



AFRICAN UNION



REPUBLIC OF MOZAMBIQUE



AFRICAN PEER REVIEW MECHANISM NATIONAL FORUM

**PROGRESS REPORT ON THE IMPLEMENTATION OF THE NATIONAL
APRM PROGRAMME OF ACTION**

2010 - 2012

APRIL, 2013

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ACRONYMS AND ABBREVIATIONS

ADE	Direct Support to Schools
AFRODAD	African Forum and Network on Debt and Development
GPA	General Peace Agreement
AIM	Mozambique Information Agency
AIMO	Industrial Association of Mozambique
AR	Assembly of the Republic (Parliament)
AT	Mozambique Revenue Authority
ATM	Automated Teller Machine
BAU	One Stop Shop
BdPES	Assessment of Economic and Social Plan
BM	Bank of Mozambique
BVM	Stock Exchange of Mozambique
CASP	Private Sector Annual Conference
CDM	Cervejas de Moçambique (Mozambique Breweries)
CDT	Technological Innovation and Development Centre
CEDSIF	Information System Development Centre
CFMP	Medium Term Fiscal Scenario
CGE	General State Account
CIP	Centre for Public Integrity
CNAQ	National Council for Assessment of High Education Quality
CNCS	National Council for Fight against AIDS
CNDH	National Commission for Human Rights
CNE	National Electoral Commission
CONSILMO	Confederation of Free and Independent Trade Unions of Mozambique
COrE's	Centres for Guidance to Entrepreneurs
CPI	Investment Promotion Centre
CTA	Confederation of Economic Associations of Mozambique
DASP	Directorate for Support to Private Sector
DPIC	Provincial Directorate of Trade and Industry
EGFAE	General Statute for Civil Servants and State Agents
EP1	First Degree Primary Education
EP2	Second Degree Primary Education
ESG1	First Degree General Secondary Education
ESG2	Second Degree General Secondary Education
e-SISTAFE	SISTAFE electronic system
e-Folha	Electronic Processing System in the Civil Service
FADM	Armed Forces for the Defence of Mozambique
FDD	District Fund for District Development
IMF	International Monetary Fund
FRELIMO	Front for the Liberation of Mozambique
FUNAE	National Fund for Energy
FUNDEC	Fund for the Development of Competences
G20	Platform of Mozambican Civil Society for Participation of
OD	Development Observatory
GCCC	Central Office for Combat against Corruption

GMD	Mozambican Debt Group
GoM	Government of Mozambique
ICE	Specific Consumption Tax
IESE	Institute for Socioeconomic Studies
IFRS	International Financial Reporting Standards
IGF	General Finance Inspection
INCAF	Continuous Family Survey
INE	National Institute for Statistics
INEFP	National Institute for Employment and Professional Training
INSS	National Institute for Social Security
IOD	Institute of Directors of Mozambique
IPAJ	Institute for Legal Support and Assistance
IPEME	Institute for the Promotion of Small and Medium Scale Enterprises
IRPC	Income Tax on Collective Persons
IRPS	Income Tax on individuals
ISPC	Simplified income tax for small scale tax payers
ITIE	Extractive Industries Transparency Initiative
VAT	Value Added Tax
JUE	One Stop Electronic Window (customs)
LLN	National Liberation Struggle
MAE	Ministry of State Administration
APRM	African Peer Review Mechanism
MFP	Ministry of Public Service
MIC	Ministry Trade and Industry
MINJ	Ministry of Justice
MINED	Ministry of Education
MINT	Ministry of Home Affairs
MISAU	Ministry of Health
MITUR	Ministry of Labour
MMAS	Ministry for Women and Social Affairs
NEPAD	New Partnership for Africa's Development
NUIT	Tax Identification Unique Number
OCI	Internal Control Body
ODAMOZ	Official Development Assistance to Mozambique Database
MDG	Millennium Development Goals
OE	State Budget
ILO	International Labour Organization
OSC	Civil Society Organization
PAPs	Programmatic Support Partners
PARP	Plan of Action for the Reduction of Poverty
PARPA	Plan of Action for the Reduction of Absolute Poverty
PEDAP	Strategic Plan for the Development of Public Administration
PEDSA	Strategic Plan for the Development of Agricultural Sector
PEFA	Public Expenditure and Financial Accountability
PEND	Policy and Strategy for National Decentralization
PERPU	Strategic Plan for the Reduction of Urban Poverty
PES	Economic and Social Plan
PGR	General Attorney of the Republic
UNDP	United Nations Development Programme
POS	Point of Sale System

PQG	Five- Year Government Programme
PRE	Economic Rehabilitation Programme
RENAMO	Mozambique National Resistance
REOE	Report of State Budgetary Execution
SADC	Southern African Development Community
SIGEDAP	Performance Management System in Public Administration
SIMO	Inter banking Society of Mozambique
SISTAFE	System for State Financial Administration
SMDD	District Development Monitoring System
SPO	Planning and Budgeting Sub-System
STAE	Technical Secretariat for Electoral Administration
TA	Administrative Tribunal
TECAP	Agriculture and Cattle breeding Technology Consultancy
ITCs	Information and Communications Technology
TS	High Court
UNAC	National Union of Peasants
UGB	Banking Management Unit
UGE	Managing and Implementing Unit
UGP	Banking Management Unit
UGE	Managing and Executing Unit

PREFACE

This is the first Progress Report to be submitted by Mozambique in the context of the African Peer Review Mechanism. Its submission coincides with the celebration of the 10th Anniversary of the institutionalization of this initiative by the African Union (AU). Mozambique is among those countries which are on track if we consider that the issues discussed in the Country Review Report in each of the four thematic areas are well identified through other tools used on day to day in the democratic exercise.

The APRM Progress Report shows that Mozambique continues firmly towards the consolidation of Peace and Political Stability notwithstanding the challenges that certainly can be overcome through dialogue and harmony. The report indicates that the country is recording on average a high annual economic growth, around 7%, which has allowed for expansion of access to basic social services such as education, health, water supply and sanitation and infrastructure, what indeed gives an indication of efforts being made to widen coverage and make it more inclusive.

In this context, the Government of Mozambique will continue to show its total commitment with regards to the founding principles of the African Peer Review Mechanism. Indeed aware of the challenges already identified the Government would like to invite all stakeholders to use actively this report and assess carefully the recommendations contained in it which aim at consolidating good governance and promote sustainable socioeconomic development.

On behalf of the Government, I would like to take this opportunity to thank the APRM National Forum for its leadership in the drafting of this report in all its phases and to the Government staff for their availability during the whole process.

Maputo, April 2013

Aiuba Cuereneia

**Minister of Planning and Development
(APRM Focal Point)**

ACKNOWLEDGMENTS

The APRM National forum is honoured to present its First Progress Report on the implementation of the African Peer Review Mechanism. The document details the progress achieved by the country between 2010 and 2012, in terms of the implementation of its National Action Plan and the recommendations presented by the APRM Panel of Eminent Personalities.

We would like to acknowledge the role played by His Excellency **Armando Emilio Guebuza**, President of the Republic of Mozambique, in particular for his commitment in the implementation of the APRM process in Mozambique. We also thank the invaluable support by the APRM Focal Point, His Excellency Minister of Planning and Development for his remarkable guiding role of the APRM process in the country.

We extend our gratitude to the Government officers at various levels, Ministries, Parliament, Judicial Sector, Media, civil society organizations and citizens for their involvement in the APRM process, either during the review process or during the drafting of the Progress Report.

A special word of thanks goes to all Members of the National Forum, in particular to the leaders of the four thematic areas, for their leadership, namely: Dr. Máximo Dias (Democracy and Political Governance); Dr. Virgínia Videira (Economic Governance and Management); Reverend Dinis Matsolo (Corporate Governance); and Prof. Dr. João Leopoldo da Costa (Socioeconomic Development).

Finally, we would like to thank our Provincial Focal Points and the APRM National Secretariat Team, for the support rendered in all phases that led to the drafting of the present report.

Prof. Dr. Lourenço do Rosário

Chairman of the APRM National Forum

INTRODUCTION

Following the country's commitment to implement the African Peer Review Mechanism (APRM) through its National Programme of Action and submit regular progress reports, Mozambique is pleased to present its APRM First Progress Report.

The report presents the progress achieved during 2010-2012, seeking to improve the political and economic governance of the country in line with the recommendations of the APR Panel of Eminent Personalities contained in the Country Review Report submitted to the country in May 2011 by the APR Panel.

The document strictly follows the guidelines suggested by the APRM Panel of Eminent Personalities in as far as conception and presentation is concerned. The main concern of the National APRM Forum was to ensure a meaningful participation in the process, transparency, rigor and integrity in all phases of the document conception, from data collection, processing and validation.

This progress report is structured into three main parts, namely: (i) Executive Summary; (ii) Evaluation of the APRM process in Mozambique; and (iii) Assessment of progress achieved in relation to the implementation of the recommendations of the APRM Panel of Eminent Personalities in the four pillars of the APRM namely: Democracy and Political Governance, Economic Governance and Management, Corporate Governance and Socioeconomic Development.

With this progress report, the country reiterates its commitment in relation to the APRM principles which stresses the need for deepening and consolidation of democratic practices aimed at strengthening achievements by the countries, dissemination of best practices and correct the deficiencies related to governance and socioeconomic development processes in the Africa Union member states.

EXECUTIVE SUMMARY

The participating countries in the African Peer Review Mechanism (APRM) have committed to subject themselves to regularly submit a progress report on the implementation of the National Programme of Action Programme and the recommendations of the Country Review Report by various stakeholders including the Government. Based on this principle, in 2011, the APRM National Forum started the process of drafting the First Progress Report in the context of the APRM.

Notwithstanding the huge challenges that the country has been facing in various areas, Mozambique has been managing to maintain political stability and achieve high economic growth rates, the highest for a country not oil producer in Africa over the last decade and a half.

Taking into consideration the issues and recommendations presented in the Country Review Report in each thematic area, the following progress was achieved:

Democracy and Political Governance: in an effort to preserve peace, the country has been witnessing meetings between the President of the Republic and the Leader of RENAMO in an attempt to find solutions to most concerning issues tabled by RENAMO in as far as governance is concerned especially on the issue of alleged gradual exclusion of member of RENAMO from the Armed and Defence Forces of Mozambique.

Additionally, the country has been making encouraging efforts as to align domestic Law and policies with international codes and standards. As a result, there has been progress in the ratification of legal international codes by the Parliament; in the area of electoral management and administration, Electoral Law underwent a review and a biometric data base was created encompassing about 10 million voters, thus ensuring electronic digital impression for all electoral acts.

With regards to the promotion of Human Rights, the country introduced recently the National Commission for Human Rights integrating Government officers, Members of Parliament, Law Barristers and Civil Society representatives. This commission will soon submit its Action Plan. Similarly, the country also introduced an ombudsman with the main function of dealing and making follow-up petitions, grievances and citizen's complaints in relation to services rendered by State Institutions.

On the fighting against Corruption, the Parliament made a very important step with the approval of a Law on Public Integrity in late 2012 in the context of a so called "anti-corruption legislative Package". Still under this theme, apart from other cases not widely publicized by the media, the country witnessed trials and condemnation by corruption of senior government officials at various levels and institutions. This suggests that impunity is no longer the rule in the country and that the Government is committed to revert the scenario.

As for access to sources of information, there has been much progress after a long period of uncertainty in as far as normative process is concerned. In fact, the Law on the Access to Sources of Information is included in the agenda of the 2013 First Session of the Parliament, thus observing what is foreseen in number 2 of Article 42 of the Constitution of the Republic – Right to information.

However there are some challenges in the Democracy and Political Governance thematic area, which include among others the need to find a platform of understanding to improve the solution of problems raised by the former demobilized soldiers; avoiding by all means, any possibility of returning into an armed conflict by analysing with seriousness, the concerns of the opposition parties during pre and electoral periods; continue to improve and professionalize the public services; create conditions for a frank and open discussion between the members of the judiciary in relation to its “*de facto*” independence from the Executive Power; create objective conditions for an efficient observance of the Law on the Protection of Victims, Denouncers and Testimonies and other Judicial subjects and the Law on Public Integrity and improve even further actions for fighting corruption at all levels,.

With regards to the thematic area of **Economic Governance and Management**, the country recorded some remarkable progress, namely: good rate of economic growth (average of 7% per annum), controlled inflation, growing exports; extended tax base with increasing tax collection and contributing to a notable reduction of dependency on external financing from 60% in the past five year to about 39.6% in 2012.

In relation to monetary and financial sector policies, the country implemented a set of measures to strengthen the capacity for analytical work on decisions and management of monetary policy. There has been an improvement on the model of inflation projections as well as interventions in interbanking markets and the mechanisms for communication of policy decisions. In the area of fiscal policy, Mozambique recorded important steps. For instance, in 2008 the country joined the Extractive Industries Transparency Initiative (EITI) and in October 2012 the International Council of EITI acknowledged Mozambique for its compliance to the initiative. The country also reviewed its Code on Fiscal Benefits through the approval of the Law nº 4/2009, of 12 January.

In the field of Investment promotion, the country created in 2010 an Institute for the Promotion of Small and Medium Scale Enterprises (IPEME) and reviewed the industrial and economic strategies document with an emphasis on the modernization and development of Small and Medium Enterprises (PMEs) as well as the informal sector. In addition, one stop shops (BAU's) were created for the simplification of business licensing and one stop Electronic Window - customs (JUE) was introduced to facilitate customs clearance.

On regard to the establishment of a development bank. The Government created recently an Investment Bank with 100% public shares and resulted from a bank which was already in activities in the country since 2011. The activities of this bank include the promotion of socioeconomic development and the strengthening of economic productive sectors, investment financing with repayment period at medium and long term and incentive to productivity and competitiveness of small and medium enterprises.

In relation to policies, the country adopted guidelines for investment planning and programming. Beside the implementation of a payment system via e-SISTAFE and the introduction of the One stop Electronic Window - customs (JUE) for foreign trade, there is also a pilot initiative on E-taxing for domestic taxing. However, there is still a challenge related to infrastructure insufficiency at district level which limits the use of the electronic payment system. In the context of incomes

and expenses monitoring and accountability, the government created an Information System Development Centre (CEDSIF) within the Ministry of Finance and it also approved the Public Finance Vision 2011-2025.

In the context of regional integration, one stop border post has been implemented in Ressano Garcia/Lebombo, the border between Mozambique and South Africa, including the construction of an alternative road for cargo lorries. In addition, border posts have been improved in terms of infrastructure, equipment and service provision as to ensure their efficient operation. Visa requirements were also relaxed for some SADC member States namely South Africa, Swaziland, Zimbabwe and Malawi, and the amount of the deductible import fee has increased from 50 to 200 USD. Customs procedures were also simplified with the introduction of Abbreviated Declaration, review of cargo clearance regulation and adoption of the JUE. Furthermore, there was an improvement in the regional infrastructure network that connects Mozambique with the hinterland such as to Zimbabwe, Zambia and Malawi to the Mozambican ports was also improved.

Despite the progress above referred, there are some challenges that must be dealt with in the area of management and economic governance such like business environment for small and medium enterprises (PMEs) which is still not yet satisfactory due to excessive regulatory barriers, high financing cost, labour low qualifications and deficient access to the market; in addition, infrastructure network is not adequate mainly at district level and this has been hampering the expansion of the electronic payment system; and there is also a need for more effort for the reduction of external dependency;

Corporate Governance thematic area constitutes challenges for the country in the context of APRM, given the fact that the approach to this theme is relatively new and, as a result the progress is very modest. However, it ought to be mentioned that there have been some encouraging trends in terms of principles, standards and norms. For instance, a Corporate Governance Code was created and undertaken improvements of the legal framework for the insurance activity. The country also approved norms that will simplify the economic activity (such as the Laws on competition, Consumers' Rights, Insolvency and Law on Arts Patronage); the creation of professional institutions such as the Institute of Directors of Mozambique, Association of Independent Auditors, Bar Association and Association of Accountants and Auditors of Mozambique have contributed to a large extent, to the improvement of the legal framework for the implementation and monitoring of Corporate Governance.

Notwithstanding this progress, there are important challenges in this thematic area. Indeed, the implementation of the Corporate Governance Code is far from being effective due to the lack of definition of aspects related to its operationalization. Additionally, the country is not yet sufficiently attractive in terms of doing business and it has been classified in a declining ranking in the past three years. This suggests a weak effort suppressing business barriers or that the rhythm of the removal of such barriers is slow as compared to other countries.

With regards to the Socioeconomic Development thematic area, the Human Development Report of the United Nations Development Programme (UNDP) the country is ranked at 185 among 187 countries and territories analysed in term of Human Development Index (HDI). The government considered this ranking strange and argued that in general the index which constitutes the aggregate of the computing of IDH in general present a growth. Therefore, the government approached the UNDP to understand as to how the computing was done. As mentioned before, the country, registers a GDP growth on average 7% per annum. The GDP per capita shows that it has increased from 340 USD in 2007 to 470 USD in 2011, which reflects a positive variation with reflex to the living condition of the population in terms of access to goods and services such as

water, health and sanitation and education. The average growth in its HDI was 2.3pp per annum since 2000 meaning that it is above the average of sub Sahara countries and those considered as of low human development. The divergences that these data show need to be analysed by the Government not only for the purpose of making conclusions but also, to help defining adequately the country's policies.

However, poverty continues to constitute one of the concerns for the country in such a way that the Government defined as its target the concentration of its efforts to reverse the high poverty rate that persists in the country.

With regards to education, Mozambique has taken on board the recommendation of the APR Panel of Eminent Personalities which suggests that there is a need to reverse the pyramid of education by extending access to secondary and vocational education. In effect, enrolments in this subsystem have continued to increase between 2010 and 2012, namely: ESG1 (2009 – 670791 pupils; 2012 – 758383 pupils); ESG2 (2009 - 141714 pupils; 2012 – 197283 pupils); Elementary technical education (2009 -5810 pupils; 2012 – 7871); Technical Medium education (2009 – 12699 pupils; 2012 – 13498).

Still in the area of education, strategies aimed at retaining girls at primary and secondary schools were implemented as well as encouraging them for vocational training. For this purpose, Retention in Schools Regulation for Girls was approved and operationalized through programmes such as "School Production" which aimed at keeping and retaining girls in schools.

As with regards to access to water in rural areas, the coverage rate increased from 54% in 2009 to 67% in the first half of 2012. With this increase, more than 2.848.000 people have reduced the distances to access sources of water. In relation to urban areas, the water coverage rate increased from 60% to 70% in the same period. This growth allowed over 730.980 people to have access to running water their yards.

The country also made progress in terms of transport infrastructure with the rehabilitation of the main roads, including remarkable investment in the main corridors which connect Mozambique to the neighbouring countries strengthening the linkage between potential productive zones to consumption zones. This has been improving access to markets. Moreover, the reforms introduced in the legislation, in particular those that regulate financial institutions, allowed the expansion of banking services and access to micro finances. Currently, around 80 districts have at least a micro finance institution.

In terms of the multi-sector response to HIV/AIDS, Tuberculosis (TB) and Malaria there have been some innovating developments such as high technology for testing HIV and TB, using equipment that can be used in rural areas. With regards to malaria, the Government is implementing a National Malaria Policy and the testing of a vaccine against malaria. Additional efforts are being carried out by Civil Society organizations in the context of "Rolling back Malaria" (RBM) initiative.

The country initiated in 2011 the construction of a factory for antiretroviral drugs, and it is expected that shortly the drugs will be available to the public widening the coverage of treatment at a reduced cost.

The country has been achieving satisfactory results in terms of the reduction of HIV vertical transmission from mother to child. For example, in the context of "DREAM" programme, in 2002 it

was possible to reduce mother to child transmission from an incidence of 30% to less than 2%. The "DREAM" programme consists of articulated efforts between the Government and the Santo Egídio Community targeting basically the treatment of women and children with HIV.

With regards to gender, the Parliament approved a Law on Domestic Violence and the Government took a decision of including the issue of domestic violence in the curriculum for the training of Law and Order agents. Various initiatives are under way both from the Government and civil society organizations as to make such laws widely known. With reference to the participation of women in public life, namely in decision making processes, the country has been recording remarkable achievements. For example, in the Parliament, women represent 40% of the total 250 Members of Parliament. Two parliament benches (out of three) are led by women and at least two Parliamentary Commissions are also headed by women.

There are major challenges faced by the country in the thematic area of economic development, a part from those mentioned in this progress report namely: (i) the need to eliminate the distrust that with the entry of large foreign investment, the access to land by the population will be in danger; (ii) to promote social housing for the population, which means low cost housing, in particular for youth because housing continues to be accessible to only a small number of people; (iii) improvement of the quality of education by adopting a constructive and positive perspective; (iv) involvement of community leadership and parents in education in order to revert gradually the trend of school drop outs by girls; (v) to reduce new HIV infections by children through improving access to low cost prophylaxis for HIV pregnant women and the reduction of maternal death due to HIV; and (vi) implement fully the Maputo Declaration in the context of NEPAD which determines that 10% of State budgets must be allocated to agriculture.

ASSESSMENT OF THE IMPLEMENTATION OF THE APRM PROCESS IN MOZAMBIQUE

Mozambique acceded voluntarily to the African Peer Review Mechanism (APRM) in 2003, an instrument created by the African Union (AU), which through self assessment and evaluation of the participating countries promotes policies and practices that lead to the political stability, high economic growth, sustainable development and greater economic integration.

In August 2005, the Cabinet created the APRM National Forum composed by 59 personalities representing civil society organizations, private and government sectors with responsibilities of ensuring the implementation of the APRM process in the country. Meanwhile, the Cabinet appointed the APRM Focal Point who serves as a liaison between the country and the continental structures of the APRM. In the particular case of Mozambique, this role is played by the Minister of Planning and Development.

In June 2009 in the City of Syrte, Libya, during the XI Summit of Heads of State and Government of the APRM participating country, Mozambique submitted its report through His Excellency **Armando Emilio Guebuza**, President of the Republic. The report included recommendations of the APR Panel of Eminent Personalities and the respective National Programme of Action 2010-2014. This act concluded the process of self-assessment and evaluation that Countries should be submitted in accordance with the operating rules of the APRM.

After the presentation and discussion of the report in Sirte in 2009, several events occurred that did not allow the continuation of normal work, so that the report could be officially presented to the country by the Head of State and entered the stage of monitoring the governance and drafting the progress reports.

These events include: the country underwent elections in 2009 which did not allow the continuation of the APRM process. The reform and replacement of the Members of the Panel of Eminent Personalities lead to the replacement of Ambassador Bethuel Kipaglat by Professor Doutor Amós Sawyer as the Eminent Personality in charge of the process in Mozambique.

Meanwhile, the Continental APRM Secretariat also underwent a process of restructuring and consequently, the *dossiers* on the APRM process experienced some delays as a result of the need for adaptation of new members of the Secretariat. In addition, in 2010, the APRM Forum of Mozambique was restructured. The number of its members was reduced from 56 members to 36 members with the aim of providing it a more interventive posture and based on the thematic areas and the objectives foreseen in the APRM National Programme of Action. Notwithstanding the financial constrains, in the same year the dissemination process of the Country Review Report was launched including the National Programme of Action involving provincial governments and civil society organizations. This activity also covered the media in which various methods were used.

Subsequently, the Cabinet, by Decree N°14/2012 established the APRM National Secretariat aiming to guarantee technical sustainability of the process providing effective conditions to the secretariat for hiring personnel and have access to public resources to support the APRM

process namely giving assistance to the APRM National Forum in its coordination with the Government and in monitoring the implementation of the APRM National Plan of Action.

On the other hand despite the progress achieved by the country in the implementation of the APRM process, several challenges remain, namely: to implement and deepen monitoring and evaluation process of the National Programme of Action and to continue to involve various stakeholders in the process, specifically public and private sectors, civil society on the activities related to publicize the APRM; it is also necessary to create conditions to integrate the recommendations of the country assessment contained in the National Programme of Action into annual and multiannual government plans, thus implementing this programme; in addition, guidelines must be given to the line ministries responsible to implement activities foreseen in the National Programme of Action in the sense that each of these implementing agents must understand their duties and responsibilities in the context of the Action Planas well as the importance of APRM. By this way they will be able to organize themselves to provide relevant information for monitoring and evaluation, by making available officers to be responsible for this task and even acting as focal points at different levels central, provincial and district

METHODOLOGY

This progress report is a result of a process that started in 2011 which consisted of data collection, processing and analysis of information from various sources including government documents, as well as organization of regional workshops for data collection involving government officers and civil society organizations.

This work was carried out by the APRM National Forum with the support of its National Secretariat in coordination with the office of the APRM Focal Point (His Excellency the Minister of Planning and Development). The initial phase comprised the processing of information gathered from State institutions on the implementation of the recommendations of the APRM Panel of Eminent Personalities contained in the Country Review Report. It included also information on the implementation of activities that are part of the National Programme of Action under the responsibility of each State institution concerning the period between 2010 and 2012. Similar request was extended to civil society organizations which have some responsibility in of the implementation of the APRM National Programme of Action.

The above process was followed by another one which started in the second half of 2011, which consisted of compiling data by each APRM thematic area and its presentation in the form of a preliminary report on the degree of progress of the implementation of the APRM Panel recommendations. This was followed by regional workshops (south, Centre and North) involving civil society and provincial government officials with the objective of validating the information contained in the preliminary report and to collect additional inputs.

The third step consisted of improvements made to the preliminary draft based in the contributions from the regional validation workshops and meetings with the National Forum as well as sending it to the Government, via the Focal Point, for analysis, comment and relevant contributions. The Government contributions were incorporated in the report which was later submitted to the APRM National Forum for its consideration.

The fourth and final phase of this exercise was in the first quarter of 2012, where a meeting was held to validate the final document by the APRM National Forum and incorporation of final contributions from this meeting. Afterwards the report was submitted to the Focal Point who then forwarded it to the APRM Continental Secretariat for the Summit of participating Heads of State and Government of APRM as established by the APRM procedures.

The quantitative and qualitative analysis covers the period 2010/2012 – with some exceptions of cases in which available information refers to the period up to 2011 – and this analysis is made by individual objective and encompasses the four APRM thematic areas which are the integral part of the country Review Report namely: Democracy and Political Governance, Economic Governance and Management, Corporate Governance and Socioeconomic Development.

PROGRESS ASSESMENT PER THEMATIC AREA

The chapters that follow assess the progress made in each of the objectives and challenges in each of the thematic areas of the APRM

CHAPTER I

DEMOCRACY AND POLITICAL GOVERNANCE

This chapter assesses the degree of implementation of international principles and norms as well as the progress achieved by the country in each of the nine (9) specific objectives of Democracy and Political Governance thematic area of the APRM National Programme of Action, namely:

- To prevent and reduce intra and interstate conflicts
- To promote constitutional democracy, including periodic political competition and opportunities for choice, the rule of Law, rights of citizens and supremacy of the Constitution
- To ensure promotion and protection of economic, social, cultural and political rights;
- To uphold the separation of powers including, independence of judiciary and of an effective Parliament;
- To ensure the accountability, efficiency and effectiveness public officeholders and civil servants;
- To fight corruption;
- To promote and protect the rights of women;
- To promote and protect the rights of children and youth;
- To promote and protect the Rights of vulnerable groups, including those with disabilities, the poor, internally displaced persons and refugees.

It ought to be referred that according to the APRM Basic Document the implementation of actions towards the operationalization of these objectives in the thematic area of Democracy and Political Governance contribute to the conflict resolutions, strengthening of the rule of Law and peace building.

Principles, Standards and Norms

- The APR Panel recommended that Mozambique should carry out a wide ranging assessment of the compatibility of legislation with international standards and norms and that it should include, among others, the following aspects: development of an action plan to resolve the existing conflicts between the Mozambican Laws and policies with the international standards and norms (i); Ratify outstanding international codes and standards and implement those already ratified by the Parliament (ii); Train the Judiciary and legal practitioners on the impact of international law on Mozambican law (iii); Create a depository for all international agreements to which Mozambique is a party (iv).
1. In compliance with the APR Panel recommendation on the pertinence of the country to develop an action plan in order to resolve the existing conflicts between the Mozambican Law and policies with the international standards and norms, the government institution

that oversees the area of Justice notes that progress is being made in referred area since that matter is being dealt with in the development of legal reform in the country in the domain of Strategic Legal Reform of the Judiciary Sector. It was also assured that the outstanding international codes and standards are in their course for ratification and those ratified by the Parliament (AR) are being implemented. The training of Judiciary and legal practitioners on the impact of the international law on the Mozambican legislation is also underway.

2. With regards to the recommendation of the APR Panel on the need for the country to create a depositary for all international agreements to which Mozambique is signatory, the Government ensured that the international agreements are remain deposited in the Ministry of Justice, and their consultation is open to the public without any hindrance whatsoever.
3. Meanwhile, as it is referred to in Chapter II, the Parliament also introduced a Department that, among other issues, preserve and follow up the implementation of all norms and agreements ratified by the Parliament.
4. Notwithstanding the Government's efforts to integrate international norms into domestic legislation, as well as ratification of international codes and standards which are available for public consultation, challenges are imposed to the country on regard to the effective implementation of international legislation for example, legislation on children and environment which deserves more attention by the judiciary practitioners although judges on regular basis benefit from training in these areas and obtained technical knowledge on such legislation. The examples of the above are the Judges orders produced by competent courts.

Objective 1: Prevent and reduce intra and interstate conflicts

- The APR Panel recommended the country to pay, as a matter of urgency, the outstanding pensions of demobilized soldiers and assist those who are still not integrated (i); Disarm RENAMO guards, (ii); Establish modalities for attaining lasting and genuine reconciliation between FRELIMO and RENAMO, and put an end to discriminatory political, economic and social policies (iii) and to remove FRELIMO party cells from public Institutions (iv).
5. In relation to the APR Panel's recommendation on the need for urgent payment of pensions and reintegrate the former demobilized soldiers in order mitigate potential conflict, the Government assured that in the context of State Budget, payment of pensions are being made to the former soldiers both from FRELIMO and RENAMO. Indeed, and in the context of Social Protection, the Government fixed in 2010, 4.937 pensions under the implementation of the new General Statute for Civil Servants and State Agents (GdM, 2010). As for 2011 and as an example, under the Law N°3/2002, of 17 of January, about 6.140 processes were dealt with and fixed 8.010 pensions of the former soldiers in the provinces of Cabo Delgado, Zambézia and Tete. (GdM, 2011).
 6. Apart from such efforts, the Government is engaged in the implementation of a social inclusion programme oriented to the former soldiers. This is done through

implementation of income generation projects and others various economic activities, such as co-participation in the building of improved houses, granting of scholarships to their dependents and exemption from school enrolment fees at elementary, secondary and technical education, as well as reduces fees in public transport, medical assistance and support in funeral expenditures.

7. However, during the consultations for drafting this progress report, there was widespread feeling that there are delays in payment of pensions and there are some beneficiaries who do not receive their respective pensions. It was further argued that the beneficiaries have also claimed that pensions paid to them show themselves reduced.
8. As a result of these feeling attempts for demonstrations by some former demobilized soldiers and also ex-militia who demanding for improvement on the value of their pensions become frequent. Such demonstrations are done in front of the office of the Prime Minister when the Cabinet is in session. These have lead to some detentions by the police and the leader of the group was stood trial. These events demonstrate that the issue of pensions has not been fully resolved. However, it is expected that with the review and consequent approval of the Statute of the Combatants by the Government as well as the creation of Demobilized Commission, some of these issues will be overcome.
9. This issue must be seen as a challenge for the Government and various associations of demobilized soldiers for establishment of a platform of understanding, taking as a basis permanent dialogue, however, certainly not lose sight of the real capabilities of the Mozambican state in provide pensions beyond what the state budget can tolerate under the risk of such initiatives becoming unsustainable in the long term.
10. With regards to the recommendation of the APR Panel on the need to disarm the former RENAMO soldiers and their integration in the defence and security forces, the Government indicated that according to the Protocol IV of the General Peace Agreement (GPA), the Mozambique Defence Forces (FADM) should be composed by 30.000 effective men from the sides signatories of the GPA, 50% each. It was also foreseen that the process of formation of the new army should prioritize the training of the soldiers and finalize the formation of the army up to the time of the inauguration of the new government resulting from the first General and Multiparty Elections of 1994 (MDN: Letter n°2109SP/MDM/2012).
11. Furthermore, the Government argues that Protocol IV also foresees the existence of other forces on top of the FADM, and as so, all members of the former forces which were not integrated into the FADM should be demobilized up to 180 days after the entry into force of the cease fire. It was based on these principles, together with those agreed upon a legal framework was passed for the establishment of the military institution and defined disciplinary norms.
12. However, up to the time of inauguration of new government resulting from elections 1994, the formation of the armed forces had not been concluded in terms of quantity of required soldiers. This was due to the fact that the parties had not submitted their personnel with appropriate qualifications to be integrated in the military institution. As a result, conditions were created to incorporate Mozambican youths of both genders legally fit into the army. This efforts lead to the passing of the Law 24/97, of 23 December, Law of Military Service and subsequent military incorporations.

13. In an effort to build the legal framework for national defence, a legal package was passed which, among others, included the rules which regulate issues on military careers, from incorporation to reform namely the Decree N° 4/98, of 17 February, on Military Statute of the Armed Forces. This legal tool, according to the Government, defines, among other issues, rules for the passage from active soldier to Reservist or Retired soldier, such as age limit and service time. Based on this rules significant number of military officers become Retired or Reservist, regardless their origin, under the terms of the Rome Agreements.
14. According to the Government Letter MDN n°2109SP/MDM/2012, it was on this basis that from 1999 to 2012 of the total number of military officers that passed to the situation of reserve, 92% are from FAM/FPLM and only 8% came from the former RENAMO guerrilla forces. It also indicates that in the context of strengthening of the senior structures of the FADM command, from April 2008, priority was given to the nomination of officials from the signatory parties of the Accord. Thus, from the RENAMO side came the Deputy Chief of Staff of the FADM, Air Force of Mozambique Command and Chief of Staff of the Army, Deputy Inspector of the FADM and Deputy Directors of the General the Departments of the General Staff of the FADM.
15. However, despite the mentioned fact, the Mozambican society has been witnessing and questioning why there are armed men from RENAMO who continue with and make use of warlike material as it happened recently, in March 2012, in Nampula province and in the Maringué district at Sofala province, where, in the case of Maringué an ordinary citizen was detained for interrogations. It should be referred that in Gorongosa district at Sofala province RENAMO maintain heavy warlike material and its main military base were armed men are practically "in shelter-trench".
16. In addition, on the 17th of October 2012, the leader of RENAMO arrived in the former RENAMO military base in Gorongosa with a group of former guerrilla fighters and in a press conference indicated that he was there to demand the full implementation of the General Peace Agreement (GPA) by FRELIMO, depolitization of public Services, among other complains.
17. Likewise, it ought to be stressed that there have been meetings between the President of the Republic and the leader of RENAMO, of which the last one took place at the beginning of 2012, after another one that was held on the 8th of December of 2011, in an attempt to find a platform to resolve the issues identified by RENAMO. Other meetings also took place at the end of 2012 between RENAMO and the Government representatives. However, RENAMO interrupted its participation in such meetings allegedly because its counterpart is dealing with "highly important" issues with some kind of "lightness".
18. From these facts it means that there is a challenge that the two sides must address urgently in this conflict by establishing more dialogue and resolve the issues that set them apart, as to achieve an effective lasting peace rather than the present "*status quo*" which takes the Mozambican population, and indeed some foreign investors, think that a possible return to armed conflict is imminent.

19. There is also a challenge of involving other political parties and religious organizations in the process and that it is necessary to have both parties seating at a table within the spirit of dialogue, as to find a platform to deal once for all, with all threats such as potential demonstrations at national level as well as that of return to war. For this, it may be necessary for the parties to revisit the terms of the GPA to identify the issues that were not implemented and to verify if it is justifiable to have armed forces on the side of RENAMO and disarm them as well as find ways on how to carry out the disarmament process without provoking violent reactions and unforeseeable consequences for the country and the population.
20. In relation to the recommendation by the APR Panel to “not politicise the State”, in accordance to the letter sent by the Government to the APRM National Forum the Government ensures that “all factors that may put in danger peace and stability in Mozambique were removed and that separation was made between party activities and State institutions” (MFP: Letter N° 20, de 29/02/2012).
21. This source also indicates, as an example, that the Government in its process of recruiting, promotion and progress in the professional careers observe strictly the General Statute for Civil Servants and State Agent (EGFAE) and Career System. Recruitment is made based on public tenders (Article 9 and 10 of the Career System, Decree N°. 54/2009, of 8 September) which is assessed by a jury that is composed of officers of the institution who are responsible for assessment of the candidates, following only and exclusively transparent criteria and impartiality and never takes into account party affiliation.
22. In the same context, the letter argues that promotions to senior categories or positions of leadership or directorship is done following the Career Professional Qualifier, Categories and Directorship, Leadership and Trust Positions in force in the State and that sets job descriptions and technical requirements.
23. Notwithstanding these clarifications, there is a public perception that FRELIMO Party maintains party cells in public sector institutions and this contributes to the politicising the State. This perception has been considered by various sectors of society, opposition political parties and some international donors as a proof of politicising of State. This situation has contributed for more and more discussions over situations of inequality among public servants who are not members or sympathisers of the party in power who consider that legislation on public service is not being observed when they are involved thus creating difficulties for the maintenance of their employment, promotion or appointment for positions of leadership and directorship.
24. It should be stressed that the issue of politicising the States must not be simply limited to the issue of perception of existence or not of party cells in State organizations. It is a wide covering problem. The building of the Mozambican State Apparatus resulted from the “break up” of the colonial Apparatus and the culture of its construction was based on Party/State practice in which political trust was a fundamental factor. Having this culture in mind, the simplified and machiavellian idea of being “ours or not ours” is impregnated in the practices in such a way that a simple change of regulations does not immediately eliminate this practice.

25. This is the background which leads the issue of politicising of the State to be cemented in the existence or non existence of cells which is the clearly diminished vision of the issue. In addition, this issue is a theme for hot debate out of the State institutions because internally, it seems that the civil servants interact without knowing to which party each one belong.
26. Therefore, the challenge in this aspect is not limited to the removal/existence of party cells rather it is necessary to build a professional, incorruptible and transparent public service which among other aspects there is a strong need for continuous training of the public servants on the issue of public good.

Objective 2: To promote Constitutional Democracy, including periodic political Competition and Opportunity for Choice, the Rule of Law, and the Supremacy of the Constitution

- The APR Panel recommended the introduction of a national civic education programme for the promotion and respect for the Rule of Law, (i); updating of old laws (ii); elimination of discriminatory administrative practices in order to allow all parties to operate on equal bases (iii); compile and review of voters roll (iv) and a proper processing of electoral results (v).
27. In relation to the recommendation by the APR Panel on the need to introduce a wide covering programme of civic education on the promotion of the rule of Law, the National Electoral Commission (CNE) informed that since the end of 2011 it has been implementing a permanent civic education programme through the Technical Secretariat for Electoral Administration (STAE) involving 5 million persons at national level. According to CNE, the programme covers about 55% of the 9 million projected voters.
 28. However, notwithstanding these efforts, those whom were consulted in the context of drafting the APRM progress report repeatedly indicated that they do not know such a national civic education programme and that they only come across with these actions during the electoral periods or prior to the elections and these are not wide covering programmes. They argued that for such a programme, it is important to use more mass media and native languages. They indicated that the civil society organizations must also participate in the activities of civic education. It can be understood that there is a challenge for those responsible for electoral administration and there is a need to make double effort to publicise the exercise of civic education for electoral processes and extending its coverage and diversifying the format for its publication to the population.
 29. As for the recommendation of the APR Panel concerning compilation and review of electoral roll, the CNE ensured that it recorded some progress in this aspect. The body stated that there is available a biometric data base with approximately 10 million voters and thus guarantee electronic digital printing for all voters. This process prevents duplication and omissions.
 30. However, there have been some complains by some opposition party's members on the registration process in the sense that during the voting day they do not find their names in the registration roll what prevents them from voting. It should be noted that in order to

minimize eventual omissions of names in computerized registration rolls, due to technical mistakes, the electoral administration bodies also use Manual Registration Voters Roll as a "backup" because using this books it is possible to find all names. However, there is a challenge related to the need to improve electronic registration system in order to avoid situations in which registration roll can be used simultaneously what can also be understood as a means of including non registered voters.

31. In relation to the recommendation by the APR Panel on the need to deal adequately with the voting count, the CNE has been recording some progress in this field in such a way that preliminary results are announced after 48 hours. However, it should be noted that the electoral processes in the country to a certain extent have been facing some complaints in such a way that all electoral processes since 1994 have resulted in invariable complains by the opposition parties.
32. Among other complains by the opposition parties, are those on pre-election period limited to continuous questioning on the composition of the electoral administration bodies (STAE and CNE); protests over the exclusion of candidates¹; protest over the constant electoral registration which from the opposition point of view allows for the doubts on the places or polling stations where to cast a vote because the constant registrations always lead to the change of polling stations; complains on alleged transportation of voters to vote in polling stations where they are not registered²; and a massive presence of police forces during electoral period allegedly acting in a partial manner.
33. On the other hand, in general, the post-electoral complains are limited to what the opposition considers as being the practice of "filling up the ballot boxes", that is, the ballot papers in the ballot boxes are considered as being valid ones regardless of the number of voters registered in the electoral roll as prescribed in article 85^o of the former Electoral Law³; and also the use of ink for marking with digital impression of additional ballot papers to validate them⁴.
34. However, given such a claim about the invalidation of votes, the CNE repeatedly came to the yard to confront the grievances of the opposition, particularly from RENAMO for lack of "material evidence". But this creates an impossible situation. The only possible "proof" is the nullified ballot papers but all of the "void" ballot papers are in custody of the CNE.

¹ In the 2009 elections there were some exclusions – by the Constitutional Council – of six out of nine presidential candidates and disqualification of one parliamentary candidate of opposition party of the sever of 11 provinces .

² For example, according to AWEPA Bulletin, "in Quelimane, during the local elections of 2008, RENAMO complained that the former combatants who live in the District of Nicoadala, out of city, were transported to Quelimane a day before the voting ". [*Boletim do Processo Político em Moçambique – Boletim Eleitoral N.16, Maputo, 2008*]

³ At the end of 2012 the Electoral Law was reviewed by the Parliament (AR) and the polemic article 85 was removed. This article gave allowed for complaints mainly by RENAMO in that FRELIMO filled up ballot boxes. The abovementioned article was a reason of discussion among them and it is one of those that did not allow for approval of Electoral Law for more than 2 years. FRELIMO defended the maintenance of this article while RENAMO did not.

⁴ According to the publication of European Parliamentarian– AWEPA: " in the Mozambique Island, (Province of Nampula, in the North), the protest included denouncing on the filling up of ballot boxes, use of ink for placing of digital things onto additional ballot papers to invalidate them and that RENAMO voters were prevented for exercising their will " [*Boletim do Processo Político em Moçambique – Boletim Eleitoral N.16, Maputo, 26 de Novembro de 2008*).

Therefore, there is a decisive challenge to all stakeholders involved in the electoral process, including the Constitutional Council, in order to find common ground on this issue. Eventually, by hypothesis, the excessive percentage of null should be envisaged as sufficient evidence to cause a further investigation of the CNE - especially when the CNE has proof within your own office.

35. Therefore, it constitutes a challenge for the electoral administration bodies, improve more and more the overall electoral process since the civic education, electoral registrations, voting and counting of the final results in order to avoid complains on the validity of the electoral results and discredit of the process, taking into consideration that the opposition parties have always been complaining, among other aspects, on this type of situations as a way of refusing the results of electoral processes and endangers the whole of previous process which lead to the same results.

Objective 3: To promote and protect economic, social cultural and political rights

- The APR Panel recommended the acceleration of the approval of the Laws on Access to Sources of Information (i); the National Commission of Human Rights (CNDH) should draft and implement a national programme for civic education so as to allow all to get to know their rights (ii); and guarantee a policy based on the respect of the citizens' fundamental rights (iii) and; creation of a complaints mechanism and protection of the victims of abuse and that the perpetrators be exemplarily punished (iv).
36. With regards to the APR Panel recommendation to speed up the passing of a Law of Access to Sources of Information, it should be noted that after public debates and workshops the bill was submitted to the parliament on 30th November 2005. However, the new draft of the proposed law on the Access to Sources of Information was resubmitted to the Parliament in 2010, and at the time this report is being compiled it was on the agenda for debate and analysis in the 1st Session of the Parliament that started in May in 2013.
 37. In this context, it is expected that with possible approval of this Law, the State will fulfil the constitutional principle of the right to access to sources of information as it is foreseen in article 42 in its number 2 of the Constitution. With this move, then the principle that "the State must not prevent citizens from having access to information, on the contrary it must create conditions for the citizens to get informed" will be fulfilled.
 38. Therefore, access to the State public information by the citizens will be done observing rules based on a legal instrument which creates parameters of relationship between the public and the public administration with the aim of maintaining the public informed on the activities carried out by public administration and thus contributing to transparency in its acts. However, there is a challenge to of publicize widely the Law to promote more transparency.
 39. With reference to the recommendation by the APR Panel on the need for the National Commission for Human Rights (CNDH) to introduce a national programme on civic education for the public to know its rights, it ought to be mentioned that the Commission

assumed its office by the end of 2012 before the Head of State. This Commission is composed of representatives from the Government, Parliament, Bar Association and civil society.

40. So this body is still in a very early stage for the pursuit of their duties so does not yet know their plans and their concrete actions are expected to be publicized in the near future given its importance in these matters.
41. With reference to the APR Panel recommendation for the need to guarantee a trained police force that respects fundamental human rights of the citizens, the Government is making efforts in the police force training schools by providing regular training in its courses both ordinary and refreshment ones. However, in performance of their duties, (the policemen), there are cases in which such respect is not observed. Citizens are beaten in roads and others are killed due to random shots apart from deaths of detained in police cells due to inhuman treatments to those detained as it was reports to the justice ombudsman and to the Attorney General during their visits to prisons over 2012.
42. So, there is a need for additional efforts by the Government in order to induce in the minds of the law and order enforcement agents, in their day to day activity, the need and relevance of observing the fundamental rights of the citizens. Otherwise the corporation may be regarded by the citizens as not concerned with the protection of citizens but instead as a tool of oppression and consequently it may not deserve such trust and respect.
43. With reference to the APR Panel's recommendation for the need to create a mechanism for submission of complains and above all protection of victims of abuse which are against the fundamental rights and the perpetrators be exemplarily punished, these mechanisms are not yet available at the level of the Police of the Republic of Mozambique⁵, which apparently leads to a situation in which the citizens do not denounce cases due to fears of reprisals. Although the Law on the Protection of Victims, Denouncers and Testimonies and other Judicial Aspects has been passed and will enter into force in 2013 there were no objective conditions for their implementation over 2012, from the Government's point of view.
44. In relation to the punishment to impose on police officers who do not respect the rights of citizens the code that Regulates the Discipline of the Police of the Republic of Mozambique⁶, was recently considered outdated. In this context, it constitute a challenge to the competent bodies on the urgent need to update this legal instrument which is dated since the colonial time and therefore containing instructions which are not compatible with what is foreseen in the Constitution and other related codes. The draft document was submitted to the Parliament in 2012 for review after being requested for examination on their constitutionality by the Attorney General.

⁵ The 2003-12 Strategic Plan for the modernization of the PRM, seven out of its nine "guiding principles" emphasize the need for respect of Human Rights. However, despite the fact that the Plan "recognises" the problem of abuse of power by some of police agents, it did not make any specific move to ensure a greater accountability for such abuses.

⁶ For example, in July 2011, the Director of the prison institution in open regime in Caçore, Bárue, Province of Manica, brutally beat a prisoner who did not resist from this attack having lost life some 48 later. Notwithstanding this fact, such Director was maintained in his workplace – se *Moçambique - Relatório dos Direitos Humanos – 2011, USA Embassy, Maputo.*

Objective 4: Uphold the separation of powers, including the independence of judiciary and effective Parliament

- Recommendation of the APR Panel was depoliticise the appointment of judges in order to protect the integrity of the judiciary(i); train the Judiciary in ethics, accountability and transparency (ii); make membership of the Parliament a full-time job and increase the number of days for oversight the executive (iii); continuous increase of the budget of the Parliament to improve its performance (iv); enhance the capacity of the Parliament through training MPs in policy analysis and oversight functions (v).
45. In relation to the recommendation of the APR Panel on non politicising of the appointment of judges, the Supreme Court indicated that separation of powers is clearly defined in the Constitution and the entry into the judicial profession, on top of other requirements defined in the Statute of Judicial Magistrates and in the General Statute of Civil Servants and Agents, it is conditioned to the passing on specific test recognised by the High Council of Judicial Magistrate (Source: TS – Letter sent to the APRM National Forum).
 46. The letter also added for the appointment of the President and Vice President of the TS, the Supreme Council of Judicial Magistrate (which includes representatives of several classes of judges and judicial officers) is consulted in relation to those nominated to such posts before the final decision is taken by the President of the Republic. The TS noted that the previous experience shows that in the cases that there was negative opinion by the Council the President of the Republic did not appoint such personality. On the other hand, the appointment is subject to ratification by the Parliament which procedures includes hearing with the nominee by the Commission for Legal and Constitutional Affairs and followed by a secret voting by the members of the Parliament.
 47. On the other hand and according to the TS, the Constitution and the ordinary legislation guarantees the independence and impartiality of the President and Vice President as well as other magistrates. For example, after the President of the Republic appoints the President and Vice President of the TS and taking office, he has no power whatsoever to determine the cessation of office over their mandates.
 48. Notwithstanding the above mentioned, there are perceptions in some sectors of society – including part of some of those consulted for the drafting of this report – which indicate that the present mechanism for appointment and promotion of senior magistrates have some kind of political “confidence” and apparently do not respect the principle of separation of power. However, it important to observe that such procedures are clearly defined by the Constitution and they can only be changed after constitutional review.
 49. In a meeting organized by the Association of Magistrates of the Prosecuting Council in Maputo on 22/03/2013, in the amphitheatre of the Faculty of Medicine at Eduardo Mondlane University under the theme “Protection of Human Rights and Strengthening of Constitutional Powers of the Prosecuting Council”, judicial magistrates and those of the Prosecuting Council, for example, complained about the political interferences in their activities showing some kind of concern regarding the situation. In the same meeting

they also underlined the need for greater separation from the Executive power through strengthening financial resources allocated to the judiciary. This is because the courts depend on the Executive Power, in terms of financing of their activities. Such dependency also include material means which makes the Judiciary power with very little control to really assume a posture of greater separation with the political power⁷.

50. Therefore, given these diverging positions, it seems that there is a huge challenge in this context, to, among others aspects; make an open, deep and constructive reflexion among the peers on these issues in order to do away, once for all, with the perception on the absence of power separation of power between the magistrates and the Executive Power. Such separation is indeed foreseen by the Constitution of the Republic. In this context, the Association of Magistrates and the Prosecuting Council have started, in an exemplary manner, a debate and it is expected that this will involve all stakeholders in the judicial field including the Executive Power.
51. In as far as the APR Panel's recommendations on the activities of the Parliament, it should be noted that in accordance with the Constitution there are two sessions which last 90 days each. However, in the period between the two sessions, the members of Parliament (MPs) do their political work in their constituencies overseeing the governance action and publicising the main laws approved by the plenary of the Parliament.
52. As for the recommendation of the APR Panel to the need to increase continuously the budget of the Parliament, to allow it to improve its performance, the Government informed that it has been gradually increasing the stake of the budgeted since 2010, as per the letter sent to the APRM National Forum: in 2010 the Parliament received an amount of 501,859,130.00 MT; in 2011, 566,440,049.32MT and in 2012 an amount of 649,825,740.00MT. However, in real terms, the Parliament has been complaining for the fact that the amount allocated by the State Budget is not sufficient for the efficient implementation of tasks that by Law are under its responsibility.
53. With reference to the recommendation of the APR Panel on the need for the Parliament to improve the overseeing activities of the Government, the Parliament has been doing all its best in the context of its prerogative and working capacities in terms of human and financial resources. However, it is so much concerning that the recommendations made by the Administrative Court on the General State Account are repeated from one year to another due to non observation of them by the Executive power and because some limitations are persistent by some MPs to analyse the General State Account for a better performance in their activities of overseeing. These observations are backed up by reports and opinions of the Administrative Court.
54. Given the mentioned scenario, there are a set of challenges that the "House of the People" is faced with in relation to the effective increase of its performance, namely: (i) find mechanisms for make the activities of the PMs on a full time which is also dependent upon Constitutional Review; (ii) re-examine the budget of the Parliament vis-

⁷ In the above mentioned meeting, one magistrate argued that "it is almost impossible to work without the District Government because we do not have vehicles, houses and sometimes we do not have working rooms. Therefore, we have to beg to the District Government".

á-vis its portfolio⁸; and (iii) continuous training in specific matters where the MPs have more difficulties.

Objective 5: To ensure accountability, efficiency and effectiveness of public officeholders and Civil Servants

- With regards to this objective the APR Panel recommended the introduction of recruitment mechanisms based on merit in the public sector (i); increase of training capacity for more public servants (ii); Increase significantly the Local Initiative Investment Fund and review the fund with a view to making access free from political influence (ii); and enhance the role of traditional rulers by providing them with enforcement capability. (iv).
55. On the recommendation of the APR Panel on the need to create a mechanism for recruitment in the public sector based on merit, the Government approved the General Statute for Public Servants and Agents - Law N.º 14/2009, of 17 March, and the respective regulation through Decree N.º 62/2009, of 8 September, which foreseen mechanisms for recruitment in the public service. In addition, a new System for Management and Performance in Public Administration (SIGEDAP) was passed by Decree N.º 55/2009, of 12 October and it is being implemented. It is based on this tool that public servants sign performance agreements in particular those who hold positions of directorship and leadership, including in the public institutes.
56. Notwithstanding the government effort in creating norms and procedures for recruitment and modernization of the public service, in some sectors of society there is still a sense of mistrust – which is necessary to give an end, once for all – that recruitment, appointment and progressions in carriers in the public sector is done based on subjective criteria such as friendship, familiarity or political convenience. Therefore, it must be seen as a real challenge to the competent institutions to promote and strengthen on a continuous bases transparency in this process in order to overcome mistrust that still persists in some sectors of society discussed above.
57. With regards to the recommendation of the APR Panel on the need to increase the training of more civil servants, the Government indicated that it is making reforms on the training curriculum of IFAPAs and ISAP, and the following was achieved in terms of training in the area of public Administration at basic, medium and higher levels during 2012: 1120 (basic education); 6351 (medium level) and 884 (higher education).
58. It should be noted further that the training of civil servants have also occurred in other educational institutions which are also open to state employees. The sum of these events led to the reconfiguration of the pyramid in terms of education prevailing in the public sector, and for example in 2009, 82% of civil servants had the basic and elementary level. The percentage was increased to 42% and 17% respectively in 2012. Employees with medium level now constitute 29% and 12% holds higher level.
59. The following budget was allocated to training institutions:

⁸ It should be noted that the increase of budget mast have its result in increase of passing of legislation.

Budget Line	Thousands Mt		
	OE 2010	OE 2011	OE 2012
ISAP	31.520,99	49.664,73	50.417,57
IFAPS	63.111,43	54.684,88	48.028,93

Source: Ministry of Finance/DNO

60. However, training of public servants must be translated into improvement of the quality of performance in public services by the servants themselves. There is an opinion that is getting generalized which indicates that performance of public institutions has been improving, with a more competent and professional performance of public servants and more respect to the administrative processes and procedures in public service what has been contributing to recovery of trust by the citizens on the performance of State institutions.
61. However, some participants in public consultation workshops, during the preparation of this report, reported that the State makes a lot of effort to train its servants but later on it is faced with difficulties to pay them adequately. So, there is a huge challenge to be resolved at medium term.
62. In reference to the recommendation by the APR Panel on the need to increase Local Initiative Investment Fund and guarantee that its allocation is not based on political criteria, the Government, through the Ministry of State Administration, informed that allocation of the 7 million Meticaís is underway in all districts, for food production and income generation projects and there are records of increase of employment opportunities. (MAE: Letter sent to APRM National Forum in July 2012). The decision for allocation of the fund to potential beneficiaries in communities is taken by Consultative Councils which are created on a representative basis.
63. However there are some complains which indicate that the allocation of the fund is based on political grounds and this suggests the need for additional improvements in this regard⁹ which includes the one as recommended by the APR Panel, namely through mechanisms to for professionalization of the management of the funds.
64. With regards to the recommendation of the APR Panel on the need to strengthen the role of traditional leaders, according to the Ministry of State Administration, there are actions toward the revision of the Decree N.º 15/2000, of 20 June, on community authorities. The Constitution (Article 118 of CRM) guarantees respect to traditional authorities and the State has been providing the necessary recognition. However, in the political sphere, it is important to avoid the use of these authorities for political gains. They must be given capacity building for the betterment performance to better serve their communities. Therefore, there is a challenge of making available material conditions and

⁹ As an hypotheses independent teams should be created at local level for inspection of the process of allocation of funds to keep away the perceptions of the politicising the allocation of the fund. That is, consolidate management practice.

valuing of Traditional Authorities which indeed they are those who guarantee social peace in rural communities.

Objective 6: To Fight Corruption

- The APR Panel recommended a vigorous condemnation of cases of “big corruption” (i); publication of declaration of assets of senior State Servants (ii); increase of capacity of the Administrative Tribunal to oversee the declarations of assets (iii); approve rules of ethics to regulate business of senior public servants (iv); and adopt the AU definition on corruptions specifically namely, the AU Convention Against Corruption and adhere to the SADC Protocol Against Corruption (v).
65. In relation to the APR Panel’s recommendation for a vigorous condemnation of cases of “big corruption”, in 2010 the Government submitted to the Parliament an “Anti-Corruption legislative package”, which contains a set of proposals of new laws and other for the review of anticorruption legislation. Some of the instruments have already been passed, namely: Revision of Laws of the Prosecuting Council and the Organic Statute of Magistrates of Prosecuting Council, regulation on Public Works, Supply of Goods and Service Rendering to the State; the Law on Public Integrity and Protection of Victims, Denouncers, Testimonies and other judicial and Law on Prevention of Money Laundry.
66. To complete the package, and at the time of writing this report, it lacked the approval of the Penal Code and Criminal Procedure submitted to Parliament, which makes some of the already approved laws impossible to apply due to their relationship with these two remaining laws. Note that the laws contained in the anti-corruption package, aimed at strengthening the mechanisms to fight corruption, criminalize illicit enrichment and trafficking of influences behaviours that hitherto did not constitute a crime in Mozambique.
67. Therefore, we cannot yet say that the fight against corruption in all its fullness is effective without the Laws of the package are all approved and in force. Nevertheless, under the concerted efforts of the administration of justice, senior officers, employees and agents of the State in 2011, at various levels and in various institutions, were tried and convicted of corruption related cases such as trafficking of influence and abuse of institutional funds.
68. For its part, the Supreme Court said that 2010 through October 2011 were 12 disciplinary proceedings against judges. Two of the cases were dismissed for lack of evidence, two were ongoing, and the remaining eight cases resulted in penalties ranging from an official warning to dismissal¹⁰
69. With regards do the recommendation of the APR Panel on the need to publish the asset declarations of high official of the State, increase the capacity of the Administrative Court (TA) to oversee the declarations and approval of rules of ethics to regulate

¹⁰ Mozambique – Report on Human Rights – 2011, USA Embassy, Maputo.

business of senior officials, regulation on these matters was strengthened in part with the passing and entry into force of a Law on Public Integrity which strengthens the issue of separation of private and public business mainly in the new areas of business of political and economic elite. The effective implementation of anticorruption package may lead to the reduction of these practices and others where there is no clear cut-off between public and private business.

70. However, the challenge remains towards: creating greater capacity for oversight institutions for statements of assets in Mozambique. The TA and other bodies that are involved in this process, such as the Prosecutor should begin the process of training its staff to the reception and inspection of property statements.
71. With regards to the APR Panel's recommendation to harmonize legislation on anticorruption with the African Union Convention and to the SADC Protocol on Corruption, the Government has been working on "Anticorruption Legislative Package" which aim is to harmonize national legislation with international legal instruments on combat against corruption, which takes cognise the UN Convention on Anticorruption, the SADC Protocol Against Corruption and the AU Convention Against Corruption.
72. It should be noted that in addition, SADC Protocol against Corruption has already been ratified by the Parliament and it is in force in Mozambique according to article 18 of the Constitution and in line with other universal and continental instruments against corruption. However, it should be stressed that corruption is a crosscutting phenomenon; therefore, it continues to be a huge challenge for the whole country despite the legislative packages and the creation of repressing mechanisms to fight corruption.

Objective 7: To Promote and Protect the Rights Women

- The APR Panel recommended the approval of a Law Against Domestic Violence and the launch of a multi-sectorial campaign for the sensitization on the causes of domestic violence and ways of preventing it (i); capacity building for the police sectors that deal with the cases of violence against women (ii); inclusion in the training police programme of issues related to domestic violence and gender (iii); strengthening of prevention mechanisms for smuggling of women, children and body organs (iv)
73. With regards to the recommendation of the APR Panel to pass a Law Against Domestic Violence and the launch of a multi-sectorial campaign for the sensitization on the causes of domestic violence and ways of preventing it, it should be noted that in July 2009 the Parliament passed Law 29/2009, of 29 September (Law on Domestic Violence) which resulted from a proposal by the civil society and accepted by the Parliament. The pertinence of this law was included in the 2000 Government Agenda through a petition made by organizations that women's' human rights, headed by *Fórum Mulher* (Women's Forum) (www.oxfamsol.be).
 74. Furthermore, various organizations have been working on sensitizing the population on the need to combat the cases of domestic violence, such organizations included the League of Human Rights and Mozambican Association of Women in Legal Careers (*Associação das Mulheres Moçambicanas de Carreira Jurídica*), who also provide legal

advice to victims of domestic violence. Allied to these organizations are *Forum Mulher*, and others community based civil society organizations. From the Government side the Ministry of Justice is the body that deals with these cases. The Ministry of Home Affairs also is doing some work in the publicising of the Law and showing the need for the victims to denounce such cases as well as activities relates do domestic violence.

75. In terms of multi-sectoral campaign against domestic violence, some activities were carried out like the organization, in 2011, of the National Meeting on Violence and Integrated Support in the city of Maputo, where 25 participants attended (15 women and 10 men) among technicians from MMAS, MISAU, MINT, MIJUS and representatives of the civil society at central and provincial levels.
76. However, despite these permanent efforts there is still a challenge related to the popularization of the Law on Domestic Violence and sensitization so that the victims of violence can denounce these cases. This is because the mechanisms for the protection of denouncers are not effective, even with the passing of the Law on the Protection of the Victims, Denouncers, Testimonies and Others Involved, because it is necessary to create conditions for the implementation of such Law like Office for the Protection of Victims. The absence of these offices do not allow a proper implementation of the law namely legal commands¹¹
77. On the APR Panel's recommendation to build capacity of the Police to deal with cases of violence against women and the inclusion in the training programmes of issues on domestic violence and gender, the Government ensured the organization of training courses for the commanders of the police stations at the level of Maputo and Beira and training of specialists to deal with support to women and children who are victims of violence (GdM 2010). In addition training and sensitization workshop sessions were organized. Other activities included the establishment of a data base for the Office for the Support of Victims of Domestic Violence. 8 training courses were organized and a total of 106 sensitization sessions at national level (GdM 2011).
78. In addition, 656 sensitization campaigns were carried out in communities and schools on issues related to domestic violence. On the other hand, 10 training sessions were organized with the participation of 300 persons of which 280 were members of the PRM and 20 stakeholders from the civil society. In the context of cooperation with the UN System, various police agents were trained as peer educators on domestic violence (idem GdM, 2011).
79. Notwithstanding these efforts, there is a challenge which is related to the need to take these actions to the most remote communities where the cases of domestic violence occur frequently and where there are no specialized offices to deal with these matters, and thus, there is a need for the grassroots to be trained to carry out these activities. There must be a greater collaboration between the police and the grassroots organizations for them to convey the message on domestic violence and the need to combat it as well as the expansion of the Support Offices.

¹¹ See the proposed M&E indicator on the Performance Assessment Framework between the Government and the Programme Aid Partners (PAPs).

80. In relation to the recommendation by the APR Panel on the need to strengthen prevention mechanisms to prevent these acts of smuggling of women, children and human organs, the Government indicated that there is a permanent control on the entry and exit of women and children and the organs in the national borders which is carried out by teams that control roads. There are toll free lines which are used for denouncing. In addition, actions are underway aimed at opening of a channel for identification of possible perpetrators using the INTERPOL data base - AT/Customs (2010 – 2014). Radio broadcasting and television programmes were introduced in 2010. These programmes discuss juridical education in issues related to human smuggling in particular women and children (GdM, 2010).
81. Considering the increase in practices of smuggling it is important to have a greater control of borders in Mozambique taking into consideration the wideness and vulnerability of such borders. The coverage of border line by the border guard soldiers has shown to be very ineffective. It is an important challenge for the Government the creation of conditions for a greater operationalization of the border guard forces and that they should be in the same manner as those from the customs who control de borders. It was noted that the difference between these two forces are wide and this can discourages those solders who guard the borders. This control of border must continue to be done in the airports in a very efficient manner because these constitute other entry and exit doors that may allow for the practice of acts related to the smuggling of women, children and human organs.

Objective 8: To Promote the Rights of Children and Youth

- The APR Panel recommended the definition of ways and means for the effective rehabilitation of children in much need (i); the strengthening of government capacity at regional, national and provincial levels aim at combating the smuggling of children (ii); the definition of means for providing adequate education to children including those living in school boards (iii).
82. As for the APR Panel's recommendation to define ways and means for the effective rehabilitation of children in much need, the Government, through the Ministry for Women and Social Affairs and with the support of civil society organizations, has been carrying out several activities aimed at supporting children with difficulties in socialization.
83. Indeed, on 20 July 2011, a children rehabilitation centre was opened in Maputo, within the framework of Law 8/2008, of 15 July (Law of Jurisdictional Organization of Minors), the first to be created in the country with a capacity of sheltering 200 children in conflict with Law thus, preventing them from being kept in correctional establishments together with adult criminals which may not lead to the re-socialization of children to be rehabilitated.
84. However, the reality is still too far from the desirable one and thus there is a challenge of extending this type of facilities to all provinces of the country and this is because there is no specialized institutions to shelter children who need institutionalized treatment or those who entered into conflict with the law. Therefore, it is important to build institutions

to care for children and there must also be a constant training of professionals who will deal with them because the situation is still very concerning.

85. With regards to the APR Panel's recommendation to the need to strengthen the Government capacity at regional, national and provincial on the need to combat smuggling of children there are records from the Government of Nampula, for example, which indicate that it created a "task force" composed by the civil society, the police and communities which allowed the reduction of cases of smuggling of children with the support of the mass media in denouncing and preventing the cases. However, as a result of sophistication of the involved networks in these type of activities, it should be seen as a challenge the strengthening of technical and human capacity of local Governments (police units and others) to deal with this phenomena in particular if it is considered that there are minimum progresses at the level of provinces in this field and there are possibilities of increasing this illicit activities.
86. In relation to the recommendation by the APR Panel to define means to provide adequate education to children including those who live in specialized boarding schools, the Government ensured incorporation of social protection component in "Direct Support to Schools" (ADE) programme, as to allow that more children in need can attend basic education. Integration of this component of social protection in the ADE programme covers the provinces of Nampula, Maputo and the City of Maputo. However, there is a need to improve management criteria of this fund because in many instances it is used for other purposes.
87. Another aspect is related to the smallness of ADE fund because this depends on the number of students and beyond in various situations not knowing if it reaches the target, since there is no confirmation mechanism and control people consulted mentioned that the fund should not be granted taking into account the number of students, but taking into account the needs that exist and should be covered by the same.

Objective 9: To promote and protect the Rights of Vulnerable Groups including persons with disability, the poor, internally displaced persons and refugees

- The APR Panel recommended the ratification of the Convention on Rights and Dignity of Persons with Disability and legislation on the matter be passed (i); pass legislation that obliges greater accessibility to public buildings by persons with disability (ii); production of a system of early warning for early identification of natural disasters (iii);
88. With regards to the recommendation by the APR Panel as to ratify the Convention on the Rights and Dignity of Persons with Disabilities and passing of a legislation on the matter; and pass a legislation that obliges that public buildings can have a greater accessibility by persons with disability, it should be noted that the Government passed a regulation on the construction and Maintenance of Technical devices for accessibility, circulation and use of system of Public Service by persons with disability or with conditioned mobility, technical specifications and use of international access symbols. This legal instrument was gazetted in (*Boletim da República, 1ª Série – 4º Suplemento*) on 30 December 2008. However, it is important that this Law be publicised.

89. In 2010 the Parliament ratified the UN Convention on the Rights and Dignity of Persons with Disabilities and its complementary legislation at the country level
90. The actions undertaken in the implementation of Decree N° .53/2008 of December 30th included:
- Presentation of the Regulation on accessibility to buildings and public places in seminars held by institutions such as : Inspection of Public Works and Handicap International, on techniques to assist Persons with disabilities;
 - Control of access conditions in public building projects submitted to this Ministry and the Provincial Directorates of Public Works and Housing;
 - Recommendation to adapt the conditions of accessibility in buildings under construction, when they are not complied with regulatory requirements.
91. Notwithstanding the efforts underway in various public buildings to support people with disabilities, it was referred by those contacted in the context of the drafting of this report that not all buildings have access. In some public bus stops the above situations is also a reality. So it is a challenge for the competent institutions to make the old buildings accessible, including those under construction that need to be fit with adequate infrastructures for access to persons with disability in a continued manner.
92. In relation to the APR Panel’s recommendation to introduce an early warning system for timely detection of natural disasters, the Government started in 2010 with this system and expanded to the city of Beira for the monitoring of water flow in Chiveve channel, at Chire river, covering the districts of Morrumbala and Mopeia (Zambézia), Mutarara (Tete) and in the Licungo basin. Presently meteorological stations are undergoing rehabilitation. These actions continued over the year of 2011 with the creation of Committees for the management of risks from calamities, among other actions (GdM, 2011). In addition training and capacity building were carried out involving communities to reduce the impact of disasters, manage disasters and organization of simulations on disasters at national, community and other public places levels.
93. However, recent events have demonstrated that the crucial challenge to be dealt with by competent authorities in this matter is to make sensitization activities on a permanent basis as to make the population abandon the areas that are prone to the risk of floods and other natural disasters, because sometimes in many instances public authorities responsible for rescuing the population from the risky areas especially in the river banks and later on, the very same population return to those places to develop their activities what represents an added risk considering that they build their houses in there and when they are rescued they are reluctant to leave their houses and belonging what indeed represent danger for their lives and asserts.
94. For this purpose, it is important to continue with sensitization work among the populations in order to educate them that those are not places for customary residence and that they must use them only for agricultural activities and that they must go home to sleep in their residences in upper areas that are less exposed to floods and other natural disasters. These actions must be done hand in hand with training as for them to get prepared for any unfortunate and unexpected events. The population may use all available mechanisms to allow them to abandon with safety the critical areas.

CHAPTER II

GOVERNANCE AND ECONOMIC MANAGEMENT

This chapter assesses the level of progress in the promotion of good governance and economic management through the implementation of priorities of each objective areas recommended by the APR Panel within the thematic area of Governance and Economic Management. The objectives are as follows:

- To Promote macroeconomic policies that promote sustainable development;
- To Implement sound, transparent and predictable government economic policies;
- To promote sound public financial management;
- To fight corruption and money laundering;
- To accelerate regional integration by participating in the harmonisation of monetary, trade and investment policies.

Principles, Codes and Standards

- The APR Panel recommended to the Government of Mozambique that it instruct each of the ministries to keep adequate records of the codes, standards and practices that had been adopted and that had been or are being implemented, as a basis for an adequate monitoring of their mandate (i); that a central depositary be created in the Ministry of Foreign Affairs and Cooperation in order to centralize documentation related to Standards, Norms and Practices that have been adopted and that have been or are being implemented as a basis for adequate monitoring of its mandate (ii).
95. Regarding the recommendations of the APR Panel on International Principles, Standards and Norms, this evaluation found that the country has made effort in terms of creating structures for the deposit and management of International Treaties and Conventions signed by the country. In this regard, the Parliament created a division of Parliamentary Documentation that works directly with the Commission for International Relations. In the Ministry of Foreign Affairs and Cooperation a section for International Treaties was also created, within the Legal Department which is integrated into the Directorate of Legal and Consular Affairs.
96. The following table contains information related to International Treaties and Conventions signed by the country, between 2007 and 2012.

Table 1: International Conventions and Treaties signed and ratified by the Government of Mozambique, between 2007 and 2012.

Nr	Registration No.	Description	Signature Date	Ratification Date
1	20848	UN International Convention on the Protection of the Rights of Migrant Workers and Members of their Families	04/04/2012	26/06/2012
2	20740	Accession of the Republic of Mozambique to the Agreement on African Tax Administration Forum (ATAF)	27/03/2012	16/05/2012
3	20603	African Charter of Statistics, signed 17 th June 2009 in Addis Ababa	30/11/2011	30/12/2011
4	20650	Second Review of the Partnership Agreement between the African, Caribbean and Pacific States and the European Community and its Member States, signed on 23 June 2000 and first amended in Luxembourg on 25 June 2005	25/10/2011	25/10/2011
5	20640	Technical Regulations contained in the Annexes to the Convention on International Civil Aviation signed at Chicago on December 7, 1944, applicable to the country, namely, MOZCAR's Parts: 1, 2, 11, 61, 63, 67, 71, 91, 92, 103, 121, 127, 129, 141 and 171	15/09/2011	15/09/2011
6	20204	Accession of the Republic of Mozambique to the Optional Protocol to the Convention of the Organization of African Unity on the Prevention and Combating of Terrorism	05/07/2011	15/09/2011
7	19995	Accession of the Republic of Mozambique to the Convention on Privileges and Immunities of the Specialized Agencies of the United Nations, 1947	14/02/2011	22/06/2011
8	19978	Accession of the Republic of Mozambique to the Agreement on Privileges and Immunities of the International Atomic Energy Agency	14/02/2011	13/06/2011
9	19977	Accession of the Republic of Mozambique to the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxic Weapons and on their Destruction, 1972	14/02/2011	13/06/2011
10	19981	Convention on Cluster Bombs, adopted December 3, 2008, in Oslo, Norway	14/02/2011	09/06/2011
11	19923	Technical Regulations contained in the Annexes to the Convention on International Civil Aviation, hereinafter referred to as MOZ. Caris	03/05/2011	03/05/2011

12	20052	SADC Protocol on Mutual assistance in Criminal Matters, signed in Luanda to 3 October 2002	11/11/2010	31/12/2010
13	19815	Optional Protocol to the Convention on the Rights of Persons with Disabilities	03/11/2010	31/12/2010
14	19814	Convention on the Rights of Persons with Disabilities	03/11/2010	31/12/2010
15	19878	Protocol on Legal Affairs Development of the Southern African Development Community- SADC signed in Windhoek, on August 7, 2000	31/08/2010	30/12/2010
16	19639	Protocol on Extradition of the Southern African Development Community, SADC, signed in Luanda on October 3, 2002	01/12/2010	28/12/2010
17	19628	Protocol on Gender and Development of the Southern African Development Community, SADC, signed Johannesburg, Republic of South Africa	29/06/2010	02/11/2010
18	19158	International Convention on the Elimination of Acts of Nuclear Terrorism, adopted by Resolution n. § 59/290, the General Assembly of the United Nations on April 13, 2005	20/04/2010	31/05/2010
19	19168	Accession of the Republic of Mozambique to the Constitutive Agreement of the International Organization for the Right to Development	12/11/2009	31/12/2009
20	18624	Technical Regulations and Rules of Implementation of the Convention on International Civil Aviation	12/11/2009	15/12/2009
21	18538	Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, to September 10, 1998	09/04/2009	29/09/2009
22	18865	Amendments of Montreal 1997 and Beijing 1999, to the Montreal Protocol on Substances that Deplete the Ozone Layer of 16 September 1987	09/04/2009	18/09/2009
23	18511	Amendments to Annex VI of the Trade Protocol, referring to the Dispute Settlement Mechanisms between Member States	02/06/2009	01/09/2009
24	18510	Amendments to Article 20 of the SADC Trade Protocol	02/06/2009	01/09/2009
25	18383	Accession of the Republic of Mozambique to the Convention on Early Notification of a Nuclear Accident, adopted by the General Conference of the International Atomic Energy Agency, meeting in special session on September 26, 1986	02/06/2009	12/08/2009
26	18381	Accession of the Republic of Mozambique to the African Regional Cooperation Agreement for Research, Development and Training Related to Nuclear Science and Technology, held in Vienna, Austria, on February 4, 1990	12/05/2009	20/07/2009
27	18380	Accession of the Republic of Mozambique to the Convention on Assistance in the Case of a Nuclear Accident or Radiological Emergency	12/05/2009	20/07/2009

		adopted in Vienna, Austria, on September 26, 1986		
28	18241	Cooperation Protocol between the Portuguese Speaking Countries in the Field of Public Security, signed on April 9, 2008, in Lisbon, Portugal	17/03/2009	04/06/2009
29	18103	SADC Protocol on Forestry Activities, 3 October 2002	10/02/2009	14/04/2009
30	18013	SADC Protocol on Science, Technology and Innovation adopted and signed in Johannesburg, South Africa	23/12/2008	30/12/2008
31	18031	Accession of the Republic of Mozambique to the International Agreement on Compliance Measures for Conservation and Management of Resources of the High Seas of April 24, 1999	10/06/2008	16/12/2008
32	18029	Accession of the Republic of Mozambique to the Agreement on Implementation of the Provisions of the United Nations Convention on the Law of the Sea Relating to the Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks	10/06/2008	16/12/2008
33	17943	Accession of the Republic of Mozambique to the Protocol on Matters Specific to Aircraft Equipment, prepared under the auspices of the International Institute for the Unification of Private Law - UNIDROIT adopted in Cape Town, Republic of South Africa on November 16, 2001	28/10/2008	28/11/2008
34	17942	Accession of the Republic of Mozambique to the Convention on International Guarantees on issues of Mobile Equipment, prepared under the auspices of the International Institute for the Unification of Private Law - UNIDROIT adopted in Cape Town, Republic of South Africa on November 16, 2001 and the related statements n § 1, 6 and 13 of the International Institute for the Unification of Private Law (UNIDROIT)	28/10/2008	28/11/2008
35	17941	Accession of the Republic of Mozambique to the Convention on International Civil Aviation, adopted on December 7, 1944, in Chicago, USA and the related amendments to Articles 3, 83, 93	28/10/2008	28/11/2008
36	17785	Accession of the Republic of Mozambique to the Cooperation Agreement between the consular CPLP Member States, signed in Lisbon on July 22, 2008	28/10/2008	28/11/2008
37	17790	Accession of the Republic of Mozambique to the Convention for the Unification of Certain Rules Relating to International Carriage by Air	07/10/2008	13/11/2008
38	17702	Accession of the Republic of Mozambique to the Protocol on the Privileges and Immunities of the International Deep Sea Authority	09/09/2008	15/10/2008
39	17694	Convention on the Conservation of Migratory Wild Species	16/04/2008	19/09/2008
40	17693	Nuclear Test Ban Treaty, adopted by General Assembly Resolution UN § No 50/245 of 9 September 1996	08/04/2008	16/09/2008

41	20260	Accession of the Republic of Mozambique to the revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures, prepared under the auspices of the Customs Cooperation Council in 1973, revised and approved on June 26, 1999 in Brussels	05/08/2008	30/12/2008
42	17605	Designation of the Ministry for Coordination of Environmental Affairs and Eduardo Mondlane University, as Administrative and Scientific authorities, respectively, for the implementation of the Convention on International Trade in Endangered Species of Wild Flora and Fauna Threatened with Extinction	05/08/2008	20/08/2008
43	17559	Treaty on the Nuclear-Weapon-Free Zone in Africa, adopted by the Conference of Heads of State and Government of the Organization of African Unity	26/03/2008	30/05/2008
44	17557	Optional Protocol to the Convention on the Elimination of all forms of Discrimination Against Women	26/03/2008	30/05/2008
45	17556	African Youth Charter, adopted by the Seventh Ordinary Session of the Conference of Heads of State and Government held on July 2, 2006	13/03/2008	30/05/2008
46	17301	Southern African Development Community –SADC – Protocol on Finance and Investment	14/08/2007	06/12/2007
47	17335	Convention on the Protection of Intangible Cultural Heritage, adopted by UNESCO on 17 October 2003	07/08/2007	12/11/2007
48	17334	Convention on the Protection of the Diversity of Cultural Expressions, adopted by UNESCO on 20 October 2005	07/08/2007	12/11/2007
49	17047	Accession of the Republic of Mozambique to the International Plant Protection Convention, signed in Rome on December 6, 1951, taking into account the changes made in November 1979 and November 1997	29/05/2007	05/09/2007
50	17024	Convention on Mutual Legal Assistance in Criminal Matters between the Member States of the Community of Portuguese Language Countries	14/03/2007	28/06/2007
51	17023	Convention on Extradition between the Member States of the Community of Portuguese Language Countries	14/03/2007	28/06/2007
52	17022	Convention on the Transfer of Sentenced Persons between Member States of the Community of Portuguese Language Countries	14/03/2007	28/06/2007

Sources: - Ministry of Foreign Affairs and Cooperation, Section for International Treaties, 2012.
- Assembly of the Republic of Mozambique (Parliament), Parliamentary Documentation Division, 2012

97. Above and beyond what has already been mentioned, all sectors (ministries) have a webpage with relevant legal instruments, being common to all the posting of the mother law (the Constitution of the Republic), the Organic Statutes of the sector, and sector legislation related to the work of the sector.
98. It is noted that few sectors have external links, and those that do, such links are done with to institutions related to their work (for example, the Ministry of Health with UNAIDs, or the Ministry of Education with UNESCO).
99. The Ministry of Foreign Affairs and Cooperation has a similar set up to the other sectors. Therefore it has a webpage with the Constitution, its Organic Statutes and the country's External Policy. The remaining documentation covers speeches, reports, communications, declarations and current news.
100. But, as an important step forward, the current evaluation noted that there is a Government Portal¹², that holds documents, legal and others, important for the functioning of the State, including the Constitution of the Republic, the PALOP community Legislation, Jurisprudence and national doctrine, Official Gazette and the respective supplements from the third Series, Legislation of the sectors, and normative and foundation documents on Administrative Processes.
101. It is noted, however, that the Treaties and Conventions are not easy to access for the public, particularly from the provinces, given that they are centralized in the specific units created at the level of the Parliament and Ministry of Foreign Affairs and Cooperation.

¹² <http://www.portaldogoverno.gov.mz/Legisla>

Objective 1: Promote macroeconomic policies that support sustainable development.

Macroeconomic Policy, Stability and Growth

- The APR Panel recommended that Mozambique should increase its efforts aimed at achieving broad based economic growth that reduces poverty and inequality through the empowerment of people to participate in the growth process in terms of employment and obtaining skills and productive assets (i); that ways to reduce external aid dependence be explored, through expanding domestic revenue mobilization and rationalizing non-priority expenditures (ii).

102.Regarding the above-mentioned recommendations, it should be noted that the country has made substantial progress, worthy of recognition, as expressed in various documents and records of the Government and development partners, as can be seen below:

- The economic growth rate continues robust. Macroeconomic performance, assessed in terms of Gross Domestic Product (GDP) has been satisfactory, and in general, around an average of 7, 0% (2007-2011). Indeed, after registering a slowdown in 2009, GDP showed in 2010 and 2011 real growth in the order of 7.1% and 7.3% respectively (Table 2). This growth has been broad based, taking into account that in its composition we can highlight the contribution of the sectors of agriculture, with an average weight of 23,5%; manufacturing (12.8%); transport storage and communication (10.9%); trade (11,0%) and services to companies (6.9%).

Table 2. Real and per capita GDP for Mozambique (Structural Weights, and Growth) and Inflation Rate (2007-2011)

Sector of Activity	2007	2008	2009	2010	2011
Agriculture, Animal production, hunting and forestry	23,1	23,6	23,8	23,6	23,5
Fishing, aquaculture, and related services	1,7	1,7	1,4	1,4	1,4
Extractive Industries	1,1	1,1	1,1	1,2	1,3
Manufacturing	13,5	13,2	12,7	12,4	11,9
Electricity and Water	5,6	4,6	4,9	4,8	4,8
Construction	3,3	3,5	3,4	3,4	3,3
Trade	11,2	11,2	11,2	10,8	10,7
Repair of Automobile Vehicles, motorbikes and domestic goods	0,3	0,3	0,3	0,4	0,4
Accommodation, restaurants and similar	1,6	1,7	1,6	1,6	1,6
Transport, storage and communication	9,9	10,4	10,8	11,6	12,0
Financial activities	5,2	5,0	5,2	5,4	5,4
Real Estate activities, rentals and services provides to companies	7,6	7,2	6,9	6,5	6,2
Public administration, defence and mandatory social security	3,6	3,6	3,6	3,7	3,7
Education	3,7	3,7	3,9	4,0	4,0
Health and Social Action	1,3	1,4	1,4	1,4	1,4
Other collective, social and personal service activities	1,7	1,7	1,6	1,5	1,5
Total value added, base prices.	91,3	90,8	90,7	90,6	89,9
Taxes on Products	8,7	9,2	9,3	9,4	10,10
Gross Domestic Product	100,0	100,0	100,0	100,0	100,0
Gross Domestic Product, constant prices 2003=100 (10 ⁶ MT)	151.300	161.635	171.873	184.050	197.524
Growth Rate	7,3%	6,8%	6,3%	7,1%	7,3%
GDP per capita (USD)	340	380	430	440	470
Inflation (%)	9,17	15,4	3,79	12,43	11,17

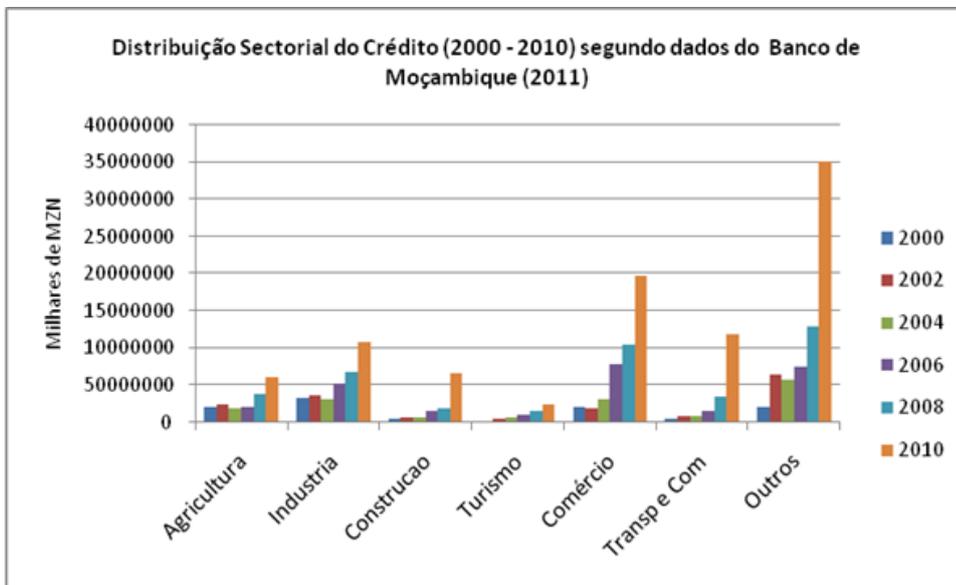
Source: National Institute for Statistics (www.ine.gov.mz), World Bank (2012) (data.worldbank.org/indicator/NY.GNP.PCAP.CD)

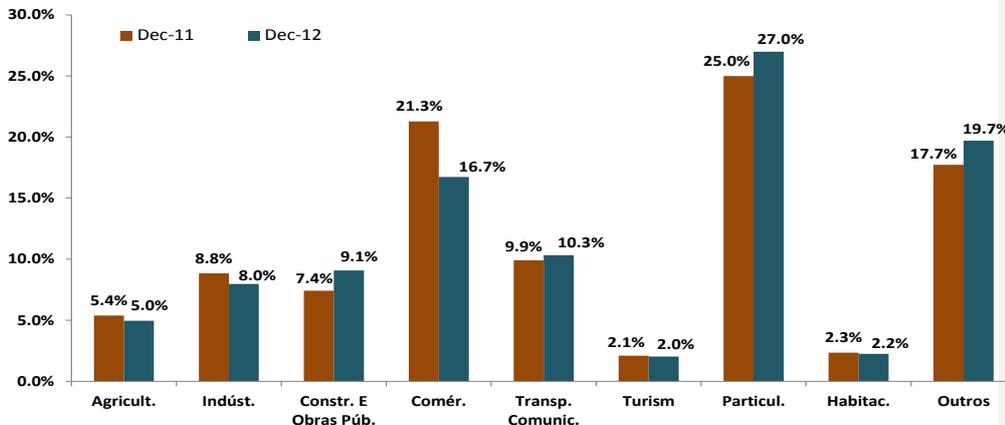
- Average annual inflation, measured as the variation of the consumer price index in the country, collected by INE, in the cities of Beira, Nampula, Maputo, was around 10.37% on average between 2007 and 2011 (Table 2). The highest rate was observed in 2008 (15,4%), representing 6,23 percentage points above the 2007 rate (9,17%). Among the main factors that contributed to the steep increase of the prices in 2008 we can highlight:
 - i. Scarcity of fruit, vegetables and foodstuffs in general (following atypical rain that characterized the beginning of the year);
 - ii. Depreciation of the Metical relative to the currencies of major trade partners; and
 - iii. Increase of international food and fuel prices
- Until November of 2012, annual inflation was 2,33% (Table 2). Determining factors of this reduction in the inflation rate were the strong dynamism in the real economy and consequent increase in internal supply of fruit and vegetables, good coordination of monetary and fiscal policies, relative stability of the Metical in relation to currencies traded in our market, in a context in which there continued to operate the cushioning of the prices of some goods and services, brought in to mitigate the impact of the financial crisis, with emphasis on the prices of

petrol, water and energy. The fall in the prices of some imported international goods also contributed to the results seen in inflation in the current year.

- Exports continued to grow rapidly; for example, in the first nine months of 2012, they increased by 9.5% in comparison with the same period of 2011, reaching a level of 2.602 million, of which 313 million are from the export of coal, with this taking second place in Mozambican exports, after aluminium.
 - On the other hand, there are records of more work opportunities. For example, statistics show that just in 2011, 315.707 citizens were integrated into the labour market, of which 20.837 were women. Of the total, 262.832 were integrated into the national labour market, while 52.875 were recruited for the mines and farms in South Africa (BdPES, 2011).
 - Table 2 also shows a continued growth in GDP per capita from 340 USD to 470 USD between 2007 and 2011, which is a 38% increase, whose impact on poverty cannot be evaluated due to lack of information. According to the 3rd National Assessment of Poverty, from 2010 (III AP), which analysed the situation of poverty in Mozambique in 2008 and 2009, the poverty rate had fallen from 69,4% in 1997 to 54,7% in 2003. This assessment presented strong indications of progress on a range of non-monetary poverty indicators at a national level, that showed significant improvements in access to education and improved health services, particularly in rural areas; increases in the possession of durable goods by families, and improvements in housing. However, according to the same sources, poverty in monetary terms did not show significant improvements when compared with a similar assessment carried out 5 years earlier, i.e. between 2002 and 2003 (GdM, 2011).
 - In 2010, the Government of Mozambique introduced the Strategic Programme for the Reduction of Urban Poverty (PERPU), extending the Local Initiative Investment Budget (OIIL) to provincial capital cities.
 - The Ministry of State Administration (MAE) also launched, in 2011, a Rural Financing Strategy which aims to promote financial intermediaries in rural areas and ensure access to financial services with a view to expanding rural markets and integrating the rural economy into the national economy.
 - There is an intensification of the level of banking in the national economy. The most recent data from the Bank of Mozambique shows that from 2010 to November 2012, 78 new branches of banks and around 70 new microcredit institutions commenced operations. The same data also shows that these numbers contribute to a total number of 509 bank branches and microfinance institutions, in more than 62 rural districts, out of 128 in the country.
103. However, although there are plausible efforts on various fronts, as can be seen from the above-mentioned achievements, some of the challenges identified by the first evaluation remain, joined by other emerging challenges, mainly driven by the lack of an integrated approach, based on cost-benefit analysis, and weak implementation of mechanisms to monitor public actions and responses. Of these, the current report highlights the following:
- The country continues to register growth and an industrialization process fed by large projects, many of which from natural resources.

- Linked to the previous point, the investment flowing into the extractive industry is, mostly, capital intensive, not creating greater job opportunities. It should be noted that the Megaprojects have been an important engine for economic growth in the country in recent years. Given that much of this is a sector still in a prospecting phase, its impact in terms of improvement of quality of human life is still incipient, but significant contributions from social responsibility projects of the companies have been made to the local communities around the areas where such megaprojects are located. Official employment statistics do not distinguish between stable and precarious employment, which makes an analysis of job growth in the country difficult. The Confederation of Free and Independent Unions of Mozambique (CONSILMO) question how much the 'precarious job' effect, which is increasing in the country, is captured, and the risk of double counting in available data.
- According to the Report of the Technical Group on Employment, as part of the Annual Review of PARP Implementation process in 2011, it was noted that there is no public strategy to track and/or monitor employment, even for small groups trained at professional training colleges under the supervision of the National Institute for Employment and Professional Training (INEFP).
- Despite the improvement registered in recent years, access for bank financing continues to be limited, particularly for small and medium sized companies, due to a range of constraints that these face which creates difficulties in their relationship with the banking system. The level of interest rates is still high, being one of the factors that affect the level of access to bank financing. The figure that follows shows distribution of credit across different sectors of the national economy:





As the graph shows, banking credit has been mainly destined for individuals and other sectors, the latter including credit for services, own-construction, consumption and small businesses. Trade, construction and industry occupy the next positions in terms of sectors that most benefitted.

- The position of Civil Society in the 11th Session of the Development Observatory in 2012 also showed some perplexity in relation to the expansion of the banking network, with more districts covered, signifies that the population has more access to capital, given that at the district level the access to banking services is, increasingly, forced due to the imperative caused by changes in payment methods, particularly in the civil service, but also that the statistics of the Central Bank show that a significant part of the credit goes, increasingly, to finance consumption.

104. The country also carried out actions on various fronts with the aim to reduce foreign aid dependency, including a legislative package, as demonstrated in various documents and records of the Government and development partners, such as:

- Following the creation and start of activities of the Tax Authority of Mozambique, in 2006, various actions were intensified with the objective of improving the main indicators in the sector, namely: (i) reform and adoption of the organizational structure and professionalization of the human capital; (ii) improvements in the infrastructure; (iii) implementation of strong fiscal education campaigns and popularization of tax combined with audits, tax inspections, and pre-disembarkation audits, to reduce tax evasion and improve tax collection.
- Law no. 5/2009, of 12th January, created the Simplified Tax for Small Contributors (ISPC) whose regulations were introduced by Decree No. 14/2009 of 14th April, to tax the informal sector.
- In 2010, the Mozambican Revenue Authority (AT), launched a Tax and Excise Duty Education and Promotion of Tax campaign through media and other strategic partners, aiming to mobilize citizens to enter, as effective contributors, the tax and excise duty systems in place in the country, and whose focus was the sensitisation of citizens so

that they could know their obligations and rights in matters of tax and excise duty, in order to stimulate voluntary compliance with these, given that the collection of state income is essential in the process of development of the country.

- The new Exchange Rate Law, in force since 11th July 2011, has led to a greater availability of funds in the markets and consequently to a reduction in the reliance on the use of International Reserves to finance imports. This legal instrument aims to: (i) ensure greater use of the national banking system; (ii) Ensure implementation of the principle of reverting export receipts back to the national financial system, and to the conversion of at least 50%; (iii) Regulation of Foreign Exchange bureaux activities; (iv) strengthening of Metical for domestic transactions; (v) Contribute to an increase in domestic savings.

105. The actions carried out by the AT comprised of the opening of new collection posts and the rehabilitation of others, namely:

- **In 2010:** 6 mobile collection posts opened: Namapa, Maríngué, Marromeu, Nhamatanda, Zóbué e Bilene.
- **In 2011:** 15 collection posts opened for domestic taxes: Monapo, Mogovolas, Cheringoma, Muanza, Chemba, Machanga, Muxúngue, Mutarara, Jardim, Xipamanine, Machava, Namaacha and Inhassoro. For excise duty, 2 posts were opened, namely: the border post of Solidja and the tax post of Mambucha, both in the province of Zambézia.
- **In 2012:** 8 collection posts opened: Metangula, Morrumbala, Luabo, Zumbo, Mucumbura, Sussundenga, Gondola and Zimpeto.

106. To harmonize the structuring of the taxation of the external sector, within the context of economic integration, a new Customs Tariff¹³ and the Code of the Tax on Specific Consumptions were passed by the Government. To operationalize the new Customs Tariff and to increase flexibility clearance of goods (from customs), Decree no. 34/2009, of 6th July, on General Rules for the Goods Clearing was approved, having been introduced the entity of Authorized Economic Operator. Also introduced, by decree No. 33/2009, of 1st July, was the Single Electronic Window¹⁴.

107. As a result of these reforms, the number of NUITs issued increased significantly, year on year, as can be seen in Table 3, having by 10th December 2012 been registered 2.025.054 NUITs. The taxation index for the same period increased from 13,47% to 18,37%, between 2007 and 2011, even though this is still inferior as compared to the SADC average of 21%.

108. According to the table below, the number of small contributors that pay the new ISPC increased between 2009 and 2011 from 9.040 to 88.511, and had reached, 115.848

¹³ The new Customs Tariff guarantees the liberalization of 86% of the types of goods imported from the region, in the context of the implementation of the Free Trade Zone of SADC, as well as the liberalization (zero rate excise duty) of around 70% of the types of goods imported from the European Union, in the context of the implementation of Economic Partnership Agreements (EPAs).

¹⁴ The Single Electronic Window is a facility that permits submission of standardized information through one point of contact, fulfilling in this way all requirements established for customs clearing, in order to drastically reduce the time for clearance; increase the production and treatment of commercial documentation and substantially increase State revenue.

contributors by 30th November 2012; As a result there has been an increase in revenue from this tax from 2,14 million Meticaís in 2009, to 23,85 million Meticaís in 2010, 48,15 million Meticaís in 2011, and 76,30 million Meticaís to 30th November 2012.

Table 3: Evolution of fiscal receipts, of NUITs and Level of Taxation in Mozambique (2007-2012)

Descrição	2007	2008	2009	2010	2011	Jan 2012	Comment [c1]: Translation seria: NUIT (Individual Unique tax code) - Individuals; collective; Taxpayers of simplified tax regime; Revenue from Income tax ; Level of Taxation (Revenue/GDP) Index of Taxation (Tax Income/GDP); Weight of the State Budget financed by external sources.
NUIT (Singulares)	186.337	187.195	183.233	249.299	321.297	45	
NUIT (Colectivos)	3.593	4.437	4.966	5.063	6.305	2	
Contribuintes no ISPC	-	-	9.040	33.130	46.341	2	
Receitas dos Impostos sobre os rendimentos (106 Mt)*	9.271,54	11.722,75	13.726,83	18.480,06	24.887,51	33.257,08	
IRPC	4.364,92	5.721,52	7.337,90	9.794,73	14.235,25	22.022,77	
IRPS	4.859,06	5.957,21	6.341,55	8.629,24	10.578,17	10.853,96	
Nível de fiscalidade (Receita / PIB)	16,60%	16,30%	17,87%	20,32%	21,83%	21,54%	
Índice de Fiscalidade (Receita Fiscal / PIB)	13,47%	13,49%	14,80%	17,17%	18,37%	18,49%	
Peso do orçamento do Estado financiado pelas fontes externas		56%	53%	44%	42,30%	11,03%	

Source: Tax Authority of Mozambique (2012); AFRODAD (2011); State Budget Execution Reports of the Ministry of Finance (2007-2011)

109. Continuity was given to the process of reforms in Public Financial Management, initiated in 2002 with the approval of Law no. 9/2002, on 12th February, the SISTAFE Law. According to the diagnostic analysis presented in the “Public Finance Vision: 2011-2025”, a document approved by the Council of Ministers on 19th June 2012, the following progress was achieved:

- Greater quality in the management of tax collection, aid, treasury, payment of salaries, procurement and external audit;
- Improvements in donor practices and predictability of Budget Support and Balance of Payments support, leading to positive effects on treasury management;
- Accounting for the use of external resources in projects - financed directly or through later incorporation of balances;
- Progressive breadth, transparency and quality in budget preparation and execution, caused by the expansion of e-SISTAFE;
- Reduced time and greater regularity in reconciliation of accounts, and improvements in the quality of reports, in budget execution and in the preparation of the State Accounts; and
- Improvement of the control and sustainability of internal and external public debt.

110. Despite the progress made, there is still much to do, which is the reason that the MF drafted the Public Finances Vision 2011-2025 that identifies the principal objective aimed to be achieved, and the guiding policy of Public Financial Management. In this way, the document presents the strategic objectives and the vision for each of them, results and indicators to be achieved by 2025.

111. The same document presents the monitoring instruments, key success factors for implementation, as well as risks that could put implementation at risk, namely:

- Accumulated Internal revenue collection inferior by at least 10% per year;
- Reduction in external financing or significant worsening of current credit conditions;

- Smaller influx of external resources via the State Budget and Unique Treasury Account (10% lower compared to that predicted);
- Severe instability in macroeconomic indicators (economic growth (7%), inflation (single digit), and exchange rate variation (single digit) and deficit in the current account of the balance of payments in relation to GDP (single digit), with a 5 percentage point greater variation in comparison with assumed levels;
- Severe political and social instability leading to diversion of attention of the institutions, or to allocation of resources for other activities;
- Occurrence of severe emergencies and exogenous shocks, internal and external, namely within the context of regional integration; and
- Combination of negative events previously identified.

112. There is still a major challenge in the reduction of foreign aid dependence, specifically in relation to financing of the Mozambican state budget, given that the increase in state expenditure has exceeded the increase in public income, implying a budget deficit, before donations of 17%, in 2011, despite the tax collection index having increased.

113. The findings converge on the fact that there is an unexploited potential with regard to companies, particularly large companies, which are in the extractive industry sector. According to the Bulletin of Tax Statistics (2012; 57) the contribution of megaprojects to State income, in 2011, was below 4%¹⁵.

114. Regarding opportunities of increasing income generated by the growing investments, particularly in the extractive industry, the following strategic actions are taking place:

- An inventory of mineral resources;
- A revision of the IRPC code, in order to:
 - i. Clarify the taxation of capital gains resulting from transactions of representative parts of social capital or other interests and rights carried out outside of Mozambican territory, between non-resident entities, involving assets situated in Mozambique;
 - ii. Expand the range of non-deductible charges for tax purposes, through the establishment of a limit for the deduction of forms of remuneration of partners of companies, as well as disallowing the deduction of costs shown in documents emitted by contributors who have irregularities in their Unique Tax Number (NUIT) or whose activities have ceased.
 - iii. Introduction of the concept of special relations based on transfer pricing, which was only considered for issues of under capitalization.
- A reform process is under way, with a view to adopting a new Mining and Petrol Fiscal regime by mid 2013 having.

¹⁵ The contribution of the megaprojects was 5, 47%, in 2008; 3,1%, in 2009; 4,76%, in 2010 and 3,46, in 2011.

A. Monetary and Financial Sector Policies

- The APR Panel recommended in this specific area that the capacity to carry out analytical work related to decisions and management of monetary policy be strengthened (i); that additional measures be introduced to broaden and deepen the expansion of financial services for zones that as yet do not have access to such services, and to reduce the interest rates (ii); that transactional charges of banking in general be reviewed and updated, and in particular ATM transaction charges (iii); that the process of establishing a Development Bank be initiated in order to guarantee access to credit for local business (iv); that additional measures are introduced to cushion the economy from the adverse impacts of the current global economic crisis (v).
115. The monetary authority – the Bank of Mozambique – has been implementing a series of measures in order to improve the performance of monetary policy around its principal short term objectives – currency stability, understood to be the maintenance of a low and stable inflation rate, in a context of financial sector stability – and medium term objectives – economic growth with low inflation.
116. In this way, according to the Bank of Mozambique (2011), the model for forecasting inflation in the short and medium term was improved, the communication of policy decisions was strengthened, liquidity forecasts were improved, and the determination of interventions in interbank markets was updated, based on international best practice, in order to regulate the liquidity in the system as well as controlling the Money Base – operational variable in monetary policy – and detailed analysis of prices and their sensitivity in relation to risks associated with current and potential shocks.
117. Improvements in forecasting are underpinned also by the investment that has been made in professional technical training and by improvements in the quality of the statistics and availability of new indicators that were incorporated into the forecasting models.
118. The mechanism for the communication of monetary policy decisions also improved, through:
- (i) The decision making process moved to being based on a wider range of information, structured in a single document, the Monetary Policy Document, which covers the principal economic and financial developments in the international, regional and domestic arenas, as well as presenting short and medium term projections and the respective risks;
 - (ii) The schedule of meetings where monetary policy decisions are taken started being published in advance on the website of the Bank of Mozambique;
 - (iii) Monetary policy decisions started to be communicated to interested parties on a monthly basis, through a press release posted on the website of the BM the same day that decisions are taken;
 - (iv) The monthly press release includes ever more new economic and financial information; the Bank started giving quarterly press conferences, to disseminate the content of decisions taken, among other aspects;

- (v) Still related to improving the monetary policy framework, the BM started publishing a quarterly bulletin (The Economic Environment and Inflation Perspectives).

119. On the other hand, national debates around the Extractive Industries Transparency Initiative (EITI) highlight the risk of insufficient instruments at the disposal of the monetary authority, to dampen the effects of an accelerated increase in investment funds to extractive industry, which can also put at risk management by the monetary authority, in reconciling short and medium term objectives. This concern is shared by the IMF (2011). This challenge will require a refining of the monetary and exchange rate policy management instruments in order to respond adequately. In this context, it is important to capitalize on the experiences of other countries such as Australia, Brazil, among others.

120. At the same time, the country continues to implement actions aimed at deepening the national financial market, being worthy of mention:

- In the context of challenges highlighted by the Bank of Mozambique in January of 2007, in spreading banking services, and expansion of financial services to rural and peri-urban areas, the number of branches of commercial banks in operation increased from 270 to 501 between 2007 and November 2012, covering 63 districts, against 28 districts in 2007.
- To support the process of widening banking in the economy, as well as improving access to financial services in the country, the Bank of Mozambique increased its representation in the country, from 3 to 8 provinces. It is through these 8 provincial branches that the Bank of Mozambique monitors the evolution of the sector in the different regions, and together with teams from headquarters, makes regular visits to the districts to assess the potential of these and to collect relevant information that can be used by diverse financial institutions interested in investing in these locations.
- In the period from 2010 to November 2012, the number of micro banks increased from 6 to 8 institutions, resulting in an increase in the number of micro bank agencies from 7 to 23 in this period.
- The number of microcredit operators increased from 74 to 198 between 2007 and November 2012.
- The interest rate of intervention by the Bank of Mozambique in interbank markets fell from 15,5% at the end of 2010 to 9,5% by November 2012.
- The Committee for the Coordination of the National Payments System (BM, banking institutions and telecommunications service providers) was operationalized.
- A second market, for Small and Medium Sized Enterprises (SMEs) to trade their shares, was created on the Mozambique stock exchange in order to introduce greater dynamism into the Mozambican capital market and help SMEs obtain financing. For this to happen, the Mozambique Stock Exchange approved, in 2012, the regulations on the second capital market, which constituted a decisive step for the transaction of securities issues by SMEs. With this measure, SMEs in Mozambique were able to benefit from another financing opportunity with more competitive conditions than those currently offered by commercial banks.

- In 2011, the Bank of Mozambique and the Government developed a Financial System Development Strategy to be consolidated in 2012, whose objective is to support the development of the national financial sector and consequently to widen access to financial products and services.

121. However, according to a statement by the Bank of Mozambique (2012), the interest rates on lending are still very high, and these have been less sensitive to the management of the Central Bank. This shows, therefore, that there are other more important variables that explain interest rates that need to be addressed. For example, it is possible that there are exaggerations from private banking as to the actual size of the risk.

122. So although there have been important actions on different fronts aimed at deepening the financial market, its impact on the ultimate objective - to increase access to capital - is still low.

123. In 2011, the Mozambique Interbank Society (SIMO) was launched, to allow a reduction in the costs of financial transactions in ATMs and POS's through the use of a common and universal technology platform, shared by credit institutions to ensure inter-operability of the various networks in the country. According to the Bank of Mozambique, all banks operating in the country will be effectively integrated with SIMO in 2013. At this time, the SIMO network comprises 9 ATM's and 3 POS's connected and fully operational, with three banks, representing a market share exceeding 50%, in advanced stage of completion of testing or adjustment of its platforms for the phase of connection to the network.

124. In addition to the ATMs and POS, commercial banks began to use alternative mechanisms, with the obligation to always inform the Central Bank, such as Internet-Banking or the use of mobile phones.

125. These measures represent important advances for the reduction of costs of transactions on deposits, but the big challenge is that information technology, and particularly the internet, still serve only a limited group of the Mozambican population, mostly in the urban environment.

126. Regarding the recommendation of the APR Panel to create a Development Bank, until 2012 there were no significant advances. A context of debate and consensus seeking prevails, given the differences in opinions between the Government, the private sector, commercial banks and development partners, in relation to the incentives that a development bank would create for the economy, as well as potential constraints. However, recent developments indicate that the newly created National Investment Bank (BNI) pass to act simultaneously as Development Bank. BNI with 100% public shares, in the opinion of its CEO will function as the promotion of socio-economic activity of the country and the strengthening of the productive sectors of the economy, investment financing with repayment in the medium and long term and encouraging productivity and competitiveness of micro, small and medium enterprises

127. Around the additional measures to protect the economy from adverse impacts of the current economic crisis, Mozambique prudently took some preventive measures that have shown results. The report of the third review of the IMF (2011), under the Policy Support Instrument, found that Mozambique continues to resist weakening global economic prospects thanks to the various measures that have been taken.

128. In this context, the Central Bank implemented a series of measures, as follows:

- Cooperation agreements were finalized with the central banks of countries with investments in the domestic banking sector;
- In 2011, the prudential banking supervision by the Central Bank was strengthened, particularly based on support from the "Access to Finance Challenge" fund; and
- The volume of international reserves was increased.

129. On the fiscal side, important measures were also taken, namely,

- Strengthening allocation to priority areas for fighting poverty;
- Implementing the policy of resource decentralization;
- Intensification of investments in infrastructures;
- Rationalization of expenditures;
- Promotion of investment based on financing from Eastern countries (China, India, Brazil)
- Provision of subsidies for fuel, wheat and some imported basic products with a view to mitigating the increased cost of living of the population;
- Increasing the value of the subsidy from the National Institute of Social Action (INAS); and
- Launching the Strategic Plan to Reduce Urban Poverty (PERPU).

B. Fiscal Policy

- The APR Panel recommended, as part of Fiscal Policy, the need to accelerate the process of accession to the International Extractive Industries Transparency Initiative (EITI), which aims to ensure that information on costs and revenues provided by megaprojects is available for public scrutiny and verification (i); that the tax and regulatory regime for megaprojects be reviewed in order to encourage and facilitate investment, promote exploration activities and remove unnecessary barriers and excessive and undue regulatory burdens (ii) that economic and industrial strategies be consolidated and made more effective in order to increase focus (iii).

130. Despite being at an early stage, it appears that extractive industry has potential to contribute to revenue and poverty reduction in the country. In order to promote transparency regarding payments made by extractive industries to the Government and the proceeds received by the Government as revenue that comes from exploration of exhaustible natural resources, Mozambique joined a global program launched in 2002, called Extractive Industries Transparency Initiative (EITI). It is through this initiative that it will be possible to increase public understanding of the contribution of the sector to economic development, and the use of resources collected by the Government in the form of taxes.

131. In relation to Mozambique's adherence the following steps can be highlighted:

- In 2008 Mozambique joined the EITI which constitutes one of the positive steps to ensure greater transparency and accountability in the extractive sector, through the full and systematic publication of company payments and revenues collected from oil and gas;
- In 2009 a Steering Committee was created, which members are drawn from representatives of Government, Civil Society and the Private Sector. The committee's task

is to organize, develop, implement and monitor the implementation of EITI in Mozambique, with the aim of observing the guiding principles of the initiative;

- In May 2009, Mozambique was formally accepted as a candidate country to the Extractive Industries Transparency Initiative (EITI);
- In 2010, the EITI National Secretariat was established;
- In 2011, a validation report was produced and submitted to the EITI International Secretariat in Oslo, Norway
- A national work plan for the period 2011 – 2013 was approved and the production of the second report and dissemination commenced;
- In March 2012, the second country reconciliation report was concluded that would be evaluated by the EITI Secretariat. This report is an important tool for full membership of Mozambique to the EITI;
- On 26 October 2012 the International Council of the EITI stated that Mozambique complying with EITI, becoming the 16th country to join the club of compliant countries after Zambia, which must be revalidated within five years, i.e., in October 2017.

132. Regarding the recommendation of the APR Panel on the need to review the tax and regulatory regime for the mega-projects, some legislative actions were carried out, namely:

- The Fiscal Benefits Code was revised with the approval of Law No. 4/2009, of 12 January which creates specific tax regimes for small entrepreneurial initiatives and substantially reduces the incentives to megaprojects;
- In addition to this Code, the Tax Authority is preparing a proposal for a revision of the tax system of the industry in order to create a specific tax regime for the mining industry (Oil and Mining) in relation to IRPC and surface tax;
- Approval of Law no. 15/2011, of 10 August, which establishes the guidelines of the procurement process, implementation and monitoring of public-private partnerships, large-scale projects and business concessions, to facilitate national businesses' involvement in working with megaprojects.

133. The above items are important foundations for exploring the potential of mega-projects. However, the main constraint remains the difficult issue of renegotiation of contracts with mega-projects, as well as publishing contracts such that the operating conditions are known and predictable, as acknowledged by Sachs (2011), (in: CIP 2011 - EITI implementation, natural resources management and urgency of renegotiating and publishing the contracts with mega-projects: the case of Mozambique) and Castel-Branco (2011), which are also in line with the vision of Hodges and Tibana (2005) among others. It should be noted that the Government is reviewing on a case by case basis the possibility of renegotiating the tax regime and incentives for major projects, according to Article 37 of the Law of Public Private Partnerships (PPP) No 15/2011 of 10 August;

- 134.Regarding the recommendation of the APR Panel on the need to make more effective economic and industrial strategies in order to direct its focus, the country has implemented important measures with some visibility on the ground.
- 135.Excluding major projects, there is a growing trend of increasing investment in key areas for employment generation and those that represent a significant part of social welfare. In this context, in 2011, investment promotion has led to the following sectoral distribution: Agriculture and Agro-Industry (27.60%), Construction (21.04%) and Transport and Communications (18.06%), the rest was distributed among other sectors. As for employment, the service sector made up 23.83%, Agriculture and Agro-industry 22.28% and construction 19.46%.
- 136.The GdM (2007 - 2011) show a progressive increase in business licensing, having, for example, incorporated 4,977 new companies into the areas of industry, trade, tourism, agriculture, livestock, transport and communications and construction, in 2011 alone.
- 137.The GdM (2011) also states that the number of companies using a uniform concept of Corporate Social Responsibility has increased. The same document states that the number of vocational training centres, responsible for training labour with the skills needed by labour market, have increased.
- 138.The Minister Counsellor of the Embassy of Brazil, quoted by the report on the Regional Conference on Management of Public Resources and Foreign Aid (GMD, 2011), states that South-South technical cooperation has been intensified, particularly with Brazil, which is relevant for the absorption of knowledge and appropriate technology. The Ministry of Foreign Affairs and Cooperation also underlines the growing importance of triangular cooperation, examples being the "Platform - Project for Support to Agricultural Innovation in Mozambique", project "ProSavana" – Project for the improvement of research capacities and technology transfer for the Nacala Agricultural Development Corridor, and "ProAlimentos" – Technical support programme to nutrition and food programmes in the country.
- 139.A system of skills certification in Agriculture, Industrial Maintenance, Hospitality and Tourism Administration and Management was also introduced.
- 140.However, extractive industry has dominated industrial growth in the country; from 2010 to 2011, this component grew 15.6%, against a moderate average growth rates in the food and drinks industry and basic metallurgy sectors of 3,1% in 2011. Although the extractive industry is receiving the bulk of investments, this can still not be said to be the driving force of the economy, given that it has weak linkages with the other sectors of the economy, and generates few jobs, not forgetting the still weak contribution to State finances, while recognizing that substantial gains will become more visible in the long term. And as previously mentioned, rapid growth of investment flows to the sector also challenge national capacity of macroeconomic management, particularly monetary and exchange rate management.
- 141.APRM progress report also found that the business environment for Small and Medium scale Enterprises (SMEs) is still constrained, and the root causes, already recognized by the Ministry of Industry and Trade's (2007) Development Strategy for SMEs, are the excessive regulatory barriers, the high cost of financing and limited financial resources, poor labour skills, weak

access to markets, lack of vertical and horizontal linkages between firms, and low entrepreneurial spirit.

C. Investment Promotion

- In relation to investment promotion the APR Panel recommended that explicit and wide reaching strategies be formulated to strengthen SMEs by facilitating access to credit and providing infrastructure and training for these companies (i), increasing the efficiency and effectiveness of the State in providing service to the private sector, rather than mere fiscal incentives (ii), and the need to improve and strengthen the One Stop Service Desks by reducing the requirements and bureaucratic delays (iii).
142. With regards to the APR Panel's recommendation to ensure the formulation of explicit and comprehensive strategies to strengthen SMEs by facilitating access to credit and providing infrastructure and training for these companies, in 2010 the Institute for the Promotion of Small and Medium scale Enterprises (IPEME) was established within the Ministry of Industry and Trade. The document of economic and industrial strategies was also revised, focusing on modernization and development of SMEs and of the informal sector on a regional basis for balanced development and published working papers on economic and industrial strategies.
143. On the other hand, interest rates of the interbank money market interventions were revised downwards. For example, the average interest rate for liquidity swaps between credit institutions decreased from 13.1% in December 2010 to 2.8% in November 2012. Financial institutions were financed as an incentive for expansion or installation in rural areas. In this context, in 2011, 2 commercial banks, 2 Microbanks and 74 Microfinance Institutions were authorized. However, the impact of these measures is still not very visible.
144. Regarding the APR Panel's recommendation to increase the efficiency and effectiveness of the State in providing services to the private sector, rather than mere tax incentives, Decree 14/2007 of 30 May was introduced, allowing simplified licensing by the BAU's (One – Stop Service Desks) which drastically reduces the time required to start a business (further improved with decree 05/2012 of 07 March); six new collection stations were created in 2010, and 13 more in 2011, allowing the Tax Authority to become closer to taxpayers; in October 2011 a pilot Single Electronic Window (SEW) initiative was started to allow customs clearance of goods and payment of customs duties and other charges via bank, with the expectation that by the end of 2013 more than 90% of customs transactions will occur electronically. Implementation of the e-tax for the payment of internal taxes (IRPS, IRPC, VAT, ISPC, among others), electronically and via bank transfer, with the expectation of maturation of the project in 2014, and the Code on Tax Benefits was created with the approval of Law No. 4/2009, of 12 January which creates specific tax regimes for small entrepreneurial initiatives and substantially reduces the incentives to megaprojects.
145. Regarding the APR Panel's recommendation for strengthening the One-Stop Service desks (BAU's), efforts were made in improving service provision by equipping and strengthening the service desks with IT resources, furniture and training. This activity was carried out by MIC in coordination with the Ministry of Science and Technology, among others; and new collection and service stations were opened in the three regions of the country.

146. In addition to expanding and equipping the BAU's, there was an experience exchange with Portugal and Cape Verde, and in the future it is intended to use an integrated platform for the provision of services to citizens, through greater integration of sector services, accompanied by an expansion of the physical space of the BAU.

D. External Position

- The APR Panel recommended on this issue that an incentive structure be created that is geared towards linking the industrialization process with the country's resource base in order to create strong forward and backward linkages (i), and that the recommendations of the Summit of Heads of State of the African Union in February 2007 according to which governments should allocate a budget of at least 1.0% of total GDP for the industrial sector, be implemented (ii).

147. To ensure a targeted incentive structure linking the industrialization process with the country's resource base, important activities were carried out, in particular:

- Opening up and connecting the country through intensive rehabilitation of primary roads;
- Rehabilitation of transport corridors and infrastructure in development corridors;
- Expansion of vocational schools;
- Approval of the Integrated Investment Programme that established an intersectoral vision and identifies some of the criteria to be used in project selection; and
- Production of monitoring reports on the provision of services crucial to the development of the private sector such as roads, communication systems, electricity, and infrastructure.

148. To ensure implementation of the recommendations of the Summit of Heads of State of the African Union in February 2007 according to which at least 1.0% of total GDP should be allocated to industry, various measures to boost the industrial sector were taken, as mentioned in previous points, despite the difficulty that budget classifications used in the country do not enable us to identify the percentage directed to the industrial sector. Sectors such as infrastructure and education contribute to the creation of conditions for industrial development and, on this basis, public resources allocated to these sectors also contribute to industrial development. Estimating total resources that go to industrial development is therefore complex, but this complexity results from the type of budget classifiers used, namely, economic, functional, organic and territorial. The above recommendation requires adequate classifiers, such as the programmatic classifiers, which are now in a pilot phase of implementation.

149. Therefore, it is suggested that the evaluation should be made from a functional perspective, where it may also consider the indirect contribution of other sectors.

Objective 2: Implement sound, transparent and predictable government economic policies.

A. Public Sector Reform

- In the field of Public Sector Reform (PSR) recommendations of the Panel of Eminent Persons were related to strengthening the capacity of the Inter-Ministerial Commission for Public Sector Reform and the Technical Unit for Public Sector Reform and aligning the process of public sector reform with the capacity needs of the country in the medium and long term (i); decentralization of more authority to provincial and district levels to mobilize resources, as part of the decentralization process and allowing local communities ownership of their economic development (ii) broadening the tax base, increasing the efficiency of taxation and introducing greater transparency and equity in the tax system (iii); analyzing not only financial matters and internal audits, but also issues of delays in implementation, cost overruns and impact of projects (iv); continuing to strengthen the system of public consultation and participation in making economic decisions (v); strengthen the capabilities of analytical work underpinning planning and economic decisions (vi); transition from programme budgeting to Integrated Resource-based management (vii); ensure that MPs and constituency representatives are able to liaise with their respective constituencies and are informed of the policies and activities of the Government (viii); ensure effectiveness and efficiency in Public Financial Management and tax reform (ix) and ensure proper planning, budget formulation and oversight of macroeconomic policies (x).

150. To strengthen the capacity of the Public Sector Reform process and its link with the country's needs, we highlight the following actions taken by the Government:

- Produced a Procedures Manual for activities related to Administrative Audit and Inspection of the State and Guidelines for the Inspector;
- Completed the proposed Regulations for the Career of Administrative Inspection, the professional qualifiers, and the Code of Conduct;
- In 2011, the Council of Ministers approved the Strategic Plan for the Development of the Public Administration 2011-2025 (PEDAP), the respective Action Plan 2011-2014 and Communication Plan;
- Approved the Guidelines for Linking of Systems under Article 170 of the EGFAE (Civil Service and the National Institute of Social Security), which came into effect starting December 2011;
- Approved the Law on the Organization and Functioning of the Public Administration in 2011;
- Approved the Organic Statutes and 19 Personnel Structures for the institutions of Public Administration;
- Approved the Organic Statutes of administrative posts and localities;
- Created 131 document evaluation committees, being 18 of the central bodies, 73 at provincial level and 35 at district level, making a cumulative total of 573 since 2008.

151. In the context of decentralization of the mobilization of resources to the provincial and district levels, several improvements were made, namely:

- Approved the National Policy and Strategy for Decentralization (PEND) by the Cabinet;

- More resources were allocated to local state bodies, having been allocated to the provincial assemblies in 2011 10 light/protocol vehicles and 158 cars distributed to other sectors at the level of provincial governments including the City of Maputo;
- 307 buildings constructed and 302 rehabilitated for local state bodies across the country between 2010 and 2011;
- Training courses and capacity building of members of the Provincial Assembly, and produced electronic accountability reports (e-Sistafe) at local level.
- e-Sistafe expanded to over 38 institutions at central level, 22 at provincial level and 18 at district level, which contributed to the increase in direct execution from 37.5% at the end of 2010 to 42.22% by end of 2011 (CEDSIF, 2012), being expected that by the end of 2014 all institutions, that have the necessary technical and human resources, are operating via e-Sistafe.

152. Mechanisms and tools were created to enable the widening of the tax base in order to increase efficiency and transparency in the tax system, especially:

- Expansion of the tax base through the introduction of the Simplified Tax for Small Contributors (ISPC) since 2009;
- Reform of the tax law, such as the revision of the mining fiscal regime;
- Opening of more collection stations, and consolidation of existing ones, linked to the Directorate of the relevant fiscal area (as indicated above) such that the AT is brought closer to the taxpayer;
- Computerization of the tax collection system (examples cited above);
- Establishment of an effective system of management and control of tax debt (through specific regulatory instruments), to facilitate their recovery and maximize revenue;
- Geographic expansion of the program of attribution of NUITs;
- Intensification of tax education campaigns aimed at popularizing payment of tax and broadening the tax base, and
- Recovery of debt in the amount of 466.97 million MT.

153. Under the process of additional reforms to IRPS and IRPC, in December 2012 the proposals to amend the Laws which approved the IRPS and IRPC codes were approved by the Assembly of the Republic.

154. An independent evaluation was carried out annually of the Performance Assessment Frameworks of the Government and the Donors (PAF) enabling an analysis of the performance indicators for both parties through the process of the Annual Review. The Government carried out the evaluation of Partners' Programme Aid itself, rather than hiring independent consultants.

155. The system of public consultation and participation in decision making was strengthened, although there are still bigger challenges; we can highlight the following progress:

- Conducting regular (annual) Development Observatories at the central level and for all provinces, with a view to ensuring accountability;

- Established the process of continuous review of the indicators of the Economic and Social Plan (PES) during the Annual Review, based on the Memorandum of Understanding with the Programme Aid Partners (PAPs), a process involving Government, Civil Society and Partners cooperation, and
- Developed a national document, with the participation of different development actors, on the stage of implementation of the commitments on Aid Effectiveness, presented at the Fourth High Level Forum in Busan¹⁶ and developed a national action plan.

156. There has been continuous capacity building related to work underpinning planning and economic decisions, through:

- Creation of a training program for the staff of MPD, MF and the Bank of Mozambique to participate in different seminars and short courses organized by the IMF, World Bank, AERC, University of Cape Town (South Africa);
- Short-term training in the area of programming and macroeconomic management, monitoring of fiscal and public debt sustainability analysis;
- Implementation of technical assistance programs in the following areas: (i) public finance statistics, (ii) planning and program budgeting, and (iii) tax reform (especially tax law regards the tax treatment of mineral resource projects);
- Prepared the Conceptual Model of the National Planning System;
- Annual updates of the Medium Term Fiscal Framework as a framework guiding the planning of public actions;
- Approval by the Council of Ministers of the National Policy and Strategy for the Operation and Maintenance of Public Infrastructure;
- Design and Testing of a District Development Monitoring System (SMDD);
- Reviewed and evaluated the National Population Policy;
- Thematic studies carried out to guide public planning;
- Creation of a database of Sector Policies and Strategies that are being used for the Preparation of the National Development Strategy, and development of criteria for the installation of Special Economic Zones and Industrial tax-free Zones;

157. Progress in the transition to program budgeting can be highlighted, as evidenced by the following measures:

- The structure of planning and budgeting by programs, is guided by allocating resources based on an assumption of prioritization of strategic areas that can stimulate national production and generate income and therefore increase welfare, as well as attracting foreign direct investment that promotes multi-faceted, rapid and sustained development;
- The methodology of planning and budgeting by programs was enhanced through the development of performance indicators for evaluating the effectiveness of measures included in the PES and monitoring the objectives of the Government's Five Year Program (QGP) and PARP;

¹⁶ IV High Level Forum on Aid Effectiveness in Busan in 2011

- The Conceptual Model of the National Planning System was developed, that identifies the current situation and how this should be in future;
- Capacity building activities for technicians at central, provincial and district on matters related to planning, management and budget execution were strengthened, with an emphasis on operationalization of programmatic classifiers.

158. Although challenges prevail in supervision of government actions by the parliament, the following steps were taken by the Government of Mozambique to ensure that Members of Parliament individually and in their constituencies are informed of the policies and activities of the Government:

- Conditions created in order to carry out permanent work at constituency level to consult on policies and activities of the Government;
- Initiatives launched to connect Parliamentarians and Civil Society, such as the inter-parliamentary dialogue (e.g. collaboration between the Budget Monitoring Forum and the Commission of Planning and Budget of the Assembly of the Republic, facilitated by civil society), and
- Designed a strengthened link between Parliament and Civil Society in the perspective of the post-Busan aid effectiveness agenda.

159. In the management of public finances and tax reform, there were the following advances:

- The Vision for Public Finance 2011-2025 was approved, a document that assesses the reform efforts undertaken since 2002, its impact on the management of public finances, and identifies processes, actions undertaken and indicators to be achieved by 2025 based on four interim periods 2011-2014, 2015-2019, 2019-2024 and 2025.

160. In respect of activities for expansion of e-Sistafe, system users were trained:

- 45 training sessions were conducted for staff at national, territorial and provincial levels (in 2010) and 33 (in 2011) in the following areas: i) Customs techniques ii) Taxation techniques; iii) Administration and Management, and iv) Information Technologies and Communication;
- Design and development of the Management of State Assets module was initiated. In 2011 the functionality for preparing the inventory was developed, and by the end of 2012 the list of suppliers is expected to be completed, while it is expected that the completion of all the features of this module will occur by the end of 2014;
- The law establishing the legal framework for Public Enterprises, the Law on Public Private Partnerships (Law No. 15/2011, of 10 August and Regulations by Decree No. 16/2012, of 4 June) was approved by the Assembly of the Republic;
- The Public Debt Management strategy was completed and approved, and in 2011, the Committees on Public Debt Management and Coordination and Project Selection were created, to operationalize the Medium-Term Debt Strategy;
- The attribution of Unique Tax Identification Numbers (NUIT) to individual and legal persons was strengthened, with progressive over-achievement of annual targets. According to information from the Tax Authority, the goals for taxpayer registration were surpassed almost all years: Year 2007, 126.7%, Year 2008, 95.6%, Year 2009, 87.1%, Year 2010, 131.3%, and Year 2011, 108.7%. By the end of 2011, 1,632,859 Nuits had been allocated and by the end of 2012 the number was 2,005,575 taxpayers, exceeding the projected target of 2,000,000 for the year 2012;

- The system of management and control of tax debt was established and the Assembly of the Republic approved Law No. 8/2011, of 18 January, which allowed the payment of accumulated debts by the end of 2011 without penalty or extra charges;
- Intensified supervision and audits of taxes on foreign trade for the recovery of additional taxes;
- Opened new collection stations and border posts. In this context, for example, from 2010 to 2011, nationally, 13 collection stations were opened, 02 in the North (Monapo), attached to the DAF of Nacala and Mogovolas attached to the DAF of Nampula, and 06 in the Central Region (Cheringoma, Mwanza, Chemba, Machanga Muxungué), attached to the DAF of the 2nd Quarter of Manga and (Mukurara) attached to the DAF of Tete; and 05 in the South (Garden and Xipamanine) assigned to the DAF's of the 2nd district of Maputo (Machava and Namaacha) and (Inhassoro) attached to the DAF of Vilanculos;
- Created, to replace the project Portal for Taxpayers, the project for Modernization of Taxpayer Services, having been divided into two phases: The 1st corresponds to the implementation of the call centre, and the 2nd to the Taxpayers portal;
- Operationalized the database of the One Stop Electronic Window for customs clearance and electronic interaction with users and administrators.
- A proposed Statute for Audit Committees was drafted within the context of the creation of Internal Audit Committees at central level;
- Prepared and shared the second and third Public Expenditure and Financial Accountability (PEFA) reports.

161. The system of planning and budgeting still needs greater sectoral integration, as well as a better link with consultation forums (Advisory Councils, Development Observatory, etc.). To ensure proper planning, budget formulation, and supervision of macroeconomic policies, the following actions and measures were taken:

- Proposal for the revision of the national planning and budgeting system (coordinated by the National Directorate of Planning, following a survey of participants in the planning process in 2010);
- Conducting regular seminars or annual fiscal policy analysis meetings, based on the process of Assessment of Public Finance Management and Public Expenditure and Financial Accountability (PEFA) and the Annual Review Process with G19;
- Regular participation of the technical staff of MPD, MF and BM in the seminar on macroeconomic policies and growth to evaluate macroeconomic policies (organized by the World Bank and IMF as supervisors of macroeconomic in Mozambique);
- Initiated the process of program budgeting to the level of provincial directorates;
- Annual update of the Medium Term Fiscal Framework;
- Initiated the update and revitalization of "Agenda 2025", and
- Produced the Guidelines for the Development Observatories, whose applicability still faces challenges.

B. Policy Coordination

- The APR Panel recommended that a comprehensive review of the system of allocation of funds to various districts for the production of food and the creation of employment be carried out, in order to make this process more transparent, equitable, effective and sustainable (i), and that Consultative Councils be trained in project planning, especially in the identification and preparation of projects (ii).
162. On the recommendation of this APR Panel, in the context of decentralization, the Government continues to give priority to fiscal decentralization to the District as a centre of economic and social development, in accordance with the PQG 2010-2014.
163. Regarding the training of Consultative Councils, several capacity building and training sessions were carried out. For example, the MPD has trained members of the consultative councils in the identification and preparation of projects. In the context of the new Organic Statute of administrative posts and localities, heads of administrative posts and localities were trained. In connection with these actions, in 2011 there were training sessions that involved a total of 240 members, namely: 82 Heads of Localities in the Province of Cabo Delgado, 27 heads of administrative posts and 93 heads of localities in Inhambane Province, and 38 Heads of Administrative Posts of Niassa Province.
164. In addition to the training facilitated by the Government, other capacity building activities have been carried out by non-state institutions (local and international NGOs) at the level of Local Consultative Committees.

Objective 3: To Promote Sound Public Financial Management

A. Policies

- For this objective, the APR Panel recommendations to the country were to guide the process of drawing up plans and programs of investment and SMEs to ensure their alignment with the industrialization objectives of the country (i); continue to strengthen and consolidate the expansion of the implementation of the Financial Management System (SISTAFE) (ii); harmonize and implement the rules and measures for planning, implementation and execution of public sector resources (iii); continue to consolidate and improve the reforms in the tax system (iv) and continue to improve the structure of tax administration with a view to making it more efficient (v).
165. To ensure compliance of plans and investment programs and SMEs with the objectives of industrialization of the country, several actions were carried out:
- Guidelines were developed to guide the process of developing plans and investment programs in the country;
 - The private sector, coordinated by the Confederation of Economic Associations of Mozambique (CTA), participates in the process of setting priorities in planning documents, and as part of this, is involved in policy dialogue with institutions such as the Ministry of

Industry and Trade, Ministry of Agriculture, Public Sector Reform Technical Unit, Ministry of Health, etc.

166. Under the promotion of agro-processing industries to take advantage of local resources in areas with agricultural potential, the Institute for the Promotion of Small and Medium Enterprises (IPEME) is developing a program of rural industrialization, with special focus on the establishment of Agro-industrial Demonstration Centres and a substantial part of the actions are being implemented in coordination with the Provincial Directorates of Industry and Commerce (DPICs) and companies in the sector, namely, kanga, Tecnologia e Consultoria Agro-Pecuária (TECAP) and PROCAMPO as well as some stakeholders such as the Foundation for Community Development and the Polytechnic Institute of Gaza. In the context of industrialization, IPEME mapped agro-processing machines established in 2011, reaching a total of 1,268 small units;
167. Some companies were certified in quality management systems;
168. 3,479 entrepreneurs and business owners were assisted and trained in areas such as preparation of business plans, business start-up and access to finance (in 2011 there were 3,479 beneficiaries), and
169. Guidance Centres for Entrepreneurs were extended to more provinces, with the opening of another centre in Tete.
170. Implementation of the Financial Management System (SISTAFE) was extended, although despite some progress major challenges remain to its implementation at district level. To ensure its strengthening and consolidation the following actions were performed: In 2010, the Government started the implementation of Phase III of the Program for the Modernization of the State Financial Administration. Their strategic actions and respective budget are included in the PAO 2010-2012, which included SISTAFE reform initiatives considered crucial for wider reform of the Public Finance Management (PFM), as laid out in the Vision for Public Finance, 2011-2025.
171. Work continues on the gradual implementation of payment by direct execution, with a view to paying suppliers/creditors directly via e-SISTAFE. By the end of 2012, of the 920 existing UGBs in the country, 620 already had e-SISTAFE, of which 138 at central level, 401 at provincial level and 81 at district level. With regard to payment of salaries via e-Folha (e-payroll), by 2012 1035 state institutions, of which 122 at central level, 460 at provincial level and 104 at district level and 349 schools were integrated into the system. By 2011 82 Organs of Internal Control (OCI) were operationalized, with 34 at central level, and 48 at provincial level, which have, to date, issued 4.402 audit recommendations; with the deployment of e-SISTAFE and the payment by direct execution in 2012, Direct Budget Execution increased from 37,% in 2009 to 52,6% in 2012; improvements were made in the technological infrastructure of e-SISTAFE; in 2011 a seminar was held for external auditors to disseminate the rules of SISTAFE and its use in carrying out audit work.
172. The Conceptual Model for the Planning and Budgeting Subsystem was developed.
173. To consolidate and improve the tax system reforms, between 2010 and 2011 the following main instruments were approved: the Law on the Specific Customs Regime for Mozambican

Miners in South Africa, the Law establishing the Chamber of Customs Brokers. Additional reforms of VAT, IRPC and IRPS, were approved by the Assembly of the Republic at its meeting in December 2012. The new rates will apply from January 1, 2013.

174. To make the structure more efficient, measures were taken to modernize tax administration with significant impact in promoting the improvement of the business environment in the country, in particular the project of One Stop Electronic Windows for foreign trade that is in a pilot phase, and e-taxation for domestic taxes in order to facilitate tax payments and speed up the process of customs clearance of goods, since submission of information is standardized, through a single point of contact, and is having significant impacts on improvement of the business environment in Mozambique, allowing the reduction of clearance time of goods and reducing operating costs in the country

B. Monitoring and Accountability on State Income and Expenditure

- The APR Panel recommended that subsystems be developed which provide timely and credible information on budgets and the assets of bodies and institutions of the state (i), and greater efforts be made in order to ensure that the financial reports of the government are accessible to the general public, especially those who are in rural areas (ii).

175. To ensure timely and credible information on budgets and assets of bodies and institutions of the state, the Centre for Development of Information Systems (CEDSIF) was created within the Ministry of Finance and the Vision of Public Finance from 2011 to 2025 was approved, to define a guiding framework and boost implementation and programming of major actions to be implemented over the period 2011 and 2025, aiming to achieve a level of excellence in management and governance of public finance.

176. Other important actions carried out included:

- Intensified use of the web pages of the Ministry of Planning and Development, Ministry of Finance and National Institute of Statistics (www.mpd.gov.mz, www.mf.gov.mz and www.ine.gov.mz) in providing Plans and Budgets.
- More information on State Financial Holdings incorporated in the General State Account.
- Increased Registration posts for employees and agents of the state at the district level, reaching 82 districts in 2011, out of a total of 128 districts.
- Produced a Statistical Yearbook of Civil Servants and Agents of the State.
- Developed a Strategic Plan of the National Statistics System and initiated actions to extend infrastructure and human resources to cover the district level.
- Updated the ODAMOZ database (Official Development Assistance to Mozambique Database) of external funding.

- Increase in use of Development Observatories at central and provincial levels as an excellent forum for the accountability of the Government, with the participation of Civil Society, Government and Development Partners, at the central level, and Civil Society, Government, Partners Cooperation, Provincial Assemblies and Local Advisory Councils at the provincial level.
- In terms of sector program support, the Government annually receives missions and facilitates monitoring and evaluation of cooperation partners.
- The Government, in turn, is accountable to the Assembly of the Republic, in accordance with the timetable and legal deadlines, both through the reviews of management tools (BdPES and OE), and through the State General Account. There are also specific sessions for information and questions to the Government.
- The draft Law on Access to Information was submitted to the Assembly of the Republic in the previous term and will be considered during the session that began in March 2013, however, access to public information is still a challenge despite some isolated efforts by some sectors.

177. To ensure that the financial reports of the government are accessible to the general public, especially those who are in rural areas, the Ministry of Finance launched the initiative to simplify the budget and make available the Citizens Budget in small brochures. Furthermore, the same Ministry publishes timely reports on the implementation of the State Budget, in order to allow the monitoring of the use of public funds by citizens.

C. Oversight of Government Fiscal Operations

- It was recommended by the APR Panel to strengthen the capacity of Parliament in terms of oversight of public finances (i), and to ensure vigorous follow-up action in response to reports of the internal and external audit units and the reports of the Administrative Court and Parliament on the management of public finances (ii).

178. Regarding the recommendation of the APR Panel on the supervision of public finances by the Parliament, this exercise needs further improvement: despite some advances such as sectoral inspection visits by the Committees of the members of Parliament and respective reports containing recommendations (11 provinces and 80 districts visited by the Committees of the Parliament per year); communications prepared by the provincial Assemblies of Planning for the Planning and Budget Commission of the Assembly of the Republic on the supervision of execution of the Plan and the State Budget at provincial level, resolutions made by the Assembly of Republic on the General State Account.

179. To ensure vigorous action in response to reports of the internal and external audit units and the reports of the Administrative Court and the Parliament on the management of public finances, a system was developed within the Inspectorate General of Finance (IGF) for management and monitoring of recommendations of audits performed by the IGF and recommendations of the Report and Opinion of the Administrative Tribunal regarding the State Accounts. In this context, in 2011 specific measures were carried out to follow these recommendations in 20 institutions at central, provincial and district levels.

D. Fiscal Decentralization

- The main recommendation of the Panel of Eminent Persons in this field was to accelerate the process of fiscal decentralization so that local communities can take charge of their economic development.

180. Given this recommendation by the APR Panel, the Government, through the Ministry of Finance, has strengthened decentralization of budget execution, especially the salaries fund, goods and services expenditure, and the internal investment component, complemented by efforts to empower institutions at provincial and district levels in matters relating to budget planning, management and execution; the expansion e-Sistafe of terminals to more UGBs based in the provinces and districts and strengthening and training in the area of accountability.

181. There is an increase in the proportion of Provincial, District and Municipal spending being executed at provincial and district level, having in 2011 reached 30% of the total budget in 2011, representing an increase of about 2 percentage points against 2009.

Objective 4: To Fight Corruption and Money Laundering

- For this objective the APR Panel recommended allocation of sufficient human and financial resources to the institutions established to fight corruption, including strengthening the GCCC (i); establish an open process in the appointment and mechanisms for appointing the Director of the GCCC to ensure consensus on a candidate (ii); complete and disseminate sentences for all major corruption cases pending in court and those who have not been properly prosecuted (iii); implement and apply appropriate and effective protection of witnesses (iv) establish an accountability mechanism outside of government, such as a parliamentary selection committee, in which are represented all major political parties, to nominate and ensure that the PGR is an independent person with a degree of integrity and who is properly protected while carrying out their duties (v); conduct a detailed study on money laundering in the country with a view to the formulation of policy and the creation of a mechanism for resolving the problem (vi), and start a continual national campaign to raise awareness of anti-corruption laws among all citizens (vii).

182. Regarding the recommendation of the APR Panel on strengthening of human and financial resources of institutions to fight corruption, it should be noted that the Government developed a system of communication and control that allows responsible agencies to receive communications on financial transactions, by representatives of activities and professions designated as non-financial, in the scope of its responsibilities.

183. Various training courses were also organized for technical staff of institutions subject to the duty of disclosure and the entities responsible for applying the law.

184. To improve the geographic spread of dissemination of the methodology to fight corruption several activities were carried out, of which the following stand out: For example the

mechanism of segregation of duties at the level of sectors that interact directly with the public to allow the investigation of cases or receipt of expedites and decision-making based on principles of transparency. Brochures of the Administrative Procedures Act. No. 14/2011, of 10th August, were published and disseminated, and "Palaces of Justice" were constructed at the level of provincial capitals and some districts.

185. For the same purpose two National Conferences on Good Practices in Public Administration (2009 and 2011) were held.

186. The Strategic Plan for the Development of the Public Administration 2011-2025 (PEDAP) and its Action Plan 2011-2014 and Communication Plan were approved.

187. Regarding the recommendation of the APR Panel to establish an open process for the appointment of the Director of the Central Office for Combating Corruption (GCCC), the requirements for candidacy were defined. The post of Director of GCCC should remain in the hands of a career magistrate, chosen through a public competition, a process that should be run by the newly created National Commission on Human Rights or another independent commission. It is noted that the number of submissions of allegations has increased. In 2011, we recorded 520 allegations of corruption, whose investigations were set in motion, resulting in 102 charges, 4 allegations required to gather more evidence, 201 allegations filed and 44 tried. However, information on cases and their location is not public. In this perspective the challenges that arises is are:

- a. Guarantee the independence of judges in all domains.
- b. Allow the publication of judgments in the Government Gazette
- c. Ensuring legal and financial training of technicians in the preparatory investigation of corruption cases.

188. Regarding legislation, an Anti-Corruption Legislation Package was submitted for consideration by the Parliament. The package includes bills Organic Law of the Attorney General's Office and the Statutes of Public Prosecutors, Code of Ethics for Public Servants and Victim, Whistleblower, Witness and Other Subjects Protection Act, and the Criminal Code. Of this package, in 2011 the AR approved the revision of the Organic Law of the Attorney General's Office and the Statutes of Public Prosecutors and in 2012 approved the Public Integrity Law and Proposed Victim, Whistleblower, Witness and Other Subjects Protection Act. The proposed Criminal Code will be assessed at the beginning of year 2013.

189. However, while the Victim, Whistleblower, Witness and Other Subjects Protection Act has already been approved, it lacks the necessary material conditions for its implementation. For example, equipping courtrooms with systems to allow witnesses to be heard without having to appear in the courtroom; creating capacity for physical protection of witnesses or whistleblowers, for example, by creating safe houses, police protection, etc..

190. It should also be prevented that defendants can bring legal proceedings against witnesses, based on the facts presented by the witnesses, by invoking their rights to good name and reputation. The reporting of suspicious transactions to recipient entities is through the filling out of a form and its publication. To this end, it is forbidden for the recipients, as for all people who work for them or providing service to them, either on a permanent, temporary or casual basis,

to give notice to contractors, their representatives or agents, or any third party, that the transaction was considered as revealing indications of the money laundering or terrorism crimes, or that this has been communicated to the competent authorities.

191. The draft law to unionize the Civil Service based on Article 86 of the Constitution, which enshrines freedom of association and Article 76 of the General Statutes of Civil Servants and State Agents (EGFAE) will be submitted to Parliament by the Government.

192. The National Plan for the Promotion and Protection of Human Rights was harmonized at the sectoral level.

193. The High Court of Appeal (TSR) was installed in Maputo, and those in Beira and Nampula planned.

194. Regarding the APR Panel's recommendation that a detailed study on money laundering in the country be carried out, with a view to formulating a policy and the creation of a mechanism for addressing the problem, the Government carried out the following steps:

- Completed the second national survey on Governance and Corruption and the results assessed by the Council of Ministers;
- Implemented the Law on combating money laundering by inspecting credit institutions and financial companies;
- Submitted to Parliament the Money Laundering Draft bill or review of the current Act.
- Various research papers on the determinants of the money laundering in the country were developed;
- Various agreements and memorandums of understanding were signed with foreign counterparts;
- The Financial Information Office (GABINFO) was created, and an investigation is underway by academics close to the commercial banks and the Bank of Mozambique to establish the most reported cases of money laundering. Symposiums will be promoted and held on the social costs of money laundering and transnational financial crimes.

195. Regarding the Panel's recommendation on a national campaign to raise awareness about continuing corruption and disseminate the anti-corruption law to all citizens, the following actions were undertaken:

- Introduced, from basic education, subjects related to professional ethics;
- Provided a budget to the Ministry of Justice, to finance the costs of disseminating the anti-corruption laws to be approved by the Assembly of the Republic (AR), by publishing in the major newspapers and television channels in national languages;
- Created posters, newsletters and radio programs to disseminate the law;
- Make use of college students from law schools to carry out dissemination activities in their holidays, and
- Radio and television programs should transmit programs on dissemination of the law.

Objective 5: To Accelerate regional integration by participating in the harmonisation of monetary, trade and investment policies.

- Under this objective, the APR Panel recommended to: facilitate trade, particularly for small traders through more education and dissemination of information on import and export regulations (i); create conditions in border posts and simplify costly compliance measures to facilitate interaction with other countries; (ii) jointly with partner governments improve import and export requirements so that they are appropriate to the needs of small traders (iii); rapidly introduced one stop border post to ensure that the benefits resulting from freer regional trade flow to the country (iv); implement a coherent tourism strategy, especially in relation to the FIFA World Cup 2010 in South Africa (v); disseminate the results at national level, through public meetings and seminars (vi); define and reinforce strategies to reduce the cost of doing business (vii), and promote regional integration (viii).

196. In order to facilitate international trade and disseminate information on regional integration Memoranda of Understanding (MoU) were signed with various segments of business, cultural, sporting and religious associations and with educational institutions (schools and universities), including small traders to promote tax and customs education, popularization of taxation, and broadening the tax base, as well as their integration into the formal economy. Beyond these MoUs, several lectures and seminars were held to raise awareness of the operators in the southern, central and northern parts of the country, on the advantages of using the mechanisms for regional trade facilitation for the import and export.

197. Tax Education campaigns were also carried out through the media with the largest audience in particular TVM, STV and Radio Mozambique, and several commercials were created addressing the mandatory display of prices and billing in national currency;

198. 13,450 disseminators of tax and customs matters were trained (vs. a target of 12,500) in 2011, in 110 districts, representing a nationwide coverage of 85.9%. By November 2012, 15,050 disseminators of tax and customs matters had been trained, corresponding to an achievement of 100.33% of the annual target which had been fixed at 15,000.

199. 13 Charging Stations were opened, as follows: 02 in the Northern Region (Monapo) attached to the Nacala DAF, (Mogovolas) attached to the Nampula DAF and 06 in the Central Region (Cheringoma, Mwanza Chemba, Machanga Muxungué), attached to the DAF of the 2nd Quarter of Manga and (Mukurara) attached to DAF of Tete, and 05 in the South (Jardim and Xipamanine) attached to the DAF of the 2nd district of Maputo (Machava and Namaacha) attached to the DAF of Matola and (Inhassoro) attached to the DAF of Vilankulos

200. The booklet of guidelines and specification of prawns¹⁷ was completed in collaboration with the Institute of Inspection of Fishing and the Fisheries Research Institute, with funding from the World Intellectual Property Organization. Funds were also mobilized from UNCTAD for the preparation of the booklet of specifications for aromatic rice from Zambezia and goat from Tete.

¹⁷ This document clarifies and guides companies in relation to details of the trade in prawns.

201. A proposal was drafted for the revision of the Regulation of the Use of the Stamp to promote inter-sectoral linkages of the national economy, quality assurance and sustainability of the "Made in Mozambique" program.

202. In relation to the need to simplify the onerous measures and facilitate interaction with other countries, the following measures and actions were carried out: implementation of the One Stop Border at the Ressano Garcia/Lebombo border with South Africa, with the following achievements:

➤ *In the Passenger Border Post*

- i. Completed the bypass road for the movement of large trucks, which led to improved service and movement of people and goods within the border post, and
- ii. Constructed a building and a pedestrian channel to accommodate people crossing on foot, in order to segregate pedestrian and road traffic to eliminate the pedestrian/vehicle accidents that used to occur. The pedestrian channel is used only at peak periods.

➤ *In the International Road Terminal - KM4:*

- i. MCnet set up an electronic memorandum issuing system through the One Stop Electronic Window and the respective generator with a capacity of 20KVA to supply the power.
- ii. Finished paving the yard for examination of goods micro importers, and
- iii. Replaced and illumination installed for the fencing of the KM.

➤ *Resettlement Area*

- i. Of the 51 houses in this area, 13 houses were completed and delivered in August 2012, of which 11 houses were handed over to the population covered by resettlement, 01 became a police station and 01 became the District Health Directorate - Health Post, while the remaining batch of houses is being built.

203. Beyond the Single Border Post, the abolition of visas for some SADC countries (South Africa, Swaziland, Zimbabwe and Malawi) took place; the deductible amount (value of purchases that can be made abroad) increased from 50 to 200 USD. Border fees were eliminated.

204. With the aim of improving their import and export requirements and to suit the needs of small foreign trade operators, the Government has undertaken several systematic meetings between the Tax Authorities' supervisory board and the CTA, and signed Memorandums of Understanding with Traders of Foreign Trade, with a view to adopting and monitoring the effectiveness of simplified import / export procedures.

205. The following actions were taken: (i) simplification of customs legislation and procedures, including the introduction of the Abbreviated Declaration (ii) Revision of the Rules for the customs clearance of goods in 2011. As a result of this review, which was approved by Ministerial Decree No. 16/2012 of February 1st, the value for customs declarations for imports and exports of goods was changed, from those with a FOB value less than or equal to

37,000.00 MT, to those with a FOB value less than or equal to 100,000.00 MT. This figure represents an increase of 170% compared to the previous value.

206. The Single Electronic Window (JUE) was introduced to facilitate the processing of customs clearance and real time electronic interaction between users and the relevant Government institutions and customs administrations. The processing of declarations for the clearance of goods through the JUE became mandatory in April 2012, for both import and export, in the three principal national maritime terminals (Maputo, Beira and Nacala) and in Customs in Tete, and became mandatory in September for the International Road Terminal in Maputo (TIRO), Namaacha (TIRONA) and Ressano Garcia, International Automobile Terminals (TIAUTOS 1, 2 and 3), International Air Terminal (TIAR - Maputo), International Multimodal Terminal (MULTIMODAL - Cargo), among others, covering the 7 largest entry points. By 31st October, revenue of 6.0756 billion MT had been charged through the SEW, corresponding to 24.17% of total revenue collected by taxation on foreign trade.

207. To ensure that the benefits resulting from freer regional trade flow to the country, the Government has implemented the following actions:

- Signed an Agreement with the Republic of South Africa for the implementation of the One Stop Border Post in Ressano Garcia and the Memorandum of Understanding in some issue with the following countries:
 - The Republic of Malawi;
 - The Republic of Tanzania;
 - The Republic of Zambia; and
 - The Republic of Zimbabwe.
- With regard to the Single Border Post in Ressano Garcia / Lebombo, the Government undertook the following activities:
 - Completion of the construction of alternative road for the flow of commercial traffic to Km4, where physical infrastructure for the joint control of the road trade was developed;
 - the construction of 51 houses for the resettlement of families affected by the Project;
 - Construction of the pedestrian channel for the flow of pedestrians;
 - Completion of technical negotiation around the instruments that define the administrative, operational and functional procedures for the practical implementation of joint customs control, currently at the signature stage, and
 - Started the pilot operation of the concept of one stop border at times of peak border movement, namely during festive periods, Christmas, end-of-year and Easter.
- At this time, full operation of the one stop border post in Ressano Garcia / Lebombo is pending, and will start as soon as the legal instruments for its implementation are ratified by both countries.

208. The Cabinet approved in 2007, the Strategy on Gaining Benefit from the 2010 Football World Cup, the Ministry of Tourism (MITUR) launched in 2009, the "Alliance 2010", a move to better use opportunities of the World Cup, through coordinated actions (public and private institutions

and all stakeholders) to prepare of the country. However, the international context undermined this, and statistics from MITUR indicate a 5% achievement rate, in particular of the projected number of tourists to the country, although this still implied an increase of between 25% and 35% of tourists coming to the country compared to the same period in the previous year (2009),

209. In order to reduce the cost of doing business, the following strategies have been implemented:

- Introduced simplified licensing for investors through the BAUs (using Identity Cards and Unique Tax Numbers to open a company / business.) which reduced the waiting time. This measure also helped businesses to become formal (Decree 14/2007 of 30 March) in that it allows the transfer of provincial licensing for Single Service desks (BAU);
- Although there is a consistent improvement in performance of the BAU's, there is continued expansion and equipping of the BAU's with computer equipment, furniture and training by MIC in coordination with the Ministry of Science and Technology for the future use of an integrated platform for the provision of services to citizens ;
- Operation and expansion of the One Stop Electronic Window (JUE) to ensure the simplification of both import and export procedures. By 2011 the JUE was implemented in all three International Maritime Terminals in the country (Maputo, Beira and Nacala) and in Tete. In 2012 it was extended to cover the other main terminals and posts and is now covering terminals and posts that account for over 82% of customs revenue;
- Establishment of telephone and email consultation services on tax matters;
- Introduced in 2009, the system of taxation of small taxpayers (through the collection of the Simplified Tax for Small Taxpayers, ISPC) that also covers the informal sector;
- SMEs were included in the Stock Exchange since 2010;
- Created in 2010, the Institute for the Promotion of Small and Medium Enterprises (IPEME);
- The Competition Law to discipline economic operators was approved by the National Assembly, in its session held in December 2012. The law is a legal instrument to regulate anti-competitive practices in the business competition, preventing companies from taking any measures that might "hinder, restrict or distort competition in all or part of the national market". The same law provides for the establishment of a competition regulatory body, with powers of supervision, regulation and sanction against acts that violate the good practice competition (Notícias and O País newspapers, 30/11/2012);
- Planned the creation of a Desk officer to serve investors' needs in the Business Information Centres;
- A process is underway, by the Bank of Mozambique, to create legal conditions for the private sector to have reimbursement information from the central register of borrowers;

- Under the CCBG (Central Committee of Bank Governors), the Bank of Mozambique is engaged in the harmonization of monetary and exchange policies as well as coordinating the integration of financial and capital markets with SADC countries

210. To promote regional integration, the Government of Mozambique has taken the following measures and actions:

- a. Collection of necessary data on all Customs points in the South, Centre and North, so as to analyse trading of Mozambique with SADC countries, based on the use of certificates of origin, as well as to determine the fiscal impact resulting from the application of the preferred regional partner trading regime;
- b. Rehabilitation and maintenance of the regional network linking the hinterland countries like Zimbabwe, Zambia, Malawi and South Africa to the ports of Mozambique, as well as major routes connecting different regions of the country. Examples include the rehabilitation of the Beira-Machipanda road and the Matema - Cassacatiza, Cuchamano-Zóbuè, Maputo-Witbank, Nicoadala - Zambezi River, Pemba-Montepuez, Inchope-Gorongorosa - Caia and Vanduzi – Changara roads;
- c. Placed on some national highways traffic signs contained in the SADC manual;
- d. Approved the Regulations for Mandatory Service Inspections;
- e. Through Decree 14/2008, approved the harmonization of vehicle weights and dimensions, establishing a maximum weight of 56 tonnes and a maximum length of 22m and the circulation of interlinks harmonized with region.1
- f. New Highway Code that is harmonized with the Region was approved ;
- g. In civil aviation, bilateral cooperation was strengthened, with greater access to the domestic market by regional operators, as well as the signing of important codeshare agreements between the national carrier - LAM and other strategic companies in the region;
- h. In 2008, the SADC member countries (including Mozambique) signed the SADC Protocol on Science, Technology and Innovation, whose purpose is to promote cooperation in the area of transfer of knowledge in Science, Technology and Innovation, as well as promote their knowledge and understanding to member states;
- i. A forestry and wildlife resource management programme is ongoing, in the Rovuma basin, involving the Tanzanian authorities;
- j. In December 2008, an Agreement with South Africa Fisheries for Fishing and Integrated Coastal and Marine management and Development was renewed, for collaboration in the fields of fisheries, ecotourism and the environment;
- k. In December 2009, a Memorandum of Understanding was signed with the Seychelles for cooperation in the area of monitoring, control and surveillance of fishing activities, and

- I. Mozambique took over, in 2010, the hosting of the Regional Monitoring, Control and Surveillance of fishing.

211. The actions referred to above enabled an increase in absolute terms of imports from SADC countries. For example, in 2008 the share of imports from SADC was 35%, having grown to 40% in 2009 and 2010. In 2011 this percentage was slightly higher than 40%. This trend is associated with trade liberalization in the region of 85% of the Customs Tariff with the entry of the Free Trade Zone in 2008. The use of a preferential treatment regime is also important in terms of share of imports from SADC. In 2008 this was 23%, then fluctuating between 32% in 2009 and 31% in 2010. In 2011, the percentage goes back up to 33.16% reflecting an increase in absolute terms, associated with the dissemination of the benefits of the preferential regime that the Tax Authority of Mozambique has developed.

CHAPTER III

CORPORATE GOVERNANCE

This chapter assesses the progress achieved in Corporate Governance, a relatively new area in the country in terms of diffusion and implementation, which is why progress in this field remains modest and the challenges huge.

The APRM Base Document defines Corporate Governance as a system where corporations have an internal control and are forced to account including all forms of private sector companies and public. Good Corporate Governance contains seven distinct characteristics: discipline, transparency, independence, accountability, fairness, responsibility towards employees and social responsibility. Following are the objectives on which the progress is assessed.

- To promote an enabling environment and effective regulatory framework for economic activities;
- To ensure that corporations act as good corporate citizens with regard to Human Rights, ~~civil~~ Social responsibility and environmental sustainability;
- To promote the adoption of codes of good business in pursuing the corporation's objectives;
- To ensure that corporations treat all their stakeholders, including shareholders, employees, communities and suppliers fairly;
- To provide for accountability of corporations, directors and employees.

Principles, Codes and Standards

- APR Panel of Eminent Personalities (APR Panel) recommended that Mozambique appoints a National Corporate Governance Regulator to supervise the development of the capital markets.

212. The Mozambican capital market has only one regulator that guarantees the oversight of its activities, namely the Bank of Mozambique. Up to present, there are no significant developments in terms of an approach in line with current international best practices for Corporate Governance. Notwithstanding some advances in the legal framework for the capital market in Mozambique, few aspects of Corporate Governance are reflected in it, and the establishment of a National Corporate Governance Regulator which could not only lead the creation and validation codes, but also define the mechanisms for monitoring and supervision it's the challenge.

- The APR Panel also recommended that Mozambique defines an appropriate Corporate Governance model by adopting a National Corporate Governance Code.

213. With regards to the need to strengthen the regulatory framework for Corporate Governance, the main concern presented as a priority relates to the appointment of a National Corporate Governance Regulator, responsible for producing a system for regular reporting on regulatory activities, policies, strategy and action plan to implement the core principles of capital markets

and supervision and to promote the development of the capital markets. However, there are few noticeable developments in this regard and it is expected that, given its importance as a guiding framework for corporate governance, special attention will be given to this thematic area in the near future. There is, however, significant development in the preparation of Corporate Governance Code for the country by the Institute of Directors (IoD). Aspects relating to its operation are still being defined, and only after this will the impact become apparent on economic agents and on society in general.

- The APR Panel recommended that the country increase its capacity for implementing codes and standards.

214. The capacity of companies to implement Corporate Governance Codes requires the codes to be put into operation in such a manner that economic agents are clear on the composition and on what each economic agent/enterprise is expected to do, particularly relation to both financial and non-financial¹⁸ reporting models. There has been no commendable progress in relation to this recommendation.

- The APR Panel recommended that Mozambique should increase its advocacy and public knowledge about professional standards through the establishment of provincial civic education centres to address the need to inform and educate the public.

215. Although there are still some gaps with regard to Corporate Governance in the country, some information is already being disseminated by the media, both through articles and advertisements, and through debates and formal meetings. There are also some local universities lecturing modules/chapters on Corporate Governance. These efforts have resulted in greater awareness by the public thus understanding the importance of the issue on Corporate Governance, what in the future will allow them becoming demanding; the challenge will then be for institutions/enterprises to be in a condition to meet those demands.

216. In overall terms, there has been some progress in the implementation of this recommendation. However, additional work needs to be done at provincial level in terms of provision of civic education for economic agents and civil society on issues of Corporate Governance.

- The APR Panel also recommended that Mozambique should urgently consider adoption of Capital Markets Law, preferably with a separate regulator, to develop, regulate and guarantee efficiency and effectiveness of the stock market in Mozambique.

217. The Mozambican capital market has a unique characteristic, given its level of growth and the products traded although the Mozambican Securities Market Commission (CMVM) is able to provide conditions for the trading of several products, such as national and foreign Public Funds, Private and Treasury Bonds, Commercial Paper and Shares, during the period from 2000 to 2009, there were no public funds or commercial paper transacted in this market.

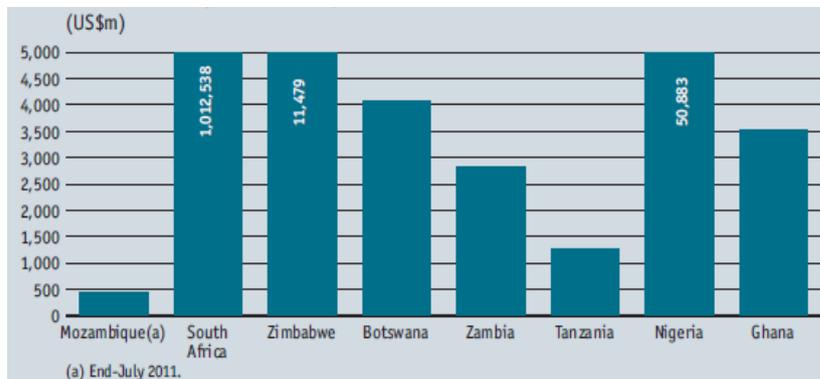
218. From 2010 to 2012, the shares of 11 enterprises and of the State were listed on the stock exchange. Among these were Cervejas de Moçambique (CDM) and Companhia Moçambicana de Hidrocarbonetos (CMH); 9 enterprises that listed their corporate bonds and the

¹⁸ The paper of UNCTAD (2006) provides a clear explanation of the best international practices for reporting on Corporate Governance and has been in line with the different recommended Corporate Governance Codes.

Mozambican State itself which listed its Treasury Bonds. The listed securities have maturity rates varying from 2.5 years to 10 years, with the exception of the Series II treasury bonds (TBonds) issued in 2005, which have no final maturity date limit.

219. The perception was that the legal framework was not sufficiently attractive to develop a capital market through greater participation by the business sector. However, the changes to the capital market legal framework, with the creation of the Secondary Market (Decree N° 4/2009 and the relaxing of conditions for accessing the capital market – where a capital market accessible to small and medium enterprises is foreseen – created huge expectation for a new era with a more dynamic capital market. This did not happen, and the impression that was left was that other aspects unrelated to the legal framework may be affecting the development of the capital market, which continues to be far below expectation. For example, when it was established in 1999, the Mozambican Stock Exchange had identified approximately 17 enterprises that could possibly be listed on the stock exchange, but this did not happen.
220. Currently, the Mozambican Stock Exchange is classified as the smallest in Africa and one of the smallest in the world¹⁹ (Graph 1).
221. In terms of demands or recommendations on the application of the Corporate Governance Code for enterprises listed on the stock exchange, there has still been no noticeable involvement of the regulator in providing any type of recommendations, demands or initiative that may encourage these enterprises to implement them, although this is already a best international practice and is strongly recommended.

Graph 1: Market capitalisation in some African countries: (July/2011)



Source: World Bank – World Development Indicators (2010)

222. The market capitalisation of the BVM continues to be dominated by public debt securities (in terms of quantity) and by private debt, in terms of values (Table 5.1)

Table 5.1: Transactions on the Official Listed Market

¹⁹ The market capitalisation of the Mozambican Stock Exchange was of 12.43 billion meticaís on the 14th of July, with only two shares listed (Cervejas de Moçambique and Companhia Moçambicana de Hidrocarbonetos) and the remaining market capitalisation (approximately ¾) resulted from State securities (EIU 2011:11).

Mercado	Quantidade Transaccionada		Valor Transaccionado (em Milhões de Meticals)	
	2011	2010	2011	2010
Divida Pública	2.160.775	5.814.910	203.655,77	566.880
Divida Privada	1.862.315	430	26.654.822,48	33
Accionista	127.222	26.020	6.851,23	1.830
Total	4.150.312	5.841.360	26.865.329,48	568.743

Source: Bank of Mozambique (2011:125)

223. Since there were alterations in the regulatory framework for the capital markets it can be said that the recommendation was observed. However, this alteration did not have the desired impact in as far as development of the capital markets is concerned, which is still fairly weak in terms of activity. Another point that also needs to be improved to fully comply with the recommendation of The APR Panel is the fact that the supervision of the capital markets continues to be done by the Bank of Mozambique, and not by any another separate regulator, as had been recommended.

- The APR Panel recommended that there should be a separation stock exchange from the apparent direct control of the Ministry of Finance, so that it could be truly independent.

224. Although the Mozambican Stock Exchange does not operate within the structures of the Ministry of Finance, the fact that there is a provision whereby part of its directors are appointed by the Minister of Finance it leads to the perception that the Stock Exchange is still not independent from that Government body. Thus, this recommendation is still a huge challenge for the country.

- The APR Panel also recommended that Mozambique should provide technical assistance to the Insurance Inspector in order to strengthen compliance with the IFRS²⁰.

225. The use of IFRS in Mozambique is already mandatory for all sectors of activity and, as such, new sectoral accounting plans which include a large part of the international financial reporting standards were implemented.

226. The International Financial Reporting Standards are included in the country's legal system. However, because of their complexity and the need for specialised training for those dealing with these activities, there is still a huge challenge in terms of their implementation by enterprises and their proper oversight by the respective regulators/ supervisory entity.

227. The general insurance framework was improved significantly between 2010 and 2012, and involved essentially the approval of a Legal Regime for Insurance and the new Chart of Accounts for insurance companies.

²⁰ International Financial Reporting Standards

228. The Legal Regime for Insurance - approved by Decree 30/2011, dated in August – offers greater transparency by clearly defining the institutional standards on the access to and exercising of the insurance activity and its broking, and the material standards for insurance contracts. The greatest contribution of this regime is automatically reflected in the effectiveness of the insurance activity in the country, as well as in the definition of a supporting framework for the sector's oversight activities.

229. With regard to the New Chart of Accounts, a significant qualitative leap has been taken with this legal technical instrument, in reflecting significant signs of response to the concerns regarding the convergence with the IFRSs, which have been mandatory since 2011. One of the greatest contributions of this Chart of Accounts is to allow the accounts of insurance companies operating in Mozambique to be read and compared on an equal footing to the accounts of other international insurance companies.

230. Notwithstanding the above mentioned progress little is seen in terms of addressing the concerns formally expressed by the APR Panel on this matter.

Objective 1: To promote an enabling environment and effective regulatory framework for economic activities

- The APR Panel recommended that the implementation of the action plans agreed between the sectoral working groups of the Public/Private Partnership be accelerated (i); a Credit Risk Centre outside of the BM be established, belonging to and governed by the private sector, thereby giving it a more neutral environment and –easily accepted by the private sector (ii); the issuance of public debt treasury bonds/bills with varied maturities to produce a “yield curve” be increased, to be used by the private sector to test the performance of prices practiced by the issuers of private debt instruments on the market (iii); fiscal incentives be offered to attract more listings on the Stock Exchange (i.e., cancel or accept the taxes of enterprises resulting from the application of the IFRSs) and boost the secondary market through the elimination or reduction of taxes on profits resulting from the negotiation of traded securities and a reduction of taxes on dividends of listed companies (iv); the right to land in the field (rural properties) be transferable in the same terms as for urban land (urban property), by means of a record, with the transferee having to automatically assume any obligation of the transferor (v).

231. As regards the recommendation of the APRM Panel in order to accelerate the implementation of the action plans agreed between the sectoral working groups of public-private partnership, the country has been recording progress as it is increasingly most notorious effort of the Government and the private sector on auscultation and finding solutions to improve the business climate in the country and aimed to include the private sector in business opportunities arising from new investments in the country²¹.

232. Despite these improvements, concrete results of these action plans are still not yet very visible, greater involvement of working groups is expected in the materialization of the discussions held

²¹ See, for example, the Annual Private Sector Conference, the deployment of trade associations and organisation of Development Observatories.

and which may reflect an empowerment of local businesses and an improvement of the business environment in the country.

233. It must be highlighted that initially there were some improvements in the ease of doing business, but in recent years the “Doing Business” index has been dropping, with the country’s ranking falling from 132nd (in 2010) to 139th position (in 2012). This ranking may be the result of other countries trying to improve their position or the result of insufficient reforms and weak capacity in the country to make the business environment attractive or to a worsening of the current conditions of doing business in Mozambique.

234. In comparative terms, it is noted that between 2010 and 2012, the country was in one of the worst positions in Sub-Saharan Africa. Notwithstanding this, the country stood out in 2010 as a result of the reforms undertaken in the legal environment, which placed it among the 20 countries with the most significant progress in creating favourable business conditions between 2006 and 2010. These reforms made the country stand out in terms of improvements in procedures and, as a result, in the time needed to licence a commercial activity, as well as in a drastic reduction of 7.5% in the cost of transfer of ownership.

235. The One-Stop-Shops (BAÚs) are one of the significant innovations that helped to speed up the business registration and licensing processes. These have been rolled-out countrywide, and have been accompanied by a modernisation process through their computerisation. During 2011, five BAÚs were included in the indexing process of the tourist area licensing processes. Over this same period, a guiding strategic plan for the consolidation of the BAÚs for the next five years was prepared. Also, a BAÚ Procedures Manual was prepared and disseminated to assist economic agents within the scope of the simplified licensing of economic activities (GdM, 2011). Progress was noted in this point, as regards the ease of registering and licensing businesses, which contributed to the efforts to improve the business environment in the Country, as had been recommended.

236. The APR Panel recommended that the country should create a private risk control centre and that it operate outside of the Bank of Mozambique, on the assumption that it would be easily accepted and would allow for a better selection and rewarding of borrowers based on their real risk. This initiative has not yet become a reality and work is still underway for its materialisation. A draft law on the credit information centres in Mozambique (private regime) was submitted to Government for due appraisal²². However, the referred-to Law has not yet been approved, which means that up to the time of this progress report, there were still no private risk control centres, meaning that the recommendation was not implemented.

237. The APR Panel also recommended that Mozambique must increase the issuance of public debt treasury bonds/bills with varied maturities to produce a “yield curve” to be used by the private sector to test the performance of prices practiced by the issuers of private debt instruments on the market. Here, significant progress has been made in terms of the issuance of public debt instruments by the government, but the impact of these issuances has not been producing the desired effect, or rather, the number of economic agents issuing private debt instruments is still very small, with recourse to traditional sources of financing – the banking system – still being predominant.

²² Communication from the Bank of Mozambique to the Mozambican Bankers’ Association on the submission of the Draft Law on Private Credit Risk Information Centres, dated 13 February 2013

238. The APR Panel also recommended that the country should offer fiscal incentives as a way of attracting more listings on the Stock Exchange. No significant advances have been made in this area, since there has been no increase in listings on the Stock Exchange, and neither has there been significant alteration in terms of general market capitalisation or in secondary market transactions. It was expected that, with the establishment of a secondary stock market, transactions would increase but the market did not react according to expectations. Therefore, other forms of driving the stock market should be found, over and above the solutions already proposed.

239. The APR Panel recommended that the rights to rural property be transferable, as is the case for urban property. Although, in theory, some progress may be confirmed with regard to this recommendation, in practice it is still not feasible due to the formalities required for its implementation and also due to the different interpretations that the Land Law still raises, particularly when combined with the Urban Land Law. This matter still constitutes a big challenge for the country, and special attention needs to be taken with its interpretation and execution.

Objective 2: To ensure that corporations act as good corporate citizens in terms of Human Rights, civil responsibility and environmental sustainability

- The APR Panel recommended that National Social Responsibility Plans and Guidelines be developed, in order to identify specific areas where enterprises can participate in social responsibility (i); Corporate Governance and best practice indicators (transparency, accountability, social responsibility, etc.), in national surveys, such as the assessment of the “Top 100 Companies” carried out by KPMG, be highlighted so as to encourage their adoption by the enterprises (ii); and that reforms be introduced in order to offer more services to their members (iii).

240. With regard to the recommendation by the APR Panel, in terms of developing National Social Responsibility Plans and Guidelines to identify specific areas where enterprises can participate in social responsibility, it is worthwhile to note that there is no evidence that the country has advanced with concrete actions to implement the recommendation, since there is no record of any of development of the referred-to guidelines or plan.

241. With regards to the recommendation of the APR Panel, to observe Corporate Governance and best practice indicators in national surveys, it is noted that there is no visible progress in this area, which certainly results from the failure to use Corporate Governance practices. Therefore, it is expected that, with the definition of concrete aspects on how enterprises should implement Corporate Governance, it will be possible to measure and assess the corporations that operate within the parameters, thereby making it possible to include them in the referred-to national surveys. The translation of the Corporate Governance Code into practical aspects and concrete actions, as the main assumption for the definition of best practice indicators, is the main challenge of this recommendation by the Panel.

242. Significant progress has been made in APR Panel’s recommendation to introduce reforms so as to offer more services to economic agents, in both the public and private sectors. Highlighted from these is the preparation of the Code of Ethics and the Corporate Governance

Code. Progress has also been made relating to their involvement in discussions on reforms to be undertaken with a view to improving the business environment in the country.

Objective 3: To promote the adoption of good business ethics standards in achieving the objectives of the corporation

- The APR Panel recommended that national awareness-raising campaigns be carried out to promote business ethics, work ethics and individual ethics and integrity, respect for the systems, efficiency and effectiveness, importance of safeguarding national assets, conflict of interests, etc. (i); to promote the education of shareholders and dissemination of information to empower shareholders to assess and claim their rights, but equally important, to reform their responsibilities toward the corporations (ii); to create the Institute of Accountants to promote self-inspection through compliance with the IFRSs and best practices in the corporation's (iii); to train the media so as to strengthen their investigative capacity in promoting business ethics standards (iv); and to support the CTA to ensure self-regulation of its members in Mozambique (v).

243. In view of the recommendation by MARP's Panel of Eminent Personalities, awareness-raising and education campaigns were expected to be carried out in several areas of economic activity, conflict of interests and on shareholders' rights, aimed at increasing public knowledge vis-à-vis the adoption of good business ethics and the application of best practices. However, there is no evidence of a set of coordinated actions having been taken in this sense, and the only records are of some effort being made to create and disseminate codes of ethics in addition to some radio and television awareness-raising campaigns on ethics and the preservation of public goods.

244. Regarding the APR Panel recommendation on educating shareholders, as well as empowering them to assess and claim their rights and on raising awareness in terms of their obligations, there is no evidence of concrete actions carried out to implement this recommendation.

245. In that which concerns the recommendation to establish an association of accounting professionals, it must be mentioned that the Institute of Accountants and Auditors of Mozambique has already been established and represents a significant achievement in terms of this recommendation by the Panel. The Institute is currently being organised and the more operational aspects are expected to be implemented once the management body has been elected.

246. In this objective, the APR Panel also recommended that training actions be held for the media in order to strengthen their investigative capacity to promote business ethics standards. However, there is no evidence of any training sessions being held, resulting in no noticeable progress in this recommendation.

247. Regarding the strengthening of the CTA, the confederation has been carrying out several actions in terms of Corporate Governance, and its leading role in promoting aspects relating to

business ethics and the pressure applied to improve the business environment in the country is noteworthy.

248. Implementation of the whole of Objective 3 still represents a big challenge for the country, since this is a new and unfamiliar subject for economic agents. However, some actions are already being carried out in the form of lectures, courses and information in the press aimed at raising awareness among economic agents with regard to Corporate Governance aspects.

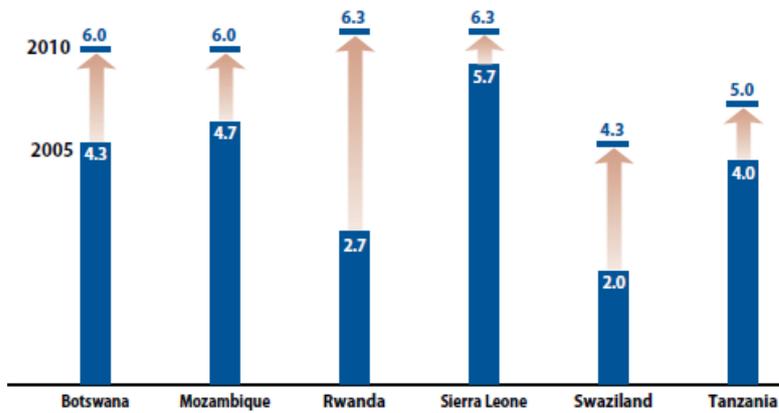
Objective 4: To ensure that corporations treat all their stakeholders, including shareholders, employees, community and suppliers fairly

- The APR Panel recommended that the rights of shareholders, responsibilities of directors and protection of minority shareholders be included in the Commercial Code (i); and that public knowledge with regard to the new Commercial Code be increased through holding public workshops and lectures (ii).

249. With regards to the APR Panel recommendation on the need to incorporate the rights of shareholders, responsibilities of directors and protection of minority shareholders in the Commercial Code, progress is satisfactory and, in general terms, Mozambique is regarded as one of the countries whose legislation offers most protection for its shareholders in Africa, resulting from in-depth reforms in the legislation on investor protection (see graph 3).

250. It must be noted that the progress was achieved within the scope of a Corporate Governance programme, currently underway, whose objective is not only to create a favourable business environment for economic agents, but, in particular, to guarantee greater transparency and measurability in the relationship between businesses and the different stakeholders, with a view to facilitating investment flows and mobilising resources for economic development.

Graph 3: Sub-Saharan economies with strong investor protection since 2005



Note:
The scale is of 0-10, with 0 being the least protection and 10 the highest protection

Source: Doing Business 2011.

251. Notwithstanding the progress recorded in terms of investor protection, the issue of directors' responsibilities and defending minority shareholders still needs to be given special attention in the action plan. The principle recommended here by the APR Panel is one of the most basic principles of Corporate Governance, and the adoption and implementation of a Corporate Governance Code by enterprises will result in such treatment being given.

252. Significant progress has been made in observance of the recommendation by the APR Panel on the need for dissemination of the new Commercial Code. In fact, this new Commercial Code is already being implemented in the country.

Objective 5: To ensure the accountability of corporations, directors and employees

- The APR Panel recommended that parameters of accountability be defined in the corporations, starting with the functioning of the boards – to include appointments to the boards through selection, mix of gender/skills balance on the boards, board/ management relationships, operational and risk management plans, reporting and communication policies (i); that local professional institutions be created, e.g., Institute of Personnel Management; Institute of Accountants (ii); that a set of rules and principles be adopted in which a critical mass of professionals is trained (iii); and that Article 43 of the Commercial Code, on the publication of financial records, be amended (iv).

253. In that which concerns the recommendation by The APR Panel relating to the definition of accountability parameters in corporations, there is no concrete evidence of this yet, although this is practice for multinational companies or companies owned by multinationals whose parent institutions are based abroad. This matter may be settled when the Corporate Governance Code is put into practice, particularly regarding the points relating to the appointment of management bodies and on their responsibilities.

254. With regards to the APR Panel recommendation to create local professional institutions, some progress has been made, with an increasing number of professional associations being formed created some of which are fully operations like:

- Confederation of Economic Associations
- Institute of Directors of Mozambique
- Association of Independent Auditors
- Association of Economists
- Bar Association
- Medical Association
- Engineers Association
- Mozambican Association of Accountants and Auditors

255. These professional associations have been contributing significantly to the improvement, implementing and monitoring legal framework. They have also contributed in terms of education, through training provided to groups of professionals and students, as well as through lectures on specific topics covering a range of fields. Through these actions, the associations have become visible and have informed civil society of their existence and of their role in the socioeconomic environment.

256. As for the Corporate Governance, a number of these associations of professionals have been fairly active in the formulation, interpretation and implementation of the Corporate Governance Code to be applied in Mozambique, although they are aware of the long path ahead in terms of its implementation and oversight.

257. In this objective, where The APR Panel also recommended that a set of rules and principles be adopted, in which a critical mass of professionals is to be trained, it should be noted that some actions have been carried out through training sessions and debates within the professional associations (e.g., CTA, IoD and Associação de Auditores).

258. With regard to the recommendation made by the APR Panel on the pertinence to amending Article 43 of the Commercial Code (article 36 of the current Code) to include other key documents in the list of mandatory documents, namely, the Profit and Loss Account, Cash Flow Statements and the Statement on the Alteration of Capital, it must be highlighted that no significant progress has been made. However, the implementation plan defined by the country was for the period 2013 to 2014, and so it is still within the agreed timeframe; nevertheless, no action aimed at implementing this recommendation has yet been carried out, and it is therefore very unlikely that it will be implemented by the end of 2014.

CHAPTER IV

SOCIOECONOMIC DEVELOPMENT

The present chapter assesses progress achieved in the thematic area of socioeconomic development as to verify up to what extent such progress have contributed to the improvement of living conditions and quality of life of the population. The following objectives are an integral part of this thematic area:

- To promote self self-reliance in development and build capacities for sustainable development;
- To accelerate socioeconomic development to achieve sustainable development and poverty eradication;
- To Strengthen policies, delivery mechanisms and outcomes in key social development areas, including providing education and combating HIV/AIDS and other communicable diseases;
- To ensure access to water, sanitation, electricity, finance, information and communication technologies, housing and land to all citizens in particular the poor population;
- To make progress towards gender equality in all critical areas of concern, including access to education for all girls at all levels;
- To encourage *broad-based participation in Development by all stakeholders at all levels.*

Objective 1: To promote self-reliance in development and build capacities for sustainable development

- The APR Panel recommended Mozambique to: (i) explore, with immediate effect, ways and means to gradually reduce dependence of the country on external aid by introducing harmonized step down strategy; (ii) strengthen the implementation of the Paris Declaration on Aid Effectiveness in order to strengthen ownership by the country of all development policies and external aid activities.

259. With regards to the APR Panel's recommendation to gradually reduce dependence of the country on external aid, the government's efforts are concentrated in fiscal reform which will make it possible to widen the tax basis and collection of more taxes aimed at reducing dependence on external aid and create conditions for more intervention and social responsibility of the Government towards the poor people.

260. During State Budget submission in 2012, the Government assured that only 39.6% of public expenditures will be covered by external donations and loans, thus the remaining 60.4% will be covered by domestic resources. In previous year's State Budget, 44.6% of expenditures were covered by external aid and in the 2010 it covered 51.4%. Therefore, it can be understood that there are encouraging signals that indicate that there is a gradual reduction of dependence on foreign aid mainly due to the fact that there is a greater confidence in domestic resources mobilization which was not the case in previous years. Notwithstanding this effort, the country is faced with a challenge of production, consumption and export of goods and services produced in Mozambique in order to increase the balance of payments and reduce dependence on external aid and thus review the terms and conditions agreed with each

megaproject operating in the country in terms of fiscal exemptions as to harmonize with domestic legislation on the issue.

261. Furthermore, it is important to analyse and pay attention to the outcomes that the country is having in reducing foreign aid. The present situation of economic and financial crises that is affecting some of the country's partners may eventually reduce the level of support to the State Budget at medium term. However, it is important to stress that Mozambique should be able to have its preferences in terms of external partners by extending its ray of external aid.

262. With regards to the recommendation by the APR Panel on the need to implement the Paris Declaration on Aid effectiveness as to strengthen ownership of the country's development policies in terms of aid activities, it should be noted that in 2005 Mozambique was at the end of the implementation of its first Action Plan for the Reduction of Absolute Poverty (PARPA I). Meanwhile it entered into the drafting phase of the second plan (PARPA II). The ownership was ranked at "moderate" by the base study which was carried out in 2005 and by the analysis and monitoring in 2007. It is believed that such ranking has been maintained up to today. The country has an operational Medium Term Fiscal Scenario (CFMP) which is related to annual budgets. There are also examples of cases in which the government takes ownership of given aspects.²³

263. However, there are sentiments by public servants indicating that Development Partners are not willing (or able) to allow national ownership, in particular in cases where there are contradicting approaches. Taking into account this scepticism may be it would be reasonable to limit such ownership to partial. However, it ought to be mentioned that all Development Partners have referred that there is a strong alignment between their programmes, the countries and the national plans for the reduction of poverty.²⁴

264. Likewise, another challenge in the field of foreign aid to Mozambique is related to the high costs of transaction imposed by assessment processes among the parties as a result of complex networks of Working Groups and on which there is doubt about the effectiveness of some of these "working groups"

Objective 2: To accelerate socioeconomic development to achieve sustainable development and poverty eradicate

- The APR Panel recommended: (i) Allocation of 10% of the State Budget to agriculture in line with NEPAD Maputo Declaration (ii) strengthen Monitoring and Evaluation System to assess progress in fulfilment of targets contained in PARPA and MDG; (iii) Deal with the issue of youth unemployment through the design of adequate programmes for employment promotion; (iv) increase national awareness on the importance of social progress in the processes for the reduction of poverty.

²³ Ministry of Planning and Development, Mozambique: (Assessment of Paris Declaration) Avaliação da Declaração de Paris, Maputo, 2010.

²⁴ idem

265. With regards to the recommendation of the APR Panel for the country to allocate 10% of the State Budget to agricultural sector, there have been some progresses in the allocation of resources to this sector. In aggregate terms (of the central, provincial and district levels) it amounts to 7%²⁵. There is a government and partners commitment to increase financing to the sector of agriculture in the context of Comprehensive African Agriculture Development (CAADP) and the expectation is that up to 2015 the country achieves the target of 10% defined in Maputo Declaration in the context of NEPAD.

266. With reference to the APR Panel's recommendation to strengthen Monitoring and Evaluation System to assess progress in fulfilment of targets contained the PARPA and ODM, the government body responsible for planning, drafted and integrated monitoring matrix of PARP indicator in its main monitoring instrument – Economic and Social Balance.

267. However, the 2012 Aide Memoire - Annex IV, Annual Review between the Government and Programmatic Support Partners, indicates that notwithstanding this remarkable step in the area of monitoring, the same matrix is not yet fully integrated in the Economic and Social Plan (PES) what to a certain extent makes it difficult to monitor the implementation of PARP. For the coming years and according to the Government, this alignment will be guaranteed, through the inclusion in the Guideline Document for the drafting of PES and OE and the need to submit report on the indicators of PARP aligned to the objectives of the sectoral programmes. It is important to stress that a vast number of sectors already have their indicators aligned to the PES and BdPES. The main challenge in this area is related to the indicators under the responsibility of various sectors.

268. Furthermore, in the field of improvement of planning and monitoring, the Government has been working since 2011 in the creation of a National Planning and Budgeting System and the respective Conceptual Model²⁶ (SPO) has been concluded. This document's scope is the definition of necessary master lines for the implementation and setting up of the process for planning and budgeting which later on will be related to the process of execution monitoring and evaluation²⁷ process.

269. In as far as monitoring of the progress in the Millennium Development Goals (MDG), the Government, through the Ministry of Planning and Development, has been making progress reports in a bi-annual basis based on information generated by the National Institute of Statistics (INE) which takes as the sources the surveys administered by this State institution. However, given the fact that the surveys are administered in an interval of 3 to 5 years, there is some kind of misalignment between the time the INE generates the information and the drafting of the progress report of the country on the achievements of MDG.

270. In an effort to resolve the problem of timely availability of statistical information, the INE introduced and is implementing a Continuous Survey to Families (INCAF) with the objective of serving as the main tool for follow up of national development plans by making available annual statistical information which objective is, among others, to (i) analyse poverty/living conditions trends; (ii) get estimates of employment/unemployment rates; (iii) assess socioeconomic conditions and economic expectations of Families, and important information

²⁵ When considering the whole value chain (e.g. marketing, agro processing etc..) The percentage is close to 12%.

²⁶ A document that indicates the present situation identifies weaknesses and proposes ways forward.

²⁷ Aide Memoire on 2012 Annual Review – Annex IV

for the production of progress report on the implementation of MDGs and other related instruments.

271. With reference to the APR Panel recommendation on the need to deal with the issue of youth unemployment through the design of adequate programmes for employment promotion, the Government approved Employment and Vocational Training Programme (2006-2015) in an effort to implement government policies and programmes in the area of employment based on the aspirations of citizens which objective is to promote growth in employment generation at short and long term in order to create development self-employment. For this purpose, the Government designed and is implementing an Integrated Programme for the Reform of Professional Education and Fund for the Support of Youth Initiatives with the objective of boosting self employment generation initiatives and income generation among the youth. As a result, in total, the Fund financed about 637 youth Projects.
272. Meanwhile, the Government is implementing, with the participation of international partner and civil society organizations, an extensive reform programme of technical education sector, with the objective of changing the present paradigm of professional education and adjust to the present needs of labour market. For this purpose various centres for professional training were built, rehabilitated and outfitted.
273. In the same context, and as a way of resolving the problem of urban youth poverty and unemployment, a phenomenon that is increasingly concerning the continent and a source of social unrest, the Government designed and is implementing at national level a Strategic Plan for the Reduction of Urban Poverty²⁸.
274. Notwithstanding the current Government efforts, preliminary data from INCAF²⁹ shows a national employment rate of 8,1%³⁰, with high rates in urban areas than in the rural areas, 21,4% and 2,4% respectively. According to alternative definition³¹ used in the context of the said survey unemployment rate would be almost higher, namely 22,5%, with higher rates in the urban areas (34,9%) compared to the rural areas (17,2%). From geographical point of view, the southern region comes with the highest unemployment rates (26%) compared to the North and Centre of the country (23,9% e 19,7%, respectively). The city of Maputo registers the highest unemployment rate (35,7%), while Zambézia has the lowest rate (10,0%). The level of school education is one of the key variables what explains the variations of unemployment rate.³²
275. Thus, it constitutes a challenge for the country in terms of employment, in particular among the youth. One of the alternatives will be the provision of technical capacity that will allow them greater and best opportunity and also be able to create self employment³³.

²⁸ It should be noted that in another initiative called District Development Fund, widely known as "7 millions", about 69.984 prospective employment candidates were integrated in the employment market between 2010 and 2012 of which there are youth (Mid Term Review of the PQG -2010-2014)

²⁹ July-September de 2012

³⁰ According to the definition of the International Labour Organization (ILO).

³¹ Pages 32 e 33 of INCAF, Relatório do I Trimestre, July – September de 2012.

³² Preliminary Report of the Working Group on the System of Poverty Monitoring and Analysis – Annual Review 2012 - Government of Mozambique and Programmatic Support Partners.

³³ According to Employment and Professional Training Strategy, 90% of youth who search for employment their school education is below standard 9 but the majority (62%) have no qualification or no professional experience what means that

276. In as far as the APR Panel's recommendation on the need to increase national awareness on the importance of social progress in the processes for the reduction of poverty society is concerned, the Government and organizations of civil, have been involved in social protection initiatives. In this context, a number of campaigns and advocacy activities for the basic social protection took place in 2010 and 2012, of which we single out the holding of social protection week in 2012 and also the dissemination of the Law on Social Protection (Law N°4/2007) and Law on Basic Social Security. Meanwhile, the country embarked on the implementation mendacity an activity foreseen by the National Council on Elderly Persons, organization of campaigns to combat mendacity in the city of Maputo and also it implemented and ensures the operationalization of the National Council on Persons with Disability. The implementation of these initiatives aim at raising public awareness on the need for social protection.

277. To sum up the objective 3, according to the 2013 Human Development Report, a publication of UNDP, the country is ranked at 185 among 187 countries and territories analysed in term of Human Development Index (HDI). The government considered this ranking strange and argued that in general the index which constitutes the aggregate of the computing of IDH in general present a growth. Therefore, the government approached the UNDP to understand as to how the computing was done. As mentioned before, the country, registers a GDP growth on average 7% per annum. The GDP per capita shows that it has increased from 340 USD in 2007 to 470 USD in 2011, which reflects a positive variation with reflex to the living condition of the population in terms of access to goods and services such as water, health and sanitation and education. The average growth in its HDI was 2.3pp per annum since 2000 meaning that it is above the average of sub Sahara countries and those considered as of low human development. The divergences that these data show need to be analysed by the Government not only for the purpose of making conclusions but also, to help defining adequately the country's policies.

278. However, poverty continues to be one of the concerns for the country in such a way that the Government defined as its target to concentrate its efforts on it as to reverse the high rate that persists in the country.

Objective 3 To Strengthen policies, delivery mechanisms and outcomes in key social development areas, including providing education and combating HIV/AIDS and other communicable diseases

279. The APR Panel recommended the country to: (i) increase the rate of access to secondary and vocational education as to reverse the present pyramids; (ii) to create guidelines on standards and quality monitoring for the sectors of health and education; (iii) to create an integrated multi sectoral framework to combat HIV/AIDS, Tuberculosis (TB) and Malaria; and (iv) involve actively traditional and religious leaders and other opinion making stakeholders in communities in the struggle against HIV/AIDS; and (v) involve actively youth and women in combating HIV/AIDS.

280. With regards to the recommendation of the APR Panel to increase the rate of access to secondary and vocational education as to reverse the present pyramids, the present reforms in

there is a low capacity for them to become self sustainable and not even to be able to respond to competitiveness in a globalised economy.

the sector of education, like introduction of secondary education, diversified training curricula based on competences constitute progress that should be recognised.

281. The data presented in the table below show clearly that the pyramid of education system is changing with the expansion of school attendance in the ESG and vocational training levels. Although the majority of pupils are in primary schools, (mainly in EP1), the number of pupils in the 2nd Degree Primary School (EP2) and in General Secondary School is remarkably increasing as compared to those of 2009:

School Attendance – General Public Community and Private Education,

Level	2009	2010	2011	2012	Growth 2009/2012
EP1	4301824	4456585	4442260	4557737	5,9%
EP2	845917	897807	871733	851693	0,7%
ESG1	670791	733593	761589	758383	13,1%
ESG2	141714	179608	191320	197283	39,2%
Total	5962255	6269603	6268913	6367108	6,8%

Source: GdM, Mid Term Evaluation of PQG -2010-2014

282. Meanwhile with regards to school attendance at technical level, there is a growth in particular at medium and elementary levels thus the last one achieving 35% as compared to 2009:

School Attendance – Technical Professional Education

Level	2009	2010	2011	2012	Growth 2009/2012
Elementary	5810	6318	7662	7871	35%
Basic	30629	26691	23101	20136	-34%
Medium	12699	12570	13913	13498	6%
Total	49138	45579	44676	41505	-16%

Source: GdM, Mid Term Evaluation of PQG -2010-2014

283. With reference to the APR Panel recommendation to create guidelines on standards and quality monitoring for the sectors of health and education the only widely known initiative in the area of quality and in particular in the sector of education, was the establishment of the High Education National Council for Assessment and Quality Control (CNAQ). According to the Government, from 2013, there will be actions aimed at evaluation high education in the country and “rankings” about high education institutions as well as forcing such institutions with low quality to make improvement.

284. It is reasonable that there is a generalized perception that quality of education continues low and with deficiencies thus constituting a challenge for all its stakeholders. Communication among various structures of education and the community is weak despite the fact that there are School Councils in particular for the primary education.

285. However, some experts of the area, like Grado Mate (2012)³⁴ argued that improvement of quality of education needs adoption of a constructive and positive perspective that takes on

³⁴ Mate, Galdo (2012) *Qualidade da educação em Moçambique (Quality of Education in Mozambique- Collapse or Challenge?) - Colapso ou Desafio?* In: Rádio Moçambique Web page. Colaboração.

board the present situation of education and the identification of challenges for the achievement of the desired best qualitative education as a very adequate attitude.

286. Mate argues that it is important to review the profile of education subsystem through: (1) review of the conception of basic education and the functions of primary education as the beginning school subsystem, a subsystem of education for all, basic and general education, integrated and interdisciplinary and as an orientation subsystem; (2) definition of a new curriculum chart for secondary and high education with a strong connection between development of competences and the curriculum areas; (3) a curriculum chart must be designed in such as to allow for: the transmission of relevant knowledge; combination of science and techniques (technology); attaining principles, methods and techniques for the building and use of knowledge (methodology); (acquiring reflection principles on the value and building of positive science knowledge); connection between theory and practice; acquiring of a crosscutting and interdisciplinary knowledge; development of a strategic, critical and creative thinking; development of ethic-deontological vision (values) and a social responsibility.
287. With regards to monitoring of quality in the sector of health, the Government created Quality and Humanization Programme which objective is to change attitude of health sector professionals in relation to the users, those accompanying them and the community by enlarge where the hospitals are located. In this context, the Government, through the Ministry of Health (MISAU), has been promoting training for directors of provincial, district and rural hospitals, among other professionals of the sector of health with the objective of improving the quality of services and humanization of the sector of health. Meanwhile, the MISAU organized a meeting with public and private institutions for the discussion of ethics in teaching, quality and humanization in the health sector. This activity is done within the context of creation of relations between these two sectors institutions.
288. These Government's efforts should be encouraged. However, it is undeniable challenge for the sector that oversees this area and to all its professionals, namely, does away, once for all, this popular perception which indicates that all health agents mistreat patients and that persists the problem of slow or late servicing of patients in health units of the country.
289. In relation to the recommendation by the APR Panel on the need to create an integrated multi sectoral framework to combat HIV/AIDS, TB and Malaria as well as involvement of other social stakeholders in combating HIV/AIDS, namely traditional and religious leaders, women, youth. It should also be mentioned that Mozambique recorded a prevalence of HIV estimated at 11.5%. TB is regarded as public health problem in Mozambique and it is ranked at 19th place among the 22 countries affected by this disease in the world. With regards to malaria, it is the main cause of infant mortality in the country.
290. Given this scenario, the Government has been implementing a multisectoral response for the abovementioned diseases, and the main actors for these efforts are the Ministry of Health and the National Council for Combat against AIDS (CNCS). A key instrument for the operationalization of this response in the context of HIV/AIDS has been PEN III (2010-2014) which, with the support of international partners like Global Initiative for Health (UNITAID), include some innovating approaches such as HIV and TB testing with equipment which can be assembled in rural areas. The country benefited from the construction of antiretroviral factory with the support of Fio Cruz Foundation. In the context of malaria, the country is implementing a National Policy for Malaria and it is also testing malaria vaccine and complementary efforts have been carried out by civil society organizations in the context "Roll Back Malaria" initiative.

291. It should be stressed that the country has been recording some satisfactory results in terms of reduction of vertical transmission from mother to child. For example, in the context of "DREAM" program, of the 30% cases of mother to child transmission in 2002, it was possible to reduce to less than 2%. However, the challenge is to reduce the number of new infant infection by HIV, increase access to effective treatments to pregnant HIV infected women and the reduction of maternal deaths due to HIV.
292. With reference to the involvement of other social stakeholders, like youth and traditional authorities in the front line action of combat against HIV/AIDS, the Government and civil society organizations have been carrying mobilization and specific programmes like "*Andar fora é maningue arriscado*" (something like, infidelity is very dangerous), initiative, training of community leaders in aspects of HIV/AIDS, promotion of male circumcision, popularization of a new tool for behaviour change called "Tchova-tchova" (push-push), in the provinces called national emergency, the holding of Health and Children's fairs and the production of a film on good practices. In the same context, EcoSIDA – Entrepreneurs against Aids – in the context of HIV/AIDS, TB and Malaria programme at working place has been mobilizing the private sector in rising responsibility and awareness in the struggle against HIV/AIDS, TB and Malaria
293. Despite these joint efforts between the Government and civil society organizations and the private sector, there are some challenges that must be dealt with which include: the need to improve response on diseases (or public health problems) namely the need to strengthen coordination by the CNSC and support to other ministries in order to facilitate the integration of HIV/AIDS programmes in their policies, intensify the integration of TB programmes with those of HIV and mobilize and build capacities of rural communities in the development of localized and appropriate responses in the context of HIV/AIDS.
294. On the other hand, it is important to note that in the last decade the portion allocated by the Government with the support of its international cooperating partners for combating of HIV/AIDS was increased up to 2006 but since then it started to reduce up till 2010. The same trend was recorded between 2011 and 2012. Thus, the country will have to face, at short and medium terms, the challenge of ensuring financing in this field. It should be noted that in 2011, there were frequent information on rupture of medicine stocks and a growing number of persons abandoning treatment in district hospitals in particular in rural areas that are more affected by the HIV/AIDS.

Objective 4: To ensure access to water, sanitation, electricity, finance, information and communication technologies, housing and land to all citizens in particular the poor population

- The APR Panel recommended to the country: (i) to ensure access to water; (ii) Improve sanitation; (iii) to promote use of renewable energy; (iv) to ensure transport infrastructures; (v) to promote shelter and access to land to poor rural citizens; (vi) increase access to financing and microfinance; (vii) improve access to Information and Communication Technologies (TICs).

295. With regards to the APR Panel on the need to ensure access to water in rural areas and improve sanitation, the country has improved access to water in rural areas which rate has increased from 54% in 2009 to 67% in the first semester of 2012. With this growth of coverage rate, over 2.848.000 citizens have reduced the distance to water sources. In relation to urban areas, the coverage rate increased from 60% to 70% in the same period. This growth ensured that over 730.980 citizens could have piped water in their yards. It is important to note that the Government made massive investments in irrigation systems in some districts in the context of National Irrigation Strategy.
296. In the area of rural sanitation, it was noted that there has been some progress in the sense that the coverage rate increased from 39% in 2009 to 43% in 2012 which clearly shows that over 1.840.500 citizens benefited from improved latrines. In relation to urban sanitation, the coverage rate increased from 50% to 53% in the same period and over 87.370 citizens have access to urban sanitation, that is, they benefit from improved latrines as well as improved environmental and sanitary conditions³⁵. With this progress in the two areas, (water and sanitation) the challenge is to expand their coverage in rural areas of the country. However, this coverage must be followed by improvement of quality of water supplied through Small Water Supply Systems (PSAA).
297. On the need for the country to use renewable energy, with the aim of minimizing the negative effects of increased use of petrol, the Government, adopted in 2009 bio-fuel policy and strategy as to promote the use of renewable sources of energy. It also approved Decree 58/2011 of 11 November which regulates the bio-fuel and its mixing with ordinary petrol. The country has also passed a presidential decree creating Inter-ministerial Commission on Bio-Fuel. However, the effects of these policies can only be measured at long term.
298. With regards to the APR Panel's recommendation to improve transport infrastructures, the Government rehabilitated the Sena Railway Line thus creating conditions for transportation of coal from the District of Moatize. Meanwhile, the Government rehabilitated National Road Number 1 (EN1) and other main roads including massive investments in the main corridors that connect Mozambique with the countries of the region, also connecting productive areas to consumer areas, which indeed has been improving significantly the access to market in particular to farmers, notwithstanding the fact that there is so much to be done to ensure better flow of production surplus between the production areas to consumers.
299. Furthermore, the Government embarked on the construction of the Nacala International Airport which will be concluded in 2013, rehabilitation of the Tete airport, improvement/extension of the airport of Vilanculos and the airport of Pemba is under rehabilitation.
300. With reference to the APR Panel recommendation on the need to promote shelter and access to land for citizens, over the last five years the sector of housing recorded moderate progress as a result of the Government effort. However, it is far from responding according specific needs of the majority of the population in Mozambique: youth. As an example, between 2009 and 2012, the Government promoted construction of new houses, encouraged urban settlements and the use of low cost construction material. In the same period, the Government set 89.309 plots and promoted the construction of 20.313 houses.³⁶ The Government also sold part of houses in Zimpeto Complex in Maputo, mainly to youth.

³⁵ GdM, Mid Term Review of PQG -2010-2014, Maputo

³⁶ Idem

301. As previously referred to, the challenge continues to be the promotion of social housing for the population, that is, low cost houses, in particular for youth. This is a result of the fact that shelter constitutes a good that is accessible to only small minority of persons and this can easily be proven by the very high interest rate³⁷ for the purchase of a house or by looking at the renting prices used by estate agents and others.
302. Another important challenge to be taken into consideration by the competent authorities is related to access to land in particular to the rural population in specifically taking into account the booming of huge investments in the country that have been bringing lack of trust by the rural population where such investments are taking place. Indeed, a recent study by civil society organizations, the National Union of Peasants (UNAC) and the Justiça Ambiental (Environmental Justice) denounced the fact that huge projects in Mozambique, in the sectors of agro-business, tourism, and mining, have been creating more conflicts and worsening the situation of poverty and vulnerability of rural communities. This is because the majority of commitments declared during the "community consultations" are simply being ignored, taking benefit the existing mistakes in the process of law enforcement in the country.³⁸
303. In reference to the APR Panel's recommendation to the need to encourage financing and microfinance, the reforms of legislation that regulates financial intermediation institutions, allow the expansion of coverage of banking services and to access to micro-finances. Indeed, presently, about 80 districts have one microfinance institution and this is also supported by the availability of the commonly known as "7 Millions" in all districts of the country.
304. With reference to the APR Panel's recommendation on the need to expand access to Information and Communication Technology (ICTs), the Government authorized the entry into operation of a new mobile telecommunication in the country (thus increasing the number to three) in this way expanding access to ICT in rural areas and among the most vulnerable groups. The Government also concluded the first phase of the Science and Technology Park in Maluana in the District of Manhica with the establishment of Technological an Innovation Development Centre (CDT). In addition, the Government expanded the optical fibre network what contributed greatly to the improvement reliability and quality of communications.
305. In the context of expansion of access to knowledge through internet in rural communities, in 2010 and 2012 the Government concluded the creation of District Government Web pages (Alto-Molocué, Morrumbene, Mocuba, Nacala, Cuamba, Moatize, Manhica, Dondo, Chokwé and Gondola). Other Government initiatives in this context include the consolidation of community tale-centres with the objective of encouraging development in the rural areas by making available facilities for access to new information and communication technologies to rural communities thus combating digital and social exclusion.
306. However, despite this progress, and as is the case in the rest of the continent, Mozambique will be faced with a challenge at medium term in terms of widening its access to ICTs to an ever increasing number of the population in particular youth in order to face the challenges of

³⁷ Normally 16 to 29%, with a very limited repayment period.

³⁸ UNAC & Justiça Ambiental (2011), *Os Senhores da Terra (the Land Masters): (A preliminary analysis of Land Seizure Phenomenon in Mozambique) Análise Preliminar do Fenómeno de Usurpação de Terra em Moçambique*, Maputo

the XXI century in terms of development and which demands the mastering of these technologies.

Objective 5: To make progress towards of gender equality in all critical areas of concern, including access to education for all girls at all levels

- The APR Panel recommended the country to: (i) accelerate and intensify the implementation of strategies for the retention of girls in primary and secondary school, encourage them to get vocational training as a strategic instrument for empowerment of Mozambican women; (ii) accelerate the approval of Law on Domestic Violence, that can deal with violence based on gender; (iii) develop a national programme for training of law enforcement agencies as well as communities on issues related to violence based on gender; (iv) accelerate the implementation of National Plan for the Advancement of Women; (v) strengthen the role of participation of women at local level through training programmes that can strengthen leadership capacities of women, trust, advocacy and self esteem; (vi) develop monitoring indicators that include gender aspects to evaluate progress on gender integration and a budget that is sensitive to gender issues; and (vii) accelerate the implementation of national development plan for vulnerable persons by improving the resources allocated for social wellbeing.
307. With regards to the recommendation by the APR Panel to implement strategies for the retention of girls in primary and secondary school and encourage them to get vocational training, the Government approved a new legal instrument for the Retention of Girl at School which among other aspects includes free tuition and books. Initiatives like provision of scholarships and increase of involvement and active participation of community and religious leaders in the promotion of education for girls and combating the school distances have been implemented over the country with emphasis in the districts.
308. Meanwhile, Ministry of Education is implementing with success in the centres and boarding centres, School Production Programme as a measure to keep pupil and in particular girls busy. It ought to be stressed that there are also various complementary initiatives by civil society organizations with huge impact on this target group. “*Um Olhar de Esperança*” (a vision of hope) initiative can be taken as an illustration of this effort. However, the measures under implementation are not sufficient to satisfactorily cut off the cycle of segregation of girls from school.
309. In this context, there is a huge challenge in this area in the sense that the main factors that influence the segregation of girls are of variable natures, namely premature marriage, early pregnancy, cultural aspects and decision on investment for the empowerment of children, lack of follow up by the parents and those responsible for children, informal trade, among others. This framework calls for the need for involvement, not only of education sector authorities, but also of various community leaders and parents in an effort to revert gradually the present trend of massive school drop out by girls.
310. With regards to the recommendation of the APR Panel to accelerate approval of Domestic Violence Law, development of a national programme for training of law enforcement agents, as well as communities on the issue of violence based on gender; accelerate the implementation of National Plan for the Advancement of Women, it should be referred that in July 2009 the Parliament passed Law 29/2009, of 29 September (Domestic Violence Law) which has entered

into force. In relation to training of law enforcement agents, the Government took initiative of including in the training curriculum of those agents, issues on domestic violence. Various initiatives are also under implementation both by the Government and civil society organizations in order to popularize this Law among the communities. Despite these efforts, the phenomenon of domestic violence is still a fact in Mozambican society and this is related to cultural aspects and other beliefs.³⁹

311. In relation to the need to accelerate the implementation of National Plan for the Advancement of Women, this issue recorded substantial progress in that this Plan was approved and widely publicised and its third edition is under implementation.
312. With reference to the APR Panel's recommendation on the need to strengthen the participation of women at local level, through training programme that can improve the role of participation of women at local level through training programmes that can strengthen leadership capacities of women, trust, advocacy and self esteem the Government and other civil society organizations' efforts are towards multiforme support to associations in particular to those composed by women and geared to the development of income generation activities at national level; integration of women who are heads of families in management courses for small scale business; capacity building in terms of agro processing and management of credit in the context of "Projecto de Potenciação de Habilidades Empresariais Femininas" (Empowerment and Capacity building of Female Companies Project; construction of Women Promotion Centre for vocational training of women at various levels.
313. With regards to participation of women in public life, namely in decision making levels, the country has been advancing satisfactorily. For example, in the Parliament, 40% of the total of 250 MPs are women and of the three parliamentary benches two are headed by women and at least two parliamentary commissions are lead by women.
314. However, despite this gradual progress in the country, there is a challenge for the mozambican society which is related to continuous upgrading of the position of women in society and doing away with the mentality that still prevails tending to limit women to "domestic field", doing home activities, in particular in rural areas, which constitutes a huge challenge both for the civil society organizations and government institutions responsible for issues on empowerment of women and its repositioning in "public domain".
315. As for the APR Panel recommendation to develop monitoring indicators that include gender aspects to evaluate progress on gender integration and a budget that is sensitive to gender issues; there has been some "mixed" progress in the implementation of this recommendation. Indeed, indicators that are sensitive to gender were developed and included in Strategy Matrix for the Plan of Action for the Reduction of Poverty (PARP) and they are monitored on a regular basis by the Government and other stakeholders. In relation to budgeting in gender perspective, despite continuous capacity building involving various sectors of Government, its full materialization is yet weak and as so it constitutes a challenge.

³⁹ In Chapter I (Democracy and Political Governance) Objective 7 "To Promote and Protect the Rights of Children and Women", the issue of domestic violence and popularization of the respective Law is discussed in details.

Objective 6: To encourage broad-based participation in participation in Development by all stakeholders at all levels

- The APR Panel recommended the country to: (i) introduce capacity building programmes for local communities and civil society organizations so that they can actively participate in planning, implementation and monitoring processes for a better service provision; (ii) ensure representation and participation of all groups in development processes; (iii) strengthen the role of Development Observatory to guarantee that citizens' opinions are adequately transmitted; (iv) strengthen information and sensitization on the laws that allow for a wider participation.
316. With regards to the APR Panel's recommendation on the need for the country to introduce capacity building programmes for local communities and civil society organizations so that they can actively participate in planning, implementation and monitoring processes for a better service provision it ought to be referred that progress in this chapter was modest notwithstanding the fact that the District Consultative Councils – represent local communities - are playing their role of district planning and evaluation processes of the services rendered by the Government.
317. For this body (District Consultative Council) and for the civil society organizations based in the community, the Government has been organizing capacity building programmes to improve their performance in the abovementioned subjects. Positive examples in this exercise are those activities carried out by Civil Society Support Mechanism through the strengthening and involvement of civil society organizations based in the community in monitoring and advocacy on governance.
318. However the lack of continuity of this capacity building do not contribute to full mastering of issues. Therefore, it is in this area where it is necessary to make additional efforts in order to increase the involvement of communities in planning, use and monitoring of services rendered by them.
319. With reference to the APR Panel's recommendation on the need to ensure representation and participation of all groups in development process, the country recorded some remarkable progress in the expansion of the participation of civil society in the debate and implementation of public policies. There are some examples of the participation in meetings with the Government and the civil society and they include: (i) Labour Consultative Council, (ii) Private Sector Annual Conference (CASP); (iii) District Consultative Councils; and (iv) Development Observatory. Furthermore, the Government is implementing actions for the operationalization of the National council for elderly persons. In 2012, the Government created and operationalized 22 District Councils for the Advancement of Women as a way of strengthening the participation of rural women in development process. At the sectors, provincial and local levels, there are consultative forums which deal with specific development issues.
320. However, notwithstanding these advancements, there are some fundamental challenges that must be dealt with so that the grass root priority policies can be adequately reflected in national agenda. Civil society organizations in particular at the level of districts and province are very limited and with financial, human and material shortfalls for them to participate actively in the defence of the interests of their members. The Government's effort is toward the strengthening

them in terms of provision of technical capacity and support for the creation of civil society organizations is not visible. During the workshops for the preparation of this progress report, the participants reiterated this fact and called the attention of the Government on the need to strengthen the possibilities for creation of dialogue and mutual trust at provincial and district levels.

321. In relation to the APR Panel's recommendation to strengthen Development Observatory in order to guarantee that the citizens' opinions are dealt with in an adequate manner, and the necessary feedback is given, the Government has been regularly organizing plenary sessions with Development Observatories with the participation of civil society, both at the level of the provinces and the capital of the country. Normally, these sessions take place into two phases: during planning and during the assessment phase of the plan.

322. The Government body that oversees the area of planning has been involved, since 2011, in the improvement of Guidelines for the Development of Observatory Organizations. It is expected that its implementation will start in 2013 and that it will contribute to the definition of appropriate absorption mechanisms of points of view expressed in these forums and in particular by the civil society. The main challenge in this aspect is that the opinions expressed in these forums are not compulsory for the Government. Therefore, it is the responsibility of the stakeholders who participate in this process to find a platform of understanding that will contribute to the solution of the present difficulties that affect the functioning of these forums and in the desired manners.

323. With reference to the APR Panel recommendation on the need to strengthen dissemination of information and sensitization on the laws that promote a wide participation, Mozambique will have to continue making additional effort so that this recommendation can be satisfactorily followed, notwithstanding the Government's efforts and that of the civil society in disseminating legislation on the citizens' participation. Therefore, the challenge here is to raise awareness of citizens for them to be able to exercise their right as citizen.

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ANNEX: MATRIX OF THE NATIONAL PROGRAMME OF ACTION
