Relief**

Mozambique has benefited from debt cancellation under the Highly Indebted Poor Country (HIPC) initiative and the Multilateral Debt Relief Initiative (MDRI). Under debt relief initiatives, the net present value of public external debt has been halved, from 25 percent of GDP in 2003 and in 2004 to 12 percent of GDP in 2006, to 10.3 percent in 2008. Eligibility criteria for MDRI included: satisfactory macro-economic performance under the IMF Poverty Reduction and Growth Facility Program; progress in implementing a poverty reduction strategy; and a public expenditure management mechanism that meets minimum standards for governance and transparency.

### **IFC Program**

The International Finance Corporation's (IFC) focus areas in Mozambique are: tourism, mining and energy, and financial services. This support encompasses the cross-cutting issues of: Mobilization of both local and foreign direct investment to key sectors of the economy; Strengthening of private sector access to finance; Developing infrastructure; Improving the investment climate; Increasing linkages between large investments and the local economy; Increasing private sector awareness of HIV/AIDS issues.

Over the 2007-11 period, IFC seeks to:

- Create dedicated lines of credit to local financial institutions to increase their trade finance and SME-lending functions
- Assist the Government in creating a privately-managed credit bureau
- Assist the Government in its efforts to improve the investment climate
- Provide direct investments and technical assistance to local financial institutions
- Implement the Mozambique Tourism Anchor Investment Program, a collaboration with the Ministry of Tourism that aims to identify, develop and promote three Anchor Investment Sites and to mobilize funds for infrastructure development, both to improve the country's image as a tourism and investment destination
- Expand the Mozlink Program, to further increase the linkage of large investments to local SMEs
- Expand the SME Enterprise Development Initiative that provides support for feasibility studies to increase potential access to finance and to strengthen local business associations
- Continue support to large corporate investments, especially early on in order to promote greater development impact

IFC's main investments have been in the Mozal aluminum smelter near Maputo, and the Mozambique-South Africa gas pipeline. IFC also provides investment and technical assistance support to small and medium enterprises (SMEs) through the Mozambique SME Initiative Program. The IFC's SME program is analyzing potential projects for direct investment and technical assistance. The Private Enterprise Partnership for Africa (PEP Africa), an IFC technical assistance arm, launched several key initiatives during 2006-07.

For more on IFC's work, please visit <http://www.ifc.org/africa>

## **MIGA Program**

Mozambique is MIGA's fourth-largest host country and represents the agency's largest exposure in Africa.

The Mozambique portfolio is well-diversified. It consists of eight projects supporting agribusiness, infrastructure, manufacturing, mining, oil and gas, services and tourism. Recently, MIGA submitted the final report on its four-year Swiss Partnership program, which worked with investment promotion intermediaries in Mozambique, as well as in Ghana, Senegal and Tanzania. Under the initiative, MIGA assisted Mozambique to identify opportunities to integrate better into the international economy, and facilitated securing an investment of US\$1.5 million to help finance the Bebeluane Free Zone and Industrial Park.

MIGA cooperated with IDA in relation to the recently closed IDA-funded Enterprise Development Project (PoDE) by providing assistance to the Investment Promotion Center. MIGA is working on several applications for guarantee coverage of investments. MIGA's newest program in Mozambique is a small Investment Guarantee Program for investments of less than US\$5 million.

For more information on MIGA's work, please visit <http://www.miga.org>

## **Country Background**

### **The Government**

Mozambique gained independence from Portugal in 1975. A long period of civil war ended with a UN-backed peace accord in Rome in 1992 between the opposing parties FRELIMO and RENAMO. A new constitution approved in 1990 established a multiparty system. After three peaceful general elections and a presidential transition, the country is now considered to be politically stable.

Mozambique has a presidential system whereby the President appoints the cabinet and chairs cabinet meetings.

### **Politics and Elections**

The main political parties are the Front for the Liberation of Mozambique (FRELIMO) and the Mozambican National Resistance (RENAMO). The country also has numerous small parties.

The outgoing President and candidate for the second term, H.E. Armando Guebuza, was elected in December 2004 with 64 percent of the votes, more than twice as many as RENAMO candidate Mr. Afonso Dhlakama (32 percent). In the parliamentary elections, the President's party FRELIMO won 62 percent (1.8 million) of the votes; RENAMO 30 percent (905,000 votes) and 18 minor parties shared the remainder. FRELIMO now holds 160 of the parliamentary seats as compared to 90 seats held by RENAMO.

In November 2008, FRELIMO won the municipal elections with 42 mayors elected of the 43 being contested, and majorities in all of the existing 43 municipal assemblies. RENAMO lost all 5 of its former mayoral positions country wide. The RENAMO mayor for the second largest city ran as an independent, and won, for his second term after leaving the RENAMO party.

To date the country has had three presidential and parliamentary elections (1994, 1999, 2004); three municipal elections (1998, 2003, 2008), and is set to hold in October 2009 the fourth presidential and parliamentary elections, as well as the first ever provincial elections aimed to elect provincial assemblies. The suffrage is universal at 18 years of age.

### **Economic Data and Development Progress and Challenges**

Annual economic growth rate (2008): 6.8 percent

Gross Domestic Product (2008): US\$9.7 billion

Per capita gross national product (2008): US\$340 (Atlas Methodology)

Natural resources: Hydroelectric power, coal, natural gas, titanium ore, tantalite, graphite, iron ore, semi-precious stones, and arable land

Sectors contribution to Gross Domestic Product (calculated as percentage at factor cost): Agriculture (28.1 percent of GDP); Industry (24.5 percent of GDP); Services (47.4 percent of GDP)

Trade Imports fob (2008): US\$3.633 billion; Exports: (2008) US\$2.511 billion. Export commodities: aluminum, cashews, prawns, cotton, sugar, tobacco, bulk electricity, natural gas

Main markets: Belgium, China, Italy, Spain, South Africa, UK, EU, South Africa, Zimbabwe, Switzerland and China