



**USAID**  
FROM THE AMERICAN PEOPLE

# CORRUPTION ASSESSMENT: MOZAMBIQUE

FINAL REPORT

**DECEMBER 16, 2005**

This publication was produced for review by the United States Agency for International Development. It was prepared by Bertram I. Spector, Miguel Schloss and Sammi Green of Management Systems International, and Elizabeth Hart and Tye Ferrell of USAID.

# CORRUPTION ASSESSMENT: MOZAMBIQUE

## FINAL REPORT

December 16, 2005



Management Systems  
International  
Corporate Offices  
600 Water Street, SW  
Washington, DC 20024

Contracted under USAID Contract No. DFD-I-02-03-00144-00, Task Order 02  
International Governmental Integrity and Anticorruption Technical Assistance Services

### **DISCLAIMER**

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

## Table of Contents

List of Acronyms .....	iii
Executive Summary.....	iv
1. Introduction .....	1
2. Overview of Corruption in Mozambique.....	5
3. Governance Indicators.....	10
4. Assessment Methodology.....	13
5. Corruption in Government Sectors.....	14
5.1 Judicial Sector.....	14
5.2 Health Sector.....	19
5.3 Education Sector.....	24
6. Corruption in Government Functions.....	26
6.1 Public Financing and Budget.....	26
6.2 Public Procurement.....	32
6.3 Customs.....	35
6.4 Inspections.....	40
7. Corruption in Institutions.....	42
7.1 Municipalities.....	42
7.2 Political Parties.....	45
8. Cross-Sectoral Programming Options.....	47
9. Prioritization of Sectoral and Cross-Sectoral Options.....	52
10. Signals of Political Will to Fight Corruption.....	58
Bibliography.....	60
Appendix: List of Interviewees.....	62

## List of Acronyms

ACU	Anti-Corruption Unit
ADR	alternative dispute resolution
AMMCJ	Associação Moçambicana das Mulheres de Carreira juridical
BCM	Commercial Bank of Mozambique
CGE	Conta Geral do Estado
CMAM	Central Medical Stores
CSMJ	Superior Council of the Justice Magistrature
CSO	Civil Society Organization
CTA	Confederation of Trade Associations
DNCP	Directorate of National Accounts
FIAS	Foreign Investment Advisory Service
GBS	general budget support
GCCC	Anti-Corruption Office in the Attorney-General's Office
IMF	International Monetary Fund
IPCC	Consultative and Participative Forums
MCC	Millennium Challenge Corporation
MoF	Ministry of Finance
MP	Member of Parliament
MSI	Management Systems International
NGO	Nongovernmental organization
OE	State Budget
PFM	public finance management
PIC	Criminal Investigation Police
TURC	Technical Unit for Restructuring Customs
UTREL	Technical Unit for Law Reform
UTRESP	Public Sector Reform Technical Unit

## Executive Summary

The efforts of Mozambique's leaders and citizens have enabled enormous strides over the past decade in promoting peace and security and advancing economic growth. If Mozambique hopes to consolidate and build on these achievements, serious assessment, reflection, and course adjustments are necessary now to strengthen transparency, accountability and integrity mechanisms that will improve governance equity and effectiveness, and uphold the interests and welfare of citizens.

The scale and scope of corruption in Mozambique are cause for alarm. This corruption is a symptom of democratic and governance weaknesses in the country, and these structural weaknesses amplify a threat that has the potential to undermine Mozambique's future development progress. As a consequence, Mozambique's nascent democratic government and the significant success of the country's development efforts are at risk.

On a daily basis, citizens experience petty administrative corruption at police checkpoints, health institutions, schools and government offices. Even more serious grand corruption and state capture exist at higher levels of government. These involve the pilfering of substantial sums from the public coffers and fostering damaging misconduct and abuses, for example, favoritism and nepotism in public appointments and procurements, conflicts of interest and insider dealing that benefit friends, relatives and political allies, and political party and electoral decisions that reduce democratic choices and citizen participation. More troubling are the allegation of linkages between corrupt government officials and organized crime.

While there are some initiatives that can be taken to counter corruption that will have impacts in the short term, the sustainable solutions are long term and will require bold steps – tangible political commitments from high-level government officials, significant changes in business-as-usual, and a clear and unified message from international donors on the government's need to address corruption. Passing new laws and establishing new institutions, by themselves, will not be sufficient. Sincere commitment and perseverance in the *implementation* of laws and institutions that enhance transparency, increase accountability, and combat corruption by high- and low-level officials and by donors is required. This translates into a long-term obligation to provide sufficient resources, build capacity and professionalism among Mozambican officials and increase public awareness within a coordinated and comprehensive anti-corruption program.

### Why is there corruption in Mozambique?

Corruption thrives in Mozambique because government is not sufficiently accountable to the citizens of the country or to the law. This system is facilitated by a lack of independent oversight from the National Assembly, a judicial system that puts politics above the law, and a lack of transparency. While some laws and regulations exist on paper that provide a framework for good governance, few control mechanisms are established or operate in reality to ensure that these frameworks function honestly, transparently and in accordance with the public good. These dynamics are at work at both the elite and administrative levels. However, it is the *grand corruption* at the elite level that sets the tone for and limits the ability of even those brave individuals who want to make a difference to do so. Low pay and poor conditions of service

make lower-level officials more likely to participate in corruption, but leadership by example and effective oversight both within government and by the public are the keys to reducing administrative corruption.

### **What needs to be done?**

Successfully reducing corruption is ultimately a matter of political will on the part of Mozambique's government, combined with strong institutions of governance that exercise effective checks and balances, systems that ensure transparency and accountability to citizens, and clear sanctions for those who engage in corrupt behavior. In an environment such as Mozambique's, the options for donors are limited by the context. Combating corruption will require a comprehensive approach that prioritizes transparency and citizen oversight of government. This can be facilitated by building the capacity of civil society to educate citizens, advocate for reform, and monitor government to encourage responsive and accountable use of public resources and discourage corruption.

Because of the relative weakness of civil society, the inability of ordinary citizens to hold their government accountable, and the corresponding high levels of foreign assistance from donors, Mozambique's government is in many ways more accountable to donors than to its own citizens. Donors are therefore key stakeholders in the fight against corruption in Mozambique. Recognizing the inherently political, as opposed to technical, nature of corruption, donors can play a critical role by coordinating their messages and efforts at the highest levels to discourage corruption and encourage greater transparency and accountability. In addition, anti-corruption activities and objectives should be mainstreamed throughout donor portfolios in order to leverage the broadest range of resources, stakeholders and programming alternatives in the effort.

Finding windows of opportunity where political will exists will also be an important strategy in the fight against corruption. Locally elected municipalities in Mozambique represent an opportunity to build on a directly representational democratic system to encourage citizen accountability and government transparency, and over the long-term to develop a culture of democratic participation. Likewise, there may be champions of change in other levels of government, the private sector, nongovernmental organizations, and the media. These individuals should be located and supported where possible to fight corruption.

On a more detailed level, anti-corruption programs need to be developed, implemented and mainstreamed into existing sectoral activities to strengthen their overarching objectives. Some sectoral and cross-sectoral programs can also be initiated that will have broad impact. A wide range of recommended program options is described in the report, sector-by-sector. The highest priority, near-term recommendations are presented below. Most are demand-side, transparency-oriented reform activities supporting civil society, as opposed to technical assistance programs directly to government agencies.

#### **Cross-Sectoral Options**

- Strengthen demand-side pressure on government to be accountable
- Build transparency, accountability and integrity provisions into donor programs
- High-level donor coordination on corruption issues

- Identify and bolster potential champions of reform among government officials and institutions at all levels and the mass media

### **Judicial Sector**

- Promote practical solutions that address bottlenecks in corruption prosecutions

### **Health Sector**

- Promote citizen education about health care rights and mechanisms for citizen complaints and feedback
- Continue oversight and control mechanisms for drug registration, procurement, distribution and management

### **Public Financing and Budget**

- Promote demand for accountability by fostering and empowering oversight bodies

### **Public Procurement**

- Involve civil society and the private sector as external controls on the process

### **Customs**

- Support Customs Higher Technical Council as channel for user feedback

### **Municipalities**

- Extend mainstreaming of anti-corruption initiatives into municipal governance assistance programs
- Strengthen oversight bodies at local levels

Guidance on prioritizing these and other programming options is provided in the report. Considerations are given to identifying key counterparts that would have to be engaged, the feasibility of implementing the options in the near-, mid- or long-term, and the probable time horizon for anticipating outcomes.

### **Signals of progress**

Reducing corruption requires a sustained and long-term effort on the part of all stakeholders. Because of the long-term, essentially political, nature of this effort and the importance of fighting corruption systemically, it can be difficult to know when real progress is being made. Donors and others seeking to gauge the level of Mozambican leadership's political commitment to fighting corruption should look to implemented reforms that meaningfully impact critical factors that have created the enabling environment for corruption in Mozambique. In general, such signals might include the strengthening of checks and balances between and among all branches of government, improved control mechanisms that strengthen direct accountability to citizens, equal application of the law for all citizens, significant engagement by civil society with government, and increased transparency of government and political parties.

In the Mozambique context, key steps that would indicate serious efforts in the fight against corruption include:

- Follow-through or re-opening of high profile crimes and charges that were poorly or inadequately prosecuted in the recent past, including the Carlos Cardoso and Antonio Siba Siba Macuacua murders and associated crimes.
- Increasing dissemination of and access to critical government information, such as budgets, public expenditures, and revenues.
- Increased transparency in major procurements, including active and informed involvement of civil society as a watchdog.
- Increased transparency of political party and campaign finances.
- Decreased use of public resources for political campaigning.
- Public declaration of assets, particularly of elected officials and key political appointees.



## **1. Introduction**

Mozambique has made great strides, particularly since the signing of its peace agreement in 1992 and its first multi-party elections in 1994. The country is in many ways a development success story, and the government and its donor partners have stimulated impressive economic growth—albeit from a very low starting point—that seems to have had a positive impact on reducing overall poverty in this poorest of countries. However, Mozambique’s development story is clouded by widespread and persistent corruption. This corruption is both a symptom of deeper structural imbalances within Mozambique’s tenuous democracy and a threat that has the potential to undermine Mozambique’s future progress. Profound, long-term efforts to reform the political system and address corruption are needed to ensure the country’s stability, economic growth, and democratization. It is not yet clear that Mozambique’s leaders are willing to make these changes.

Corruption has been spreading rapidly over the past 20 years and now reaches into virtually every sector, function, and level of government. The scale and scope of corruption in Mozambique has reached alarming levels and potentially poses a risk to the country’s nascent democratic government. Corruption is so endemic that it has become the norm for citizens and businesspeople, who tolerate it in order to get things done and gain access to basic public services. Low-level government officials use corruption to supplement meager incomes, while high-level government officials use corruption to enhance their wealth and reinforce political power, and economic elites use it to consolidate their position and prevent competition.

Public sector corruption in Mozambique has devastating consequences on the economic, political and social life of the country. It scares off domestic and foreign investors, creates unfair advantage for some, and diminishes the prospects of the poor. It constrains democratic governance by undermining the judicial process, dismantling the rule of law, and reducing the delivery of essential public services, especially to the poor. It so penetrates the social and cultural fabric of the country that Mozambicans appear to be generally resigned to living with pervasive corruption because they see no way of avoiding it.

### **Causes of corruption**

Corruption in Mozambique is largely symptomatic of a lack of checks and balances among the three branches of government, limited transparency and access to information, minimal accountability of elected officials, and a culture of impunity where corruption persists because it is seen as a low-risk, high-reward activity. Unfortunately, because of corruption’s corrosive effects on transparency, accountability, and the credibility of government, if left unchecked, it will inevitably erode the legitimacy of elected officials and further weaken democratic values and participation in policymaking, effectiveness of public institutions, and the rule of law.

Robert Klitgaard's formulation of corruption – that it is a result of monopoly power, plus official discretion, minus accountability – is a helpful rubric for understanding corruption in Mozambique, where:

- power is highly concentrated in one political party and few groups in society are reasonably capable of contesting for power;
- the discretion of government officials is unchecked and the rule of law is minimally respected; and
- there is little if any accountability of officials to citizens (Klitgaard, Maclean-Abaroa and Parris, 2000).

While laws and regulations exist on paper that provide a framework for good governance, few control mechanisms are established or operate in reality to ensure that this framework functions honestly, transparently and in accordance with the public good.

These dynamics are at work at both the elite and administrative levels. However, it is the *grand corruption* at the elite level that sets the tone for and limits the ability of even those brave individuals who want to make a difference to do so.

A continuing concern regarding corruption in Mozambique are the allegations of possible collusion or even active involvement of individuals within government or the ruling party in criminal activity, including drug trafficking, money laundering, and theft of public funds. High-profile murders appear to be directly linked to silencing efforts to expose this activity. This atmosphere of lawlessness has not improved in recent years and further exacerbates diminished governance capacity.

Capacity and accountability will be particularly important in the near future, as Mozambique develops and expands its extractive and metallurgical industries. Aluminum, power generation, coal and natural gas have all recently become major new sources of much-needed revenue for the country. Already, they represent more than 75 percent of Mozambique's gross domestic exports. These cash cows represent extensive new opportunities for corruption and raise the stakes for control of the state, especially if they are controlled by a few companies or ministries. As these industries are expanded and new ones developed, it will be critical to ensure that their operations and revenue are transparent and accounted for and that the proceeds benefit all the citizens of Mozambique.

The abuse of public office for private gain in Mozambique is abetted by several factors in the institutional and political environment, including:

- The dominance by a single party of all branches of government, which undermines the concept and practice of checks and balances.
- A lack of direct accountability to citizens and weak control mechanisms to detect abuses.
- Impunity for those with wealth and connections to the politically powerful.
- Discretionary application of the law to favor politically-connected individuals.

- The absence of significant and meaningful engagement by civil society with government and weak civil society capacity.
- An atmosphere of pervasive secrecy and opacity in government and political parties.

### **The challenge for donors**

Although it is beyond the scope of this study to measure, corruption undoubtedly impacts Mozambique's poverty reduction efforts. For instance, more than \$100 million of donor funds were used in 2001 to bail out the failed privatization of the Commercial Bank of Mozambique (BCM), the purchase of which in 1996 was allegedly funded by donors for rehabilitation of the metalworking industry. What is clear is that donor funds intended for development often have the unintended effect of enriching a small elite of wealthy and politically powerful individuals, thus diminishing the overall impact of development assistance. Even when donor funds are audited and well-managed, they can serve to free up other government funds for misuse by public officials.

Mozambique's openness towards external assistance and the large amounts of donor assistance it has received have enabled the country to make important strides in modernizing and reducing poverty. At the same time, this has produced a high level of donor dependence. The government's tax base accounts for just under half of total government expenditure (49 percent in 2003) and the country's aid/GDP ratio is twice as high as the average for sub-Saharan Africa (about 15 percent). This is a poor basis for generating demand for accountability between the government and its citizens. High levels of aid can have the effect of reducing the government's incentive to use its resources effectively and in the public's interest, as large amounts of aid displace the need for tax collection and compete for assistance opportunities within a country with very limited capacity to absorb the funds effectively.

Combined with other factors, this has created a situation whereby the government has become more accountable to donors than to its own citizens. In the absence of the checks and balances of a strong and engaged National Assembly, a respected and effective judiciary, and a vibrant and active civil society, donors are de facto the most powerful constituency for change in the country. While donors have done tremendous good in terms of economic development and provision of public services in Mozambique, they have been much less active in exercising their latent leverage in the fight against corruption on behalf of Mozambican citizens.

Donors often deliver strong messages urging reform, but their actions do not always match the rhetoric. This was most notable in 2001 and 2003, when the donor Consultative Group urged aggressive efforts to address Mozambique's banking scandals and condemned corruption, but then increased Mozambique's allocation beyond what the country had even requested. The United States Government (USG) also risks sending mixed signals if accountable governance is not emphasized in all of its interactions and programs in Mozambique, including both USAID programming and any eventual Millennium Challenge compact.

## The way forward

In this report, we have analyzed in broad terms many of the principal government sectors and functions that Mozambicans and country specialists believe to be highly vulnerable to corruption. These include the health, education, and justice sectors; the customs, procurement, inspections, public finance and budget functions; and municipalities and political parties. We offer recommendations for reform in each of these areas.

But the most important finding of this study touches on larger questions than the “who, what, where and how” of corrupt behavior in any given sector. As this introduction has discussed, the *why* is a far more critical question, and the answer has to do with the nature of democracy in Mozambique. Democracy has yet to fully take root in Mozambique, which runs the risk of remaining a democracy in name only. At the same time, the problems that undermine democracy are in large part the same ones that facilitate corruption—lack of transparency, insufficient inclusion of the public interest in the political calculus of leaders and in the decision-making process, impunity, and minimal governmental checks and balances.

The solutions, equally, have as much to do with improving the quality of Mozambique's democracy as with new enforcement or control regimes. As USAID's 2002 Democracy and Governance Assessment noted, there is a “need for profound reforms if democracy is truly take root in Mozambique,” and for this reason the fight against corruption in Mozambique will take time and considerable effort. Thus, one of this study's most central recommendations involves the need to strengthen indigenous organizations and institutions that can serve to balance the power of the executive in Mozambique, producing greater oversight and improved accountability. These organizations and institutions include civil society groups, the mass media, and private sector associations. But the opportunities and resources for systemic change are limited. Constituencies for change in Mozambique are weak and their influence minimal outside of the donor community.

Second, the question of political will must be addressed. An axiom of corruption studies is that real change rarely happens in the absence of committed and motivated political leadership. Without a sincere and demonstrated commitment from the very highest levels of government in Mozambique, current corruption trends are likely to persist. Serious and coordinated pressure for change from the donor community can help, and donors need to take this issue, and their potential leverage, much more seriously than they appear to have done up to now.

\* \* \* \* \*

The purpose of this assessment is to provide a comprehensive analysis of the state of corruption in Mozambique – taking into account the political-economic context that facilitates or inhibits corruption, the legal/regulatory/oversight framework that can control corrupt tendencies, the constituencies for and against reform, ongoing anti-corruption programs, and entry points for appropriate anti-corruption initiatives. In

accordance with the new USAID Anticorruption Strategy,<sup>1</sup> this assessment examines all levels of corruption (petty, grand and state capture) and the key sectors and functions where corruption has impaired governance capacity and the achievement of development objectives.

This report presents the findings of a corruption assessment conducted by a team from USAID/Washington and Management Systems International, from August 8 - 23, 2005. In the course of the assessment, the team held meetings with governmental and nongovernmental stakeholders, gathered data, and reviewed documents. The MSI team consisted of Dr. Bertram Spector, Miguel Schloss, and Sammi Green; the USAID team consisted of Dr. Elizabeth Hart and Tye Ferrell.

This team would like to extend its thanks to the USAID/Mozambique Advisory Team that was established to advise our efforts. We are grateful to all those who granted us their time and thoughts on these sensitive issues – from the community of USAID implementing partners, international donor organizations, government officials, and local NGOs, businesses and journalists.

The content and conclusions of this report are the authors and do not necessarily reflect the policies or opinions of the United States Agency for International Development (USAID).

## **2. Overview of Corruption in Mozambique**

Mozambique is a country of stark contrasts – an electoral democracy with virtual one-party rule, a country ruled by a sophisticated legal framework that is selectively implemented, a national economy that has transitioned from a socialist system to one where business and political interests are closely intertwined, a land in which public sector corruption is a relatively recent phenomenon but is too easily tolerated either due to resignation, fear, or simply a spirit of “deixa andar” (“let it go”). Taken as a whole, these contrasting political and economic dynamics yield a picture of a country deeply threatened by corruption at all levels.

While much of this report will discuss institutional and procedural weaknesses that contribute to pervasive corruption at the administrative level—the near-daily bribes required to pass through police roadblocks, register a child in school, deal with various inspectors, or get faster treatment at a clinic—it is critically important that these problems be seen through the lens of the broader political and economic context that discourages accountability and presents limited incentives to leaders to change the *status quo*. Grand corruption—the participation of elites in self-dealing and other efforts to consolidate and protect their hold on power and wealth—is the critical problem in Mozambique. Without

---

<sup>1</sup> Adopted in 2005, the USAID Anti-Corruption Strategy addresses four broad actions: (1) confront the dual challenges of grand and administrative corruption, (2) deploy Agency resources to fight corruption in strategic ways, (3) incorporate anti-corruption goals and activities across Agency work, and (4) build the Agency’s anti-corruption knowledge.

significant changes in the incentives faced by these elites, the strong political leadership necessary to alter incentives for corrupt behavior at the administrative level is unlikely to materialize.

### **Factors that facilitate the spread of corruption**

There are several factors that facilitate the spread of corruption throughout a wide range of sectors and government functions in Mozambique.

**Single-party dominance and lack of checks and balances.** The Frelimo party has held exclusive rule over Mozambique since independence. Generally free elections since the end of the civil war have consistently returned Frelimo to power, but this *de facto* monopoly has contributed to blurring the distinction between party and government and has undermined checks and balances between the country's branches of government. Frelimo effectively controls the activities of the executive, legislative and judicial branches. Minimal competition from Renamo and other political parties has reduced Frelimo's incentives to reach out to business and civil society for alternative perspectives and has resulted in limited mechanisms of accountability. It has also generated a culture of impunity, where government/party officials generally do not risk punishment, either by the courts or by the electoral process, for poor governance or corrupt behavior. Other than Renamo, there are no other significant power bases in the country that compete with the ruling party and engender a more transparent and accountable political environment.

**Merging of elite political and economic interests.** There are strong ties between the political and economic elite in Mozambique. Indeed, it can be difficult to distinguish between them in many cases—the current President, for instance, has extensive business interests. Business leaders seek to enhance their wealth through their close connections with Frelimo and also seek political influence and power for themselves. Political leaders have ample opportunities to enrich themselves through their official positions due to poor regulations on conflict of interest and limited oversight of public procurements. Vested interests – both political and economic – do not want to see these relationships fade.

**Limited rule of law and impunity for corrupt behavior.** Because of the weakness and sometimes political manipulation of judicial institutions, some officials and citizens are able to engage in corrupt behavior with impunity. While many of the legal and regulatory prerequisites to fight and control corruption are in place, procedures and institutions to enforce these frameworks are either not present or poorly implemented. Few cases of corruption are uncovered by the police or effectively investigated. Even fewer cases are prosecuted by the Attorney General's Office, and cases that are brought to court rarely ever get resolved.

**Alleged linkages between corruption and organized crime.** Several serious commentators of Mozambican politics and economy have argued that there are links between different types of organized crime and individuals in key government positions or with ties to Frelimo. These links range from active participation in illegal activities to receiving kickbacks from those activities to turning a blind eye to what is going on for a

price. Examples cited by interviewees and the media include involvement of police officials in gun-for-hire gang activity and stolen car rings; smuggling and drug trafficking rings that operate with police and customs official involvement or complicity; drug trafficking and illegal mining and timber operations from which government officials receive payments for a facilitating role. Many believe these examples are just the visible tip of the iceberg. (See, for example, Gastrow and Mosse, 2002; Fauvet, 2004; Hanlon, no date.)

The media has also reported financial donations to Frelimo by businessmen allegedly linked to illegal activities. The lack of action on the part of government to investigate these individuals could be seen as a proxy indicator of complicity. The 2002-2003 trial of the alleged murderers of Carlos Cardoso provided insights into this world of murky relations between businesses and well-connected individuals and the web of illegal activities that feed on each other: money-laundering, bank fraud, loan-sharking, smuggling, gun-for-hire operations, and so on.

Little if any hard evidence - such as police reports, competent and thorough investigations that uncover paper trails, public first-hand accounts, and convictions - exists and that makes it difficult to assess trends in this area. What can be said is that there is no evidence of a government crackdown on these kinds of organized crime. The nonexistence of legislation requiring public officials to disclose their assets openly makes it even more difficult to determine whether they are or not connected to organized crime or involved in corrupt/unethical practices.

**Lack of transparency and access to information.** Official information is hard to come by. Budgets are published, but not at the level of detail or in a format that allows for meaningful analysis. Expenditure data is usually not available. Neither laws, regulations, procedures, judicial decisions nor price lists for public services are easily accessible.

**Weak accountability mechanisms.** The government has established few effective accountability mechanisms, and external guarantors of accountability are very few. Internal and external audits and inspections are not conducted frequently, and if abuses are identified, there is minimal follow up to investigate or prosecute within the judicial or administrative systems. Supervision and management within the civil service is generally ineffective. Citizen watchdog groups that monitor and oversee government departments and their use of the budget do not exist. While there are a few brave journalists investigating public misdoings, their publications do not reach far beyond Maputo, and most Mozambicans have little or no access to independent media. In addition, even practicing journalists admit that self-censorship and/or “brown envelope” journalism (the practice of publishing or not publishing certain stories as a result of bribes) is common.

**Popular tolerance of corruption and fear of retribution.** There is a general culture of not complaining about corruption -- “letting it go,” “not making waves” -- because there is both a fear of retribution and a desire to avoid problems, especially given the popular perspective that there are few, if any, feasible ways to combat the problem. In the 2005 government-sponsored Governance and Corruption Survey, the most frequent answer to

the question of why people would not blow the whistle on corruption was because “there is no protection” for people who stand up to corrupt practices.

**Politicized and ineffective bureaucracy.** The activities of the civil service are subject to political manipulation. This situation is promoted by the predominance of non-merit-based hiring<sup>2</sup> and the lack of adequate pools of experienced and talented recruits to the civil service. The absence of a strong ethic of professionalism and enforced performance standards within the bureaucracy, along with unclear regulations and poor procedures, create opportunities for excessive discretion and abuses of office.

**Social legacies.** Historically, paternalism has characterized the relationship between government and citizens in Mozambique. By and large, this has not changed since the country’s most recent transition from a one-party socialist state to a nominally multi-party democracy. The legacy of the country’s colonial and socialist past is reflected in the behaviors and attitudes of both the governors and governed. Mozambique has an “historic absence of democratic culture, one that holds Government accountable as an instrument of the people rather than a force from above that merits submissive, filial awe,” a factor that makes corruption particularly difficult to fight.<sup>3</sup>

In addition to this legacy, the extended family--rather than the state-- continues to provide the basic social security system for individuals. As a result, many behaviors that might be viewed as conflicts of interest, nepotism, and favoritism are not generally viewed as corrupt practices. Instead, Mozambicans who achieve positions of authority and influence are often expected to use their position to help family members and friends get jobs, avoid red tape, and circumvent the system.

### **Factors that inhibit the spread of corruption**

Despite this discouraging picture, the team identified several factors in Mozambique that have the potential to inhibit corrupt behaviors and facilitate the promotion of good governance, assuming the necessary commitment on the part of leaders.

**The new government.** President Guebuza and several Ministers have made forceful statements about fighting corruption. The recent sacking of some officials for incompetence may be an indication of political will to follow up on these words, although at this point it is not clear as to whether these actions are driven by a real desire to change the status quo, the political requirement to create a perception of difference from the previous regime, or simply the need to placate donors and public dissatisfaction.

---

<sup>2</sup> In the 2005 corruption survey, the most common answers given by civil servants when asked what human resource decisions were based on were “influence groups inside the institution,” “political affiliation or pressure” and “family or friendship ties.”

<sup>3</sup> Samuel Levy, J. Michael Turner, Thomas Johnson, and Michael Eddy, *The State of Democracy and Governance in Mozambique*, December 2002, Washington, DC: Management Systems International (for USAID).



**Institutions to fight corruption.** In the Attorney-General's Office, a Central Office for Combating Corruption has the authority to investigate and prosecute public sector officials accused of fraud or abuse of power. The Public Sector Reform Technical Unit (UTRESP) conducted a corruption survey (2005) and is drafting a National Anti-Corruption Strategy that may become the basis for a comprehensive program across government departments. If the Strategy is adopted, it is envisioned that a Technical Commission will guide and oversee its implementation. However, none of these efforts have yet to bear fruit in terms of significant prosecutions of corruption, institutional changes, or uncovering of abuses, and it is still unclear whether they are intended to make a difference or simply comply with donor expectations.

**Decentralization program.** All 33 municipalities have now elected mayors and assemblies. These local officials are now directly accountable to their constituents for providing services and accounting for local revenues. These elected officials represent a critical new opening in the space for democratic governance, transparency, and accountability of officials to citizens. With expanded opportunities for participatory planning, electoral accountability, transparent revenue and expenditure, and other measures, municipalities are a potential training ground for civic rights, responsibilities, and action. Additionally, district-level Consultative Councils, while not elected, are being established to increase citizen participation and the accountability of district officials. Despite these advances, oversight and monitoring activities must remain vigilant for the emergence of decentralized corruption.

**Public finance management systems.** On the whole, public financial management processes in Mozambique are fragmented and rather weak. Much donor assistance has been channeled to strengthen these systems to generate more transparent and accountable recordkeeping. The goal is to enhance budget planning, integrated expenditure tracking, and audit and control functions. Such systems have the potential to close many opportunities for corruption that facilitate leakage of public funds. It is important to note, however, that in order to be effective, these systems must be part of much broader institutional and legal reforms that will allow for greater transparency, accountability, and clear sanctions against those who misuse or misappropriate public resources.

### **Extractive and metallurgical industries: an emerging issue**

Increased accountability will be particularly important in the near future, as Mozambique develops and expands its new extractive industries. Even at this early stage, Mozambique's balance of payments has been affected considerably by its first mega-projects. Before MOZAL (Mozambique's—and Africa's—largest foreign direct investment to date) started operations in 2000, exports consisted mostly of a few agricultural products. By 2003, MOZAL's exports already accounted for more than 50 percent of total merchandise exports.

With the doubling of MOZAL's production capacity and the completion of the gas pipeline to South Africa (by Sasol), mega-projects will make up about 75 percent of total merchandise exports in 2005. To this must be added a titanium project that may become

operational within two years, as well as others further down the line. The (still little known) stakes can be enormous, and may not necessarily accrue to the country or its citizens. MOZAL, for instance, is benefiting from exemptions from corporate income tax, the VAT, excises, customs duties on imported capital goods, the real property transfer tax, and other national and local taxes.

Aluminum, titanium, power generation, coal, and natural gas all have become or will become major new sources of much-needed revenue for the country. At the same time, they are potential enticements for corrupt government officials and private sector developers. As these industries are expanded and new ones are developed, it will be critical to ensure that their operations and revenue are transparent and accounted for and that the proceeds benefit Mozambique, particularly the poor. If the wealth generated by this sector in the future is narrowly controlled by a few companies and ministries, it will feed the “monopoly power” dynamic that to which Klitgaard refers.

### **3. Governance Indicators**

#### **World Bank indicators**

The state of corruption in Mozambique can be seen in broad perspective by reviewing aggregate governance indicators. The World Bank Institute regularly monitors key governance indicators over time for many countries.<sup>4</sup> These governance indicators are one way of assessing change in corruption levels over time and comparing levels with other countries. One of the World Bank indicators is “Control of Corruption,” which measures the extent of corruption in a country, defined as the exercise of public power for private gain.

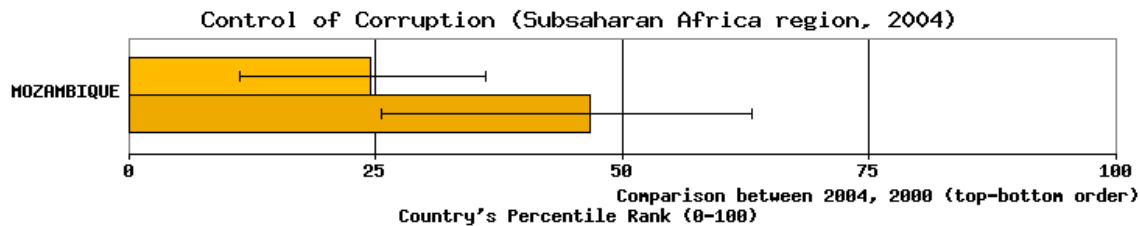
The two charts below identify Mozambique’s results on indicator (a) between 2000 and 2004 and (b) in comparison with the average of sub-Saharan African countries in 2004. (The ratings are indicated as percentages; the lower the percentage, the worse off the country on that indicator.)

In the first chart, Mozambique’s trend of backsliding on corruption is starkly portrayed. From a 46.8 percent corruption index in 2000 (worse than the 49.8 percent world average in 2000), Mozambique measured 24.6 percent in 2004, indicating a substantial increase in corruption. In the second chart, comparing Mozambique with sub-Saharan countries in 2004, Mozambique scores worse on the corruption indicator – 24.6 percent -- in comparison to the regional average of 30.1 percent. Overall, these findings suggest a negative trend toward more embedded corruption in Mozambique.

---

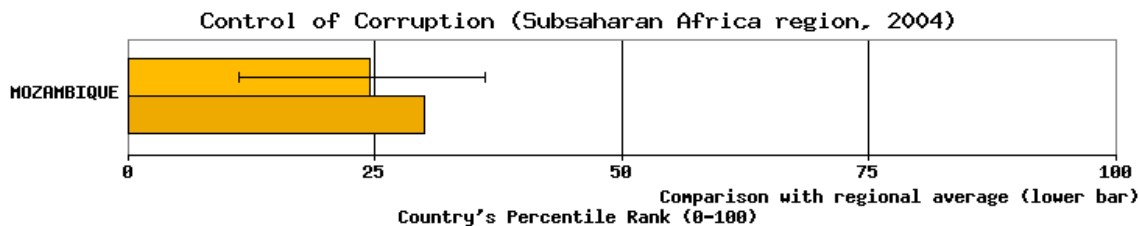
<sup>4</sup> D. Kaufmann, A. Kraay, and M. Mastruzzi, *Governance Matters IV: Governance Indicators for 1996-2004* ([www.worldbank.org/wbi/governance/pubs/govmatters4.html](http://www.worldbank.org/wbi/governance/pubs/govmatters4.html)), 2005.

**Exhibit 1. Control of Corruption Indicator for Mozambique: 2004 (World Bank Institute) 2004 (top bar) and 2000 (bottom bar)**



Source: D. Kaufmann, A. Kraay, and M. Mastruzzi 2005: Governance Matters IV: Governance Indicators for 1996-2004 (<http://www.worldbank.org/ubi/governance/pubs/govmatters4.html>)

**Exhibit 2. Control of Corruption Indicator for Mozambique (top bar) versus Sub-Saharan Regional Average (bottom bar) for 2004 (World Bank Institute)**



Source: D. Kaufmann, A. Kraay, and M. Mastruzzi 2005: Governance Matters IV: Governance Indicators for 1996-2004 (<http://www.worldbank.org/ubi/governance/pubs/govmatters4.html>)

**Public perceptions of corruption**

Another approach to understand the state of corruption in Mozambique is to review public opinion surveys on the subject. While public perceptions of corruption do not always tell an accurate story about the nature and spread of corruption in a country, they do provide useful insights on the “culture of corruption” by which citizens interact with their governments. Two recent public opinion surveys were conducted in Mozambique. The Etica (2001) and Governance and Corruption (2005) surveys of corruption focus primarily on petty corruption. Unfortunately, the questions in these surveys were not asked in a comparable way, which makes a direct analysis of attitudinal change over time impossible. However, several trends are apparent.

Public corruption is one of many major problems facing citizens, but it is not perceived to be the most important. Of 12 problem areas presented to respondents in 2004, corruption was ranked eighth, after problem areas that deal specifically with survival issues – employment, cost of living, water, food, etc.

The number of citizens typically asked to pay bribes for basic services in Mozambique is very high. In the 2001 survey, the primary recipients of bribes were doctors (30%), teachers (26%), and police (21%). In 2005, the primary recipients were customs officials (29%), traffic police (26%), police (19%), and inspectors (19%). Among businesses questioned in the newer survey, 29% said they were asked to pay bribes to customs

officials, 28% asked to pay bribes to get public services installed, and 28% asked to pay to win public contracts. The questions in these two surveys were asked in different ways, hence the results are not exactly comparable. However, these findings suggest a continuing – if not growing – bribery problem to obtain even the most basic services from government.

There are differences between how corruption is perceived in urban and rural settings. In the latest survey (2005), corruption is seen to be serious or very serious by 67% of urban dwellers versus 46% of rural dwellers. Related to these findings is the differential impact of corruption on citizens of different income brackets (from the 2005 survey). Nine percent of low income households pay more than 10% of their income on bribes, as compared to 17% of medium income households and 34% of high income households. In line with these results, medium and large companies indicate that they pay bribes more often than small companies. From these findings, we can infer that corruption – especially bribery -- is more prevalent where there is an ability to pay – in urban settings, among wealthier households, and among larger businesses.

When asked about the most serious forms of corruption in Mozambique, the largest percentage of citizens replied that nepotism, bribes paid to civil servants and involuntary contributions to political parties are the most frequent. Twenty-one percent of companies surveyed said that they were asked to contribute to a political party over the last 12 months.

While many questions in the survey examine problems of petty corruption, one question focused on “state capture” – the undue use of influence by certain groups to gain power over the state to promote their private interests. When asked who has great or total influence over the exercise of state power, households and civil servants responded as follows:

<b>Groups that have great/total influence over the state</b>	<b>% Household respondents</b>	<b>% Civil Servant respondents</b>
Political leaders for their own benefit	50	60
Multinational firms	36	66
Drug traffickers	32	64

The results are rather alarming, indicating that a very high percentage of Mozambicans believe that foreign, criminal and/or corrupt domestic leadership have captured the state’s apparatus to promote their own private interests.

Finally, the survey asked respondents if they believed that there was a “way out” of this corruption predicament. Basically, the answer was “no;” 90% of households indicated that they do not know how to denounce acts of corruption and only 8% had actually made a denunciation in the last two years. The overall picture painted by these corruption surveys is bleak.

## 4. Assessment Methodology

This corruption assessment provides a comprehensive analysis of the state of corruption in Mozambique – taking into account the political-economic context that facilitates or inhibits corruption, the legal/regulatory/oversight framework that can control corrupt tendencies, the constituencies for and against reform, ongoing anti-corruption programs, and entry points for appropriate anti-corruption initiatives. In accordance with the new USAID Anticorruption Strategy, this assessment examines all levels of corruption (petty, grand and state capture) and the key sectors/functions where corruption has impaired governance capacity. The assessment team applied several new approaches to guide the data collection and analysis most efficiently.

The corruption assessment was carried out between August 8-22, 2005 by a small team of experts that coordinated closely with an Advisory Team at the USAID Mission. The approach was organized to minimize time and effort and to help the assessment team hone in on the real problems for which solutions are likely to make a difference. Based on data and documents reviewed by the team beforehand and its initial interviews, it was possible to narrow down and delimit the domains that appear to be most vulnerable to corruption. These were the sectors, functions and institutions that we examined in more detail.

**Preparation.** The team gathered and reviewed existing documents on the corruption-related situation in the country. We identified stakeholder groups to interview and a timeline for accomplishment of tasks. Throughout the assignment, the assessment team coordinated with, reported to, and obtained feedback from the Mission’s advisory team

**Checklist.** The team facilitated discussions with the Mission’s advisory team and Strategic Objective teams to obtain answers to questions in our Checklist instrument. The checklist addresses a large number of issues that helped the team quickly assess where the problems were greatest and where political will and commitment might exist to combat these problems. Based on the results of the Checklist, and in consultation with the Mission’s advisory team, we conducted more detailed diagnostic assessments of a limited number of critical sectors, functions and institutions.

**Detailed diagnoses.** Based on the above results, the team delved deeper into the selected sectors, functions and institutions where the risks were high but the opportunities for control greatest. This analysis was conducted through interviews and meetings with the key stakeholders in each area, as well as gathering of additional data and documentation.

**Programming options.** In this last phase, the team translated the specific corruption vulnerabilities identified in each area into practical and appropriate program options. Some program options are cross-cutting and others are sector-specific. A table that prioritizes these results was developed and is presented later in this report.

## 5. Corruption in Government Sectors

### 5.1 Judicial Sector

The judiciary was identified by respondents to the 2005 corruption survey, as well as many people the team interviewed, as one of the most problematic sectors in Mozambique. Indeed, the courts in Mozambique are seen not only as a main venue for corruption, but also as a key bottleneck in efforts to sanction corrupt behavior. As in many of the other sectors discussed in this paper, the key problem in the judiciary is grand corruption. It manifests itself in the buying and selling of verdicts, the exertion of political control over judicial outcomes, “losing” evidence or case files as directed or paid to do, intimidation of witnesses, and freeing of key suspects. Administrative corruption in the justice sector is also rampant and will be discussed in more detail below, but political control and manipulation from above are the critical failures of the system.

High-profile cases, such as that of Antonio Siba-Siba Macuacua, the central bank official who was murdered after he was appointed to resuscitate Banco Austral in the wake of massive mismanagement and fraud to benefit politically (and criminally) connected individuals, have been left in limbo as investigators and others fail to move forward. Similar delays, along with the “escape” from custody of politically-connected suspects, in the murder trial of journalist Carlos Cardoso (who was investigating a separate bank fraud case),<sup>5</sup> have helped convince Mozambicans that (as the statement was posed in the recent corruption survey), “only the poor and the weak are unable to evade the law.”

Despite extensive donor assistance, reform in the judiciary has been slow and unpromising. Some donors express exasperation that their investments show little more in terms of results than improved training. A wide range of legal and procedural reforms has shown slow or non-existent progress. As a result, some donors are considering reducing or ending their assistance to the courts. Similar notes are sounded in both the 2004 (“...performance in legal and judicial reform continues to be poor.”) and 2005 (“little progress was noted in the area of ... justice sector reform...and in the administration of justice.”) annual Joint Reviews.<sup>6</sup> Few of the elements of an integrated strategic plan for the judiciary, developed in 2002, have been concretized in either specific institutional reform plans or benchmarks for implementation.

#### **Hierarchy and political control facilitate grand corruption**

Key actors in the judicial sector include the Ministry of Justice, judges, prosecutors, the Criminal Investigation Police (PIC) (who are hired and supervised by the Ministry of

---

<sup>5</sup> On the two banking fraud-murder cases, see Peter Gastrow and Marcelo Mosse, “Mozambique: Threats posed by the penetration of criminal networks,” paper for Institute for Security Studies Regional Seminar on Organized crime, corruption and governance in the SADC region, Pretoria, 18-19 April 2002, and Joseph Hanlon, “Bank Corruption Becomes Site of Struggle in Mozambique,” *Review of African Political Economy*, no. 91 (2002), pp. 53-72; and Paul Fauvet, “Mozambique: Prosecuting the Cardoso Murderers,” commissioned case study for Institute for Security Studies, March 2004.

<sup>6</sup> See 2004 Aide-Memoire, p. 6, and 2005 Aide-Memoire, p. 7.

Interior, but report to the Attorney General's Office in their capacity as criminal investigators), and lawyers. Of the key actors, the Supreme Court, and specifically the President of the Supreme Court, set the example for and exercise considerable influence over all lower courts. Judges are appointed through an intake system at the Judicial Training Institute that is nominally meritocratic, and the team did not hear extensive concerns about manipulation of the appointment process at this basic level, though nepotism and using political contacts to get desired positions is all but universal in Mozambique. Political considerations play a very clear role for appointments at the higher levels, particularly the Supreme Court, where both the president and vice-president are appointed by the President of the Republic. The current president of the Supreme Court was appointed in 1988, and his commission was renewed by former president Chissano just weeks before the 2004 elections.<sup>7</sup> He is a Frelimo stalwart who is widely considered to be a key interlocutor for political leaders when important interests are at stake in court cases. Most interviewees laid a significant portion of the blame for slow reform at his feet.

With political considerations dominating the highest level of the court system, the hierarchical nature of the Mozambican judiciary makes it difficult for judges at lower levels to avoid political interference or operate in a more transparent manner. The Supreme Court exercises formal control over lower-level judges through their ability to overturn cases on appeal, and also through the operation of the Superior Council of the Justice Magistrature (CSMJ), headed by the president of the Supreme Court, which has the power to review judges' performance and decisions, as well as to promote, transfer and/or discipline judges. The CSMJ also directs the judicial inspection service to investigate cases or other actions of judges or court staff. (Inspectors are few, and the CSMJ has in the past not identified fighting corruption as a main priority. Last year, the CSMJ evaluated discipline cases involving 8 judges and 17 court officers; most were disciplined, but the charges in almost every case had to do with alcoholism, not corruption or other misdirection of justice.)

Control over lower-level judges may also be informal. Judges may simply "edit" their own decisions in order to avoid being overturned later (and perhaps exposing themselves as politically unreliable), or they may respond to expressions of "interest" or "concern" coming from higher judges that are interpreted as informal instructions on the outcome of the case.

The prosecutorial service and the Criminal Investigation Police (PIC), under the direction of the Attorney General's Office, have responsibility for investigating and bringing cases before the courts. According to the recent corruption survey, as well as the opinion of many interviewees, prosecutors are not seen as being quite as corrupt as judges and court officials, but they also operate in an environment of political control.

---

<sup>7</sup> The old constitution required that a judge's tenure be reviewed and renewed every 5 years. The 2004 Constitution did not repeat this requirement, so there is some speculation that Chissano's renewal effectively constitutes a life appointment.

The PIC is widely considered a weak link in the prosecutorial chain. They have responsibility for investigating and providing evidence with respect to cases coming into the judicial system, and thus have a wide range of opportunities to influence the outcomes of those cases. Upon receipt of a charge, investigators may use their knowledge to do favors for a price (e.g., letting the accused know they are under investigation, or warning them of an upcoming search) or extort bribes by refusing to investigate a complaint until paid, or perhaps demanding payments from potential suspects. Bribing investigators to “lose” critical pieces of evidence reportedly is common. The fact that the PIC is officially subordinate to the Interior Ministry rather than the Attorney-General’s office, for whom it investigates, raises concern among many observers. Though this is not an unusual arrangement globally, there is concern that in Mozambique this arrangement allows for further political meddling in prosecutions by introducing yet another set of institutional actors with the ability to influence what investigators do.

Few cases pursued by the Anticorruption Unit of the Attorney General’s Office have made it into the courts and even fewer have resulted in convictions. To be sure, the capacities of the Anticorruption Unit, and of the prosecutorial service in general, are limited, but few of our interviewees believe this is really the reason why cases are not successfully brought before the courts. Rather, the concern is that the Unit, as well as the Attorney-General's Office more generally, simply is not in a position to press its objectives against the interests of higher-level political actors. The weakness of the prosecutorial officials was demonstrated in the then Attorney-General's 2002 Annual Report to The National Assembly, in which he noted that in the previous year, his office formally requested specific information from four ministers. Only one responded with the information requested.

### **Other vulnerabilities and constraints**

**Personnel:** Poor performance of the judicial system must be attributed at least in part to the limitations posed by human resource shortages. At the same time, human resource shortages also create bottlenecks and backlogs that raise incentives to manipulate the process through non-judicial means, like bribery. By all accounts, every institution in the judicial sector is understaffed, and much of the available staff is under-qualified. The team was told that there are only about 400 trained lawyers in Mozambique. Conditions of service in the judiciary are poor (though there was a major pay increase last year), and law graduates often find more rewarding positions in the private sector. According to the integrated strategic plan for the judiciary developed in 2002, only 29 percent of the judicial magistrates in the country had completed their legal education. A new judicial training college began delivering training for judges, and since 2003, 40 judges have graduated from the one-year course. However, the overall number of judges is woefully short of the needed number, and case backlogs have been increasing.

**Arcane and inefficient procedures:** It is broadly understood that the legal framework and procedures for managing the courts, which haven’t been significantly restructured since the late 1800s, creates vast opportunities for petty corruption as well as the grand



corruption. Each required submission of new paperwork presents the possibility of bribing a court official to process it slowly or quickly, according to the needs of the briber, or to "lose" documents, thereby setting back the proceedings and creating yet more opportunities and incentives to manipulate the process again. Case management processes constitute an additional point of vulnerability, as there is little capacity to track the progress or status of a case. Manual filing systems make it even easier to lose documents (intentionally or not). Yet, the experience of USAID's assistance to the Maputo city court to automate case management is a clear reminder that attempts to address the symptoms of mismanagement usually fail to stick if the root causes are not addressed.<sup>8</sup> In the case of the Mozambican judiciary, part of the problem certainly lies in capacity, but the real constraint is the commitment to make the most effective use of donor assistance.

### **Possibilities for reform**

Most of our interviewees were not hopeful that significant change in the judicial sector is likely under the current circumstances. The Technical Unit for Law Reform (UTREL) has started an effort to streamline existing internal procedures that facilitate corruption at every point of the judicial processes. However, the team heard reports from several sources that these efforts to introduce procedural reforms have faced at least passive, if not active, resistance within the judicial sector. The judiciary also has effectively employed the concept of judicial independence to resist any effort to improve transparency around the resources the courts generate (court fees, etc.), reform administrative procedures, or improve monitoring of court performance. Such reforms as these would otherwise constitute a promising starting point.

Given the constraints posed by political influence on judicial processes, programming options are few. USAID has not invested significantly in this sector for some time, and given the lack of promising avenues for reform, we do not suggest further program efforts here. DANIDA and the UNDP have a long history with counterparts in the judicial sector, and they may be in a position to facilitate reforms that would improve the situation. The best alternatives for programming would focus on two main issues: galvanizing support for judicial reform and accountability, and supporting measures to improve transparency.

Before making recommendations, however, it is important to point out that the current political climate in the judiciary does not encourage confidence that meaningful reform will be implemented. Perhaps the best alternative is to keep the issue consistently on the table in discussions with government and to avoid any easy recourse to explanations based on lack of capacity or the need for new laws. Current laws and procedures do not make openness and accountability impossible. In addition, judicial capacity building can only be effective when there is adequate freedom to employ new capacities in ways that strengthen the rule of law in Mozambique.

---

<sup>8</sup> A quick evaluation of this project found that a few years after initial implementation, the computerized management system was no longer in use, nor were project-provided computers being used for any other purpose.

#### Supporting constituencies for reform:

- Broadening the coalition involved in formulating judicial reform plans: Although lawyers have typically been seen as active participants in and beneficiaries of judicial corruption, using arcane procedures and the ability to bribe court officials and investigators at numerous points in the judicial process, it was suggested that there may be a growing interest in pressing for more rational procedures and greater accountability. There are indications that some judges and other practitioners within the court system, particularly younger ones, may be tiring of being seen as corrupt and ineffectual. It may be possible for donors to use agreed-upon mechanisms such as the development of a strategic plan for justice sector reform (currently being considered for funding by DANIDA) to give these reformist voices a more effective platform. Without support from donors and embassies, however, this assessment does not give grounds for significant hope that reformers will hold sway. There may be merit in setting up an independent panel made up of judges, lawyers, civil society representatives and academics to brainstorm and produce recommendations for justice sector reform.

#### Improving transparency:

- Court performance data: A critical point of leverage for judicial reformers is good information on how courts are performing. To date, little data is available on the number of cases, pace of progress, types of resolution or even the issues and interested parties. Data collected for the annual donor review (PAF) covers national and provincial courts, but does not cover performance at the district level, and it only covers the number of cases disposed, not information on how the cases were disposed. Without basic information of this nature, supporters of reform, either inside or outside of the judicial structure, do not have the basis for holding judges, court staff and/or lawyers accountable for their performance. This is as true for judicial sector authorities seeking to improve management of the courts as it is for external judicial watchdogs. Donors are already engaged on this issue, though it wasn't clear to the team whether there is extensive effort to improve the coverage and broaden the extent of the data available. Overall, USAID should consider supporting this kind of effort if there is significant evidence that the data will be part of a clear, strategically-planned commitment on the part of judicial authorities to improve judicial performance.<sup>9</sup>

#### Support development of alternatives to the formal judicial system:

- Mediation and other forms of alternative dispute resolution (ADR) are practiced in Mozambique. The most common form is informal, where disputes are resolved in fora presided over by traditional leaders or organized by other social groups (women's groups, e.g.). It is widely thought that many more cases are dealt with in these informal ways than in the formal court system, but little systematic

---

<sup>9</sup> The 2005 Joint Review Aide-Memoire indicates that a survey on corruption in the judiciary has been completed and is slated for release in 2005. Depending on the nature and quality of the data, this may also be a useful tool for galvanizing support for reform. Whether the survey is made public may be a signal of government willingness to put judicial reform issues more firmly on the agenda.

information is available. These informal judicial alternatives provide access to some sort of justice for the large majority of Mozambicans who cannot or would not try to resolve disputes in the formal court system, but there is little recourse for individuals who do not think they have been fairly treated because these fora have no standing in the formal judicial system and thus there is no option of appeal. Assistance to improve the quality of informal ADR alternatives would help provide effective justice in the face of a dysfunctional formal judiciary. A second alternative would be to build up the capacity of reporting centers like those established by Etica to help citizens resolve their problems through advocacy and assistance within at the administrative level instead of through the judiciary.<sup>10</sup> Finally, efforts to expand commercial arbitration services, like USAID's work with CTA to establish a commercial arbitration center, provide a useful alternative in the formal economy (and commercially-contracted arbitration does have legal standing in the courts). While each of these initiatives would help break the monopoly of the poorly-performing judiciary in the provision of at least some services, it is important to remember that ADR will not resolve the larger problem of impunity for misuse of public resources that is at the heart of the corruption problem in Mozambique.

#### Addressing bottlenecks in corruption prosecutions

- Given the weak record of disposal of cases pursued by the Anticorruption Unit, USAID and the USG more broadly need to begin to address the issue at a higher level. After 3 years of funding and capacity building, the problem cannot be all limited staff and capacity. If willingness to let cases go forward is the limiting factor, as has been suggested, then the issue should be raised with those who are exercising this constraint. We recommend that the Embassy and USAID identify the key interlocutors above the level of the ACU itself and begin discussions with them focusing on the credibility of USG assistance and the expectation that some cases need to move forward in a given period of time in order for US assistance to continue.

## 5.2 Health Sector

The very comprehensive 2002 Health Sector Expenditure Review concluded that health service volumes and coverage have improved in Mozambique over the past decade. However, these improvements are uneven across the country, and the health status of citizens is among the lowest in the world. Major corruption and mismanagement problems in the public health system stand as obstacles to continued improvement in health care delivery. Because the health sector touches the lives of all citizens and

---

<sup>10</sup> The team recognizes that the performance of the Etica reporting centers up to this point has not been satisfactory. The recommendation to consider broadening their ability to take a more proactive approach to helping people redress their problems through administrative means is made as a possible alternative to abandoning the infrastructure that has been established through this program. If the Mission deems that the infrastructure (including staff and training) is not a significant loss, then pursuing a more comprehensive approach through other organizations should be considered.

corruption at the service delivery level is rampant, this is a kind of corruption that many people in Mozambique have first-hand experience with. It is an area where USAID and other donors are deeply engaged and where there seems to be genuine political will for reform. The health sector could therefore be an excellent target for reform efforts in key areas such as procurement and distribution of drugs and supplies, monitoring of drugs and supplies at health facilities, key personnel and work force reforms, and civil society monitoring of health facilities to ensure services are provided appropriately.

### **Institutional setting**

Health care is provided at four levels: health clinics, district hospitals, provincial hospitals, and three central hospitals (in Maputo, Nampula and Beira). In addition, NGOs, private clinics and traditional medicine facilities offer healthcare services. These private facilities must be registered by the government.

The Human Development Report (UNDP, 2005) provides revealing statistics on the state of public health services in Mozambique. In comparison to neighboring countries, Mozambique expends the highest percentage of GDP on public health (4 percent), but has the fewest physicians per 100,000 people (2), moderate health expenditures per capita, and only moderate levels of accessibility to essential drugs (50-79 percent of population). While there are several factors that might help to explain these health outcomes (population density, prevalence of HIV/AIDS, and current state of the health infrastructure), management inefficiencies and corruption must also be taken into account as major factors that reduce the delivery of effective health care services to the population.

Human Development Report 2005 (UNDP)	Public health expenditure (% of GDP) - 2001	Health expenditure per capita (PPP US\$) - 2001	Physicians (per 100,000 people) - 1990-2003	Population with sustainable access to affordable essential drugs (%) - 1999
Mozambique	4	47	2	50-79
South Africa	3.6	652	25	80-94
Zimbabwe	2.8	142	6	50-79
Tanzania	2.1	26	4	50-79
Malawi	2.7	39	..	0-49

Corrupt behaviors range from the diverting, stealing, and/or reselling of drugs and supplies; using public facilities for private gain; and requests for unofficial payments for services that are supposed to be provided at no cost. The very poor suffer the most from this corruption when they fail to receive the services they require or are forced to pay a greater percentage of their income to access services that should be provided free or at a lower fee.

## **Stakeholders**

While there are certainly many honest and hard working healthcare providers in Mozambique, the team heard reports of many doctors, nurses, pharmacists, laboratory technicians, administrative staff, and maids who are involved in “wage enhancement” activities to supplement low salaries. Many of these persons do not consider their activities to be corrupt behaviors. The team heard reports that healthcare providers have been found to engage in:

- Charging bribes to provide regular services or to speed up the provision of services
- Stealing drugs and selling them on the open market
- Using access to patients in public hospitals and clinics to transfer them to private clinics
- Manipulating the drug registration and procurement process.

Often patients or their families offer bribes to healthcare workers to seek better or faster service.

## **Corruption vulnerabilities**

Corrupt practices typically occur in several domains.

### **a. Registration of drugs and equipment**

Drugs must be registered by the Ministry of Health to be legally imported and sold in Mozambique and a registration process is established in the Pharmaceutical Department for this purpose. While the identities of registration evaluation committee members are kept anonymous to pharmaceutical companies, there are minimal institutional controls to ensure that others who have potential influence on the evaluation (for example, the head of the registration unit in the Pharmaceutical Department or the Minister of Health) are isolated from influence by these companies. Thus, accountability controls need strengthening.

### **b. Procurement of drugs, equipment and facilities**

The procurement of drugs and supplies has been contracted to Medimoc, a former parastatal company, on a sole source basis. Due to performance problems, a competitive tender for these procurement and distribution services is being considered for the future. Procurement is conducted in a two-stage process – prequalification of bidders and tenders decided primarily on cost factors. While this process is based on international standards, the absence of sufficient oversight and monitoring makes procurements potentially subject to corruptive influences and collusive deals among the bidders.

### **c. Distribution of drugs and equipment**

The distribution of drugs and supplies has been contracted to Medimoc by the Central Medical Stores (CMAM). Annual audits of the Medimoc warehouse and distribution records by the Ministry of Health (between 2001 and 2004) show consistent and alarming results of missing or unaccounted for drugs at pharmacies at all levels – especially at hospital pharmacies (between 20-39 percent) and hospital wards (between 28 – 68 percent). (Smaller discrepancies were observed at provincial and hospital warehouses.) Despite the Stock Control System and a new USAID-funded Drug Management and Storage System, between a quarter to two-thirds of drugs that are supposed to be available to the public go missing with no record. Many of these drugs purportedly appear on the open market for resale. While the percent of drugs that are unaccounted for has decreased in more recent years, the amounts are still high. It is unclear if this situation is a function of poor recording and tracking systems and procedures or outright theft by healthcare workers, there is clear indication of a severe lack of adequate control mechanisms. Past reporting of these failures to the Inspector-General of the Health Ministry has yielded few, if any, results.

### **d. Provision of healthcare services**

**Absentee doctors:** Doctors can be fulltime employees of the Ministry of Health, working in public health facilities, while concurrently they operate their own private clinics, if they register these clinics with the state. This can and does result in situations where doctors steer patients to their private clinics to receive extra payments. Moreover, doctors may claim their full public salaries despite the fact that they may be working at their private clinics during their scheduled work hours at the public health facility, thus reducing the availability and quality of public health care services. This government policy allowing for private practices was intended to provide incentives to doctors to remain in the public health system, but it has resulted in negative outcomes including absenteeism and conflict of interest situations.

**Use of healthcare resources:** Doctors use the public health facility resources and drugs for their private practices.

**Low wages of healthcare providers:** Generally, low wages trigger a motive for extortion of patients and requests for unofficial fees, absenteeism and theft of public resources. Salaries of some providers are supplemented by the Ministry through incentives and bonuses, creating extreme variation in total remuneration. A new policy by the Minister of Health – to cancel contract employees – is meant, in part, to rationalize these inequities in salary.

**Speed money:** Small bribes are often requested by healthcare workers or offered by patients without being asked in order to expedite services, some of which should be free to the public or to obtain medications.

VIP services: A wing of the Central Hospital of Maputo has been reserved for VIP services for a fee, within public healthcare delivery. Insufficient controls on payment for these services result in fees being pocketed by healthcare service providers rather than compensating the public hospital coffers.

### **Recommended reform options**

Within this context, Mozambique's Minister of Health has indicated a commitment to change and reform, and a willingness to deal with its corruption problems head-on. Donors and civil society organizations can provide support, recommend program and apply pressure to see whether this commitment is sincere. Suggested priorities for the programmatic options discussed below are offered in Section 9.

#### **a. Oversight and control mechanisms**

- The rules and procedures governing drug registration and procurements must be supplemented by stricter control and oversight mechanisms to ensure accountability. These controls need to be institutionalized by enhancing supervision of these processes and placing clear responsibility for following rules with particular department heads.
- Stricter supervision is needed for distribution and receipt of drugs and supplies. Inconsistencies and abuses uncovered in regular and surprise audits must be followed up by criminal investigations and prosecutions.
- Establish an independent health procurement audit unit to monitor and oversee tenders for drugs and supplies.

#### **b. Human resource management**

- The conflicts of interest encouraged by dual employment of healthcare workers in the public and private sector should be controlled by disallowing the practice for full-time public health doctors and staff. Those who wish to operate in the private sector can be employed as part-time contract staff of the public sector.
- Management and supervision in public hospitals and clinics must be greatly strengthened to prevent and detect corrupt practices in its many forms.
- Establish merit- and performance-based management practices – for personnel selection, reviews, promotion, training, and salary determination. Establish performance standards and code of conduct.

#### **c. Citizen participation advocacy**

- Promote widespread public education campaigns that highlight citizen rights to healthcare services.

- Develop a viable outlet for citizen complaints. One option is to establish complaint offices in each hospital and clinic. However, such offices may not produce the desired results if there is minimal feedback on resolving grievances. Another option could be to recommend clear procedures, guidelines, and instructions for citizens to register their grievances in hospitals and clinics, with clear steps for investigation and follow-up, including disciplinary action, if staff is found to be engaging in corrupt behavior.
- Promote community-health facility dialogues to identify where vulnerable processes and excessive bureaucratic discretion exist and to develop streamlined procedures that are less prone to corruption.
- Establish Community Health Boards or similar community-based groups to monitor and oversee health service delivery at all levels throughout the country.

### **5.3 Education Sector**

Corruption in the education sector is widespread and weighs most heavily on children, young girls, and the poor. It also has a pernicious impact on the country's future development prospects. While corruption in this sector tends to deal with small amounts of money, it affects almost the entire population. As a result, short-term successes in tackling corruption in the education sector have the potential to touch large numbers of people and, perhaps, embolden ordinary Mozambicans to take a stand on corruption. While education was not one of the sectors initially selected by the team for assessment, the sector was mentioned in several meetings as a problem area and was therefore included, but the team's information and recommendations are subsequently more limited than in other sectors.

#### **Institutional setting**

While budgeting in the education sector is top-down, schools are governed from the bottom-up, through "school councils" comprised of teachers, students, parents, and local government officials. These councils are potential candidates for building advocacy capacity at the local level, as watchdogs of the budget received by schools from the District level. Each school gets a direct grant from the Ministry for operating expenses.

School construction – where larger sums of money are involved -- are procured at the provincial levels. Corruption enters in here as simple fraud due to lax controls and accountability mechanisms. The human resources and public finance management systems are generally weak.

#### **Corruption vulnerabilities**

Corruption enters into the education sector in several ways.



- Because of a shortage of teachers throughout the country, schools are generally organized in 2 or 3 shifts. To encourage bribe-giving from parents, school administrators often assign girl students to the evening shift – generally viewed as unsafe – in anticipation of bribes of between 200,000 to 300,000 meticaï per student (\$8 to \$12) to change shifts. A large amount of informal fees change hands during the registration period at the beginning of the school year.
- A recent World Bank study on user fees indicates that citizens have a very unclear picture as to why school fees are being levied on them, but they pay them nonetheless. In fact, the Ministry of Education has abolished all school fees, but many fees are still collected from parents and students.
- Girls are often pressured into sex with male teachers for grades. While the policy is to summarily dismiss teachers who are caught having sex with students, teachers are almost always transferred, rather than being fired. Some districts have allegedly become major repositories for these pedophile teachers. This “sexual corruption,” of course, has long-term impacts on victims, including the potential for exposure to HIV/AIDS or other diseases, trauma, social stigma, and long-term psychological wounds. While the results for victims can be tragic, they also carry long-term social costs.

### **Recommended reform options**

Recommended programs in the education sector to control corruption are presented below. The Minister of Education has indicated a desire to deal with corruption problems at all levels, so political will may exist, though it needs to be tested. Donors and implementing partners working in the education field believe that there are significant openings to accomplish reforms that will stem corrupt practices, based in large part on the growing constituency for change emanating from the grassroots school councils that exist at the village-level upwards.

- Promote development of human resource management systems that include merit-based hiring and promotion, and professional performance standards and reviews.
- Development of professional management training to ensure that abuse of power is detected and punished, and establishment of internal audit units to ensure that procurements are properly conducted and monitored.
- Strengthen capacity of school councils to become watchdogs of school expenditures. Promote establishment of school watchdogs at the provincial level to oversee education policy decisions and procurement actions, and detect and discipline corrupt administrators and abusive teachers.
- Public awareness and community organizing around the issue of sexual abuse of students by teachers, with a focus on areas where offending teachers have been transferred.

- Develop clear standards for student enrollment, addressing issues related to proximity of school to residence, enrolling girls, daytime shifts, etc.

## **6. Corruption in Government Functions**

### **6.1 Public Financing and Budget**

Overall, public financial management risk in Mozambique is high. While economic growth has been strong, comprehensiveness and transparency of the budget is poor, medium-term planning and budgeting are weak, and budget execution and accounting and reporting present serious deficiencies. The area of greatest concern is external audit and accountability.

While external aid helped to rebuild Mozambique and has contributed to economic growth, it has also had perverse side-effects, fragmenting government planning, budgeting and management and weakening national ownership of policymaking. Since Mozambique also has a weak civil society and a weak National Assembly that are not yet able to act as effective checks on the executive, high aid dependence means that the budget process essentially involves only two actors, the executive and foreign donors. Accountability to donors is much stronger than it is to Mozambican society. Future reforms need to be focused on changing this pattern and building the capacity of domestic demand for accountability concerning public finance.

#### **Institutional setting and budget processes**

There is no single document from the government of Mozambique setting out its full budgetary resources or a strategy for aligning development assistance with the country's own financial resources. Instead, there is a proliferation of bilateral agreements. However, under new agreements with budget support donors, government and donors have committed to a joint performance review that could provide the framework for a more transparent budget framework.

Aware of the shortcomings of the existing public finance management (PFM) arrangements, the government is implementing a new financial management information system, SISTAFE, with the support of nine donors. SISTAFE is only the latest of several donor efforts to rationalize budgeting processes.

In the period 2001-03, at least 14 diagnostic reviews were undertaken, four of which involved more than one donor and six of which resulted in the production of an action plan. Taken together, these reviews resulted in 280 recommendations covering planning, disbursement, accounting, audit, political accountability and capacity building. Yet, the main findings of the last review (September 2004) were that overall PFM risk in Mozambique remains high. Clearly, more than donor pressure and studies is necessary.

With a tax base for only about half of total government expenditure (49 percent in 2003), the aid/GDP ratio is twice as high as the average for sub-Saharan Africa, resulting in a limited financial relationship between government and citizens that is a poor basis for creating demand for accountability. High levels of aid, and low tax ratios reduce incentives to use resources more effectively in the public interest.

### **The issues: constraints and incentives**

The budget process takes place in an institutional framework of constraints and incentives that shape stakeholders' interests and actions. Three issues stand out: the fragmented, incremental nature of the budget process within government; the role of the donors as the main interlocutors of the government; and the weakness of internal demand, through the National Assembly or from civil society, for improved management of public finances.

**Fragmented, incremental nature of the budget process.** Within the executive, planning and resource allocation are highly dispersed, mainly due to the diversity of funding sources. In large sectors such as education, health, agriculture and public works, donor assistance, much of it off-budget, often outweighs the resources made available through the State Budget (OE). Even within the line ministries, power over resources is dispersed, due to donor funding of projects managed by different directorates and departments, and widespread disbursement arrangements involving the use of a multitude of separate accounts. These arrangements were recognized by a former Minister of Planning and Finance as necessary to obtain a high and rising level of donor assistance to help pull Mozambique out of poverty.

As far as the OE itself is concerned, budget formulation has been driven only to a limited extent by policy objectives and priorities. The only targets that guide budget formulation are those agreed with the IMF on overall fiscal aggregates and, since the adoption of PARPA in 2001, a target of allocating 65 percent of government expenditure (minus interest payments) to the plan's six priority sectors.

Apart from this, there are no clear criteria for allocating expenditure between and within sectors and provinces, but an incremental approach is applied to expenditure allocations, in so far as rising levels of resources permit increased spending. This approach to budgeting encourages input-based resource allocations, with no clear linkages to planned activities, outputs and outcomes -- thereby constraining any effective accountability for results. Recurrent expenditure allocations largely reflect the existing location of public administration and services, while most investment decisions are perceived to be pre-determined by donors.

Recent reforms, initiated by the Law on the State Financial Administration System (Law n.º 9/2002), have focused mainly on budget execution weaknesses, notably in public accounts and the treasury system. By contrast, the government has given little attention to overcoming the weaknesses in budget formulation.

**The consequences of external aid.** While technical or capacity constraints partly explain the weaknesses described above, they are reinforced by the incentives created by external aid. Traditional project assistance has fragmented government planning, budgeting and management. Since projects are negotiated directly between donors and line ministries, or individual directorates within them, and the associated funds are often off-treasury (if not entirely off-budget), this form of aid financing weakens the authority of MoF vis-à-vis the line ministries and, in theory, undermines executive accountability to the National Assembly (although at present there is little real accountability). According to the National Directorate of National Accounts (DNCP), off-budget external grants and Ministerial generated funds could add up to about a third of total expenditures, yet none of these show up on government budget statements, seriously undermining a key mechanism of accountability.

The line ministries' direct access to resources, either from donors or mobilized on their own (from inspection fees and other such means) reduces the incentive for the government as a whole to engage in hard choices about resource allocation. Ministers rationally prefer to direct their efforts towards maximizing access to the funds available from donors at the sectoral level, which they see as the easiest way to achieve their priorities, obviating the need to engage in political debates over development strategy and running the risk of infighting over prioritization.

To overcome the disadvantages of traditional project assistance, many donors have begun to provide some of their assistance to Mozambique in the form of "program support." This takes the form either of untied common funds within individual line ministries, linked to sector strategic plans, or general budget support (GBS). The sectoral common funds have helped to reduce the fragmentation caused by project financing within line ministries. GBS is untied budgetary assistance to the government as a whole. It adds to the resources available for allocation in the "normal" budget process and increases MoF's influence vis-à-vis the sector ministries. At the same time, GBS can itself be a distortion of local "markets" and creates its own externalities. For example, GBS funds can be well-monitored and accounted for to donors, while other public resources are essentially freed up for private gain.

**Weak internal demand.** The influence of donors contrasts with the weakness of the internal pressure on the government from Mozambican society. Although the National Assembly plays a formal role in debating and approving the OE, it has no real ability to act as a check on the executive in the budget process. Besides capacity limitations and the polarized nature of inter-party relations in the National Assembly, these constraints include: (i) poor presentation of the budget document, which is difficult for deputies to understand and analyze; (ii) the fact that tax rates are not set as part of the budget legislation submitted to the National Assembly; (iii) the wide latitude given by law to the executive to reallocate expenditure after the National Assembly's approval of the budget; (iv) the off-budget practices, mentioned above, which limits the government's and the National Assembly's oversight of the budget; (v) the long delays in submitting the audited *Conta Geral do Estado* (CGE) to the National Assembly; (vi) the failure of the executive to involve the National Assembly in the debate, approval and monitoring of the

PARPA and other medium term planning instruments, which should provide the strategic framework for the annual budget; (vii) absence of follow-up on audits (in 2004, 15 financial and two contract audits, and 100 account verification reports) submitted to the Administrative Tribunal; and (viii) the lack of parliamentary capacity to analyze the budget and preferential provision of information by the executive to Frelimo representatives.

Despite the more positive environment for civil society since the end of the formal one-party system, including the establishment of various frameworks for a formal exchange of views between civil society organizations and the government, budget issues have not become a focus of interest for civil society organizations. Media coverage of budget issues has also been weak and there is no evidence that government budget policy is influenced by the media.

### **Interests and capacities of key actors**

The key actors, their incentives and their contributions to the budget process can be described as follows:

**The executive.** The main interest of the politicians involved in overseeing the process is to ensure the continued functioning of the state apparatus and the payment of salaries to the countries' civil servants. They also want to avoid disruption to public services because it could create an impression of administrative incompetence that would be damaging to the government's public image. In so far as a growing internal resource base supplemented by donor support makes it possible to expand services, this also serves the politicians' interest, as they need to be seen to be responding to the population's concerns and needs. Increasing access to resources also allows for their distribution in politically beneficial ways, either through provision of legitimate services in politically important regions, or through illegitimate means such as preferential contracting and hiring practices. Overall, there is little motivation at the highest political levels to think strategically about resource allocation or to introduce structural changes in the composition of expenditures.

More generally, low salary levels and the informal tolerance of income-diversification activities among government staff have resulted in large numbers of civil servants, particularly those with the best qualifications, engaging in consultancy and other remunerative activities alongside their official jobs, with obvious costs for productivity and conflicts of interest.

**Political parties.** There is not really a Frelimo budget policy distinct from that of the state. The content of the budget comes from the executive, rather than the party. However, the approach to some key budget issues reflects the ruling party's general ideological stand: for example, the taboo on discussing issues of territorial equity in resource allocation and service delivery reflects Frelimo's stance on national unity, which leaves limited place for acknowledging regional interests.

**The National Assembly.** The National Assembly’s General Secretariat does not have the technical personnel needed to provide research services to the commissions and deputies. Apart from their own salaries and benefits, deputies are interested mainly in micro issues, such as individual projects in their constituencies and sensitive political issues such as delays in the payment of salaries, rather than broader fiscal questions or major expenditure allocation issues.

**Non-state actors.** Several factors account for the lack of interest in budget issues among civil society organizations. First, the low level of development of the formal sector of the economy means that the tax base is narrow, undermining the notion of a tax/services “compact,” and the resulting lack of public interest in the budget is accentuated by the fact that tax rates are set separately from the budget legislation. Second, since few public expenditures are financed directly by the government, the budget seems less important than it would normally be. Third, the small size of the private sector, along with the practice of patronage as a tool for political survival, results in a highly concentrated and politically connected elite, which has little interest in developing and articulating alternative policies. In some cases, CSOs are co-opted by the government and do not venture into potentially “hot” political issues which might antagonize their government patrons.

On the capacity side, few civil society organizations have the technical capacity to analyze budget issues. Private sector bodies do have the resources needed to hire technical expertise, but they have chosen not to give priority to budget issues. Finally, while several media organizations report on economic news, their coverage of the budget is limited and weak.

**Donors.** Fiduciary risk, restrictive internal rules and/or a desire to have demonstrable results prevent some donors, such as USAID, from contributing to common funds and GBS. On the other hand, many other donors have accepted the high level of fiduciary risk associated with such aid modalities, believing that the benefits potentially outweigh the costs. A major incentive for many has been the opportunity to engage in high-level dialogue with the government. For the most part, however, this has not translated into real accountability on issues such as corruption and misuse of funds. Donors have also moved some common funds and projects on-budget. However, much external aid remains off-budget and most donors are likely to continue using a broad range of aid modalities to balance different interests and hedge against risks.

### **Avenues for action**

The almost complete absence of domestic demand for improvements in the budget is a manifestation of deep-rooted structural features in Mozambique. This situation may change as the country continues to develop and a measure of political competition emerges. For the time being, it is not surprising that the most important dialogue on budget policy and performance is external, between the government and donors.

**Channeling resources through unified budget.** Since more than half of aid is channeled through donor projects and common funds in the line ministries, there is little incentive for government to engage in politically difficult decision processes over resource allocation. Instead ministers prefer to negotiate additional resources directly with donors and, thus, the government is absolved of the need to exercise leadership in resource allocation.

While USAID’s predominantly project-based assistance does not fit within a GBS framework and is unlikely to do so in the near to medium term, it does present opportunities for increasing the effectiveness of GBS support by addressing the demand side of accountability—through support of civil society and other stakeholders who can monitor the budget and hold the government accountable.

**Shift attention from project and micro to sectoral and macro concerns.** Another step that may help alter incentives in favor of more responsive and responsible use of resources is to shift new commitments and supervision from project financing to common funds at sectoral levels, which would encourage line ministries to assume greater leadership of the policy, planning and budgeting processes in their own sectors. Second, greater efforts need to be made to reduce the proportion of external assistance that is off-budget, so that the government has more complete information on the resources at its disposal and how these resources are used. In addition, new training programs should go beyond the ongoing accounting-level reforms in public financial management to target capacity development in the methodologies that can help decision-makers better formulate budget content.

**Empower civil society, the National Assembly and other independent oversight bodies.** More fundamentally, without a Mozambican constituency for change, capacity development will not be enough, as commitment to pro-poor priorities and the broader public interest is likely to be tempered by the more narrow “predatory” interests of the leading families that constitute the politico-business elite. To some extent, donors can act as a “proxy” restraint on the elite in the absence of strong internal checks and balances. Much more important in the long run will be the development of internal demand for improved budget policy and performance. This could be fostered through an effort to introduce systems of feedback from the population, such as public hearings on project development and monitoring, publication of recurrent cost prices, and efforts to build civil society organizations.

A crucial development will be the emergence of a more effective National Assembly, with resources and a structure for proper scrutiny of the executive. At a deeper societal level, will be the empowerment of the masses, including the poor, so that they have the capacity to obtain access to information and ideas, organize in support of their rights and give voice to their concerns, and thereby influence government policy and performance. External assistance could provide support of dissemination efforts on budget availabilities for different programs, at grassroots levels, establishment of feedback vehicles on budget use (e.g. scorecard reviews of provision of selected public services), and training of parliamentarians on budget review and tracking based on experiences in other countries.

## **6.2 Public Procurement**

Mozambique has yet to develop a comprehensive public procurement system and oversight mechanisms for procurements. Procurements are decentralized to line ministries, some of which have better structures in place than others for protecting the public interest. However, even the best systems, as in the procurement of drugs and medical supplies, have some critical structural flaws (discussed separately in the health section of this report). Both grand and petty corruption in the procurement process are major problems. Procurement reform legislation has been drafted with assistance from the World Bank, but it contains important flaws that would effectively limit transparency and oversight of procurement by civil society.

### **Institutional setting and procurement practices**

Donors, for the most part, require goods and services to be procured following their own guidelines and under close supervision. At times, they procure the goods and services themselves. As a result, Mozambique has hardly developed a public procurement system of its own. Existing practices, to the extent that they have not fallen under the purview of procurement guidelines of donors, have tended to rely excessively on discretionary (and changing) powers of the public sector, making the process easy prey of corruption and inefficiencies.

### **The issues: constraints and incentives**

Given these circumstances, Mozambique has very limited experience with a modern and systematic procurement system. This has fostered a symbiotic and often corrupt relationship between the authorities and segments of the business sector in the award of contracts. Because of the breadth and complexity of procurements, there are many forms of fraud and corruption. Some of the most common corruption schemes are: bribes and kickbacks, conflicts of interests, collusive bidding, bid rigging, false statements and claims, avoiding competition requirements, manipulation of bidding process by public officials, false or duplicate invoices by contractors, failure to meet contract specifications, and purchases for personal use or resale. The small size of the local business community has, if anything, facilitated the practice of collusion and has limited real competition that would otherwise help to discipline procurement practices and associated decision-making.

To overcome these problems and protect the limited public procurement system that is currently in place, the government has prepared, in consultation with the private sector, draft legislation to regulate public sector procurement. The legislation establishes detailed procedures designed to limit subjectivity and decrease the opportunity for abuse of discretion in the procurement process. Its decentralized approach is potentially viable and effective, however it has some critical failings that have the potential to undermine it (see below). Even if the rules and procedures in the regulations were perfected, this would not guarantee a successful and effective procurement reform.



That being said, many of the problems faced in procurement are not necessarily the result of limitations in legislation or regulations. Broadly speaking, legislation in Mozambique is modern, progressive, and investor-friendly. In most cases the problem lies in implementation or lack thereof. Accordingly, emphasis must be put on the institutional and incentive structures, which will affect the political will for implementation and enforcement.

### **Interests and capacities of key actors**

The **government**, partly at the instigation of the Bretton Woods institutions, has been undertaking a series of institutional and regulatory reforms to professionalize public sector management and decision-making. These proposed public sector reforms are but one important element in this effort, even though there is no effective social pressure other than regular claims in the press of misuse of public funds.

The **private sector** includes politically connected operators who enjoy privileged access to government contracts, but also non-incumbents who wish to enter the market on an equal footing and in a transparent manner. The Confederation of Trade Associations (CTA) and associated bodies have emphasized that laws, regulations, rules and procedures governing procurement must be clearly communicated and information about procurement open and clear in order to help level the playing field for all competitors. Such openness may encourage bidders to trust the public procurement system and build confidence in public administration, but the real test of transparency will be whether the actual processes and outcomes of procurement are made public, not just the formal legal regulations that are supposed to govern the process.

**Civil society** is the weakest link vis-à-vis both government and most donors, and thus does not play a significant role. This is particularly true since the main constituency for procurement accountability is still external donors, and the absence of significant taxes and absence of effective feedback vehicles isolates the administration from demands for results from the population.

### **Avenues for action**

The draft legislation is strong in the following ways:<sup>11</sup>

- It establishes uniform, mandatory rules and procedures for making purchases with public funds if the law is implemented.
- It mandates formal bidding documents that set out bidder qualification requirements and award criteria in advance of bid submission to promote fairness and transparency.

---

<sup>11</sup> The team had access to Draft #8 of the proposed legislation.

- It enhances accountability by requiring officials to provide written justification for their decisions (assuming the records of decisions are transparent and easily accessible and officials are made responsible for their rationale).
- It prohibits public officials from bidding on government contracts through companies they own.
- It provides vehicles for potential redress by granting bidders the right to appeal, establishing sanctions for illegal acts and improbity, and prohibiting officials with conflicts of interests to participate in procurement decisions. However, the legislation offers few vehicles for enforcement.

**Improving the draft procurement legislation** would include addressing the following issues:

- Lack of Institutional Framework
  - The regulations do not establish procurement institutions (such as a Central Procurement Agency or a Public Procurement Audit Unit) and lack guidance as to how mandated rules and procedure will be implemented and enforced.
  - There is little protection from abuse of discretion and there is a risk of incompetence in implementing the regulations.
  - There is no provision for monitoring the system and no clear mechanisms of control.
- Lack of Record-keeping Process
  - There is no mandate for making and maintaining a complete record of the procurement.
  - There is no provision for pursuing administrative sanctions, and provisions for appeal fail to define standards of due process.
  - There is no process or procedure of appeal for bidders disqualified from bidding or from admission to the Register.
- Lack of Clarity
  - The regulations are ambiguous on several points, such as deadlines for submission of bids and information requirements for bidding announcements.
  - There are no defined processes for limited bidding procedures.
- Discretion
  - The Awarding Entity is given too much discretion in estimating the value of the contract as well as in choosing and applying technical award criteria; providing or limiting market access of foreign firms and in

demanding or ignoring local content requirements; use of financial requirements in defining qualification standards.

- There are similar provisions of discretion for the National Institute of Standards and Quality in the qualification process and the Awarding Entity has total discretion to waive the same qualification requirements.

These and other conditions are bound to pose financial burdens and risks for bidders that get passed on to the public sector, and ultimately to taxpayers. These risks also negatively impact the economy as a whole. They should thus be considered in terms of their potential financial and economic implications, and amended accordingly prior to issuance of the legislation.

The draft legislation is good in many ways. Once adopted, reliable implementation will be critical to see improvement. Implementation issues should be addressed by:

- Opening the procurement process so that contestation and transparency can help bring out, assess and dispose of issues through enhanced competition.
- Major and sustained technical assistance from the donor community.

**Support civil society and private sector to participate in meaningful accountability arrangements.** Public transparency and a role for non-interested third parties (often from civil society) in overseeing key procurements has contributed to more open and competitive procurement processes in other parts of the world (often through Transparency International's integrity pacts). Holding public hearings on major contracts, publication of costs of recurrent procurement, and other similar measures helps enable greater accountability. Citizen watchdog groups, NGOs, and business associations should be supported to observe or monitor selected public procurement, by providing technical and financial assistance to build capacity. With greater and more knowledgeable oversight, and more independent contestation vehicles, the prospects for corruption can be reduced by increasing the risk of illegal and discretionary actions.

### 6.3 Customs

Considerable strides have been made in reforming and modernizing the customs service to improve the government's revenue-raising capacities and enhance control of trade and transit flows. However, there is still important room for improvement to increase efficiency and reduce corruption – thereby facilitating the integration of the Mozambican economy to world markets, the main avenue for growth given the limited internal market of the country. Further reforms in customs administration must be part of broader macro-economic adjustments if they are going to be effective.

## **The issues: constraints and incentives**

The Customs Authority lacks the basic underpinnings necessary to become an integral part of the trade liberalization program – namely, an appropriate regulatory code, institutional structures, management competencies, operational methods and management information systems, professionalism and staff training, auditing, and enforcement capabilities. To overcome these problems, nothing less than a comprehensive reform was necessary. To this end, concurrent with an overhaul of the country's trade system a fundamental, tough and gradually executed reform and modernization program was initiated covering all aspects of customs administration (between 1996 and 2005).

Having adopted the fundamental changes, with considerable external support, the issue ahead for the Customs Authority is how to sustain the progress that has been achieved, and expand existing efforts to get stakeholders' support to continue operational improvements and combat corruption.

## **Key actors, reforms and outcomes**

The initial round of customs reforms, largely now in place, was aimed to address issues affecting the following parties and objectives:

- Increase **government** revenue. Customs revenues had been on a downward trend since 1992. In 1994, this trend accelerated when a large volume of imports was exempted from import duties under a variety of special programs. In addition, extremely high customs duties encouraged tariff evasion.
- Facilitate legitimate trade by combating corruption and smuggling:
  - **Domestic industries**, sugar and tobacco in particular, complained repeatedly that they could not compete with smugglers in the domestic market.
  - **Civil society** criticized the government for a lack of transparency in customs operations, for poor management, and above all for a lack of dedication to tackling corruption.
  - **Smuggling rings** were firmly entrenched in Mozambican society, and many believed that without a drastic change in customs management, breaking them up would be difficult.
- Create a modern, effective, and reliable customs administration capable of sustaining and building on improvements made during the reform program, through the mobilization of external expertise and the engagement of **foreign companies** to manage key parts of the reform process.

A Technical Unit for Restructuring Customs (TURC) was established to manage the reform process. Although the private sector was not directly represented, its participation was ensured through coordination with the Customs Higher Technical Council, which has a large number of private sector representatives. The plan was for TURC to manage key

policy aspects of the ongoing work of the customs administration, including coordination of customs restructuring with all matters relating to customs reform, and drafting of customs legislation, including the Tariff Code and customs procedures.

TURC invited international companies to bid to implement the customs reform to:

- take over the complete management of customs, including training
- appoint key customs officials to perform the contracted functions in accordance with local employment laws
- supervise imports and other external trade operations subject to the customs legislation, as well as to prevent fraud and the evasion of tax and exchange control regulations
- maintain customs assets in good order and prepare an effective assets inventory system
- procure and maintain equipment assigned to the reform project, including vehicles and data processing software and hardware.

Crown Agents was awarded the implementation contract in 1996. A build-up of Crown Agents staff (which peaked at some 70 members) enabled a rapid increase in performance. However, the build-up of local staff to fully assume the responsibilities carried out by foreign consultants has lagged, making the significant progress still fragile.

Accordingly, the sustainability of reform has yet to be determined and the Customs Authority still needs to develop more reliable systems to deal effectively with persistent corruption and smuggling problems. That being said, a skeleton staff of seven Crown Agents consultants are still with the Customs Authority, and the customs system has been overhauled through a set of complementary and interlocking policy measures that provided the following underpinnings for institutional reform.

**Customs code.** Control systems were slow and inefficient. This produced a combination of inefficient public service, low revenue collection and fraud. Simplified tariff classification codes and user-friendly methods, such as internet access are now available, though mostly still limited to well-established firms, rather than individuals and small enterprises, which still can be harassed and are vulnerable to corruption.

**Change management.** A steering committee made up of representatives from TURC, the IMF, the World Bank, and the DFID oversees the process of change management implemented by Crown Agents. As the role of Crown Agents is unwinding, more internally-driven oversight processes will have to take over the responsibilities that had been driven by external parties.

### **Avenues for action**

**Duties, custom charges and revenue performance.** Taxes and duties can be powerful inducements for evasion and avoidance, particularly when there is ambiguity and room for interpretation. Streamlining and simplification of duties and custom charges are the

clearest way to reduce discretionary powers that fosters corruption. Customs reform contributed to reducing complexity and improved revenue performance. Between 1996 and 2004, customs revenues, including VAT collected on imports, increased from 3.6 percent of gross domestic product to 10 percent. Despite tariff reform that entailed a substantial lowering of nominal rates, the ratio of customs duties to the value of total imports remained in the 6 to 8 percent range.

Further reducing tariffs would help to enhance competitiveness and reduce inducements for corruption and evasion. However, in order for this to be feasible, the government must undertake a concurrent strengthening of tax administration, since custom revenues constitute already between 45 and 50 percent of fiscal revenues, and the tax base is weak because of generous tax exemptions -- especially for large projects and large vested interests -- and tax enforcement is ineffective.

**Professionalization, staff, pay, and training.** A cadre of professionals, who do not have to rely on bribes for their well-being and who act in conformity with regulations will be an indispensable part of anti-corruption efforts. Before the reforms, customs personnel were underqualified. In 1996, close to 40 percent of the staff had only primary education and less than 2 percent had university degrees. This compares with over 60 percent having completed technical education and 11 percent university education, at present. About 10 percent of all staff members had a university degree. This professionalization has been accompanied with improvements in pay levels, regularization of compensation and benefit arrangements, and improvement of working conditions for staff working in border posts. Future reforms should include:

- Regular review of salaries and compensation should be undertaken to ensure that Customs Administration officials are paid competitive, market-based salaries.
- Staff performance reviews should be undertaken systematically, with particular attention to the propriety of staff actions, so that salaries and customs allowances, careers, penalties (including dismissals, demotions), training efforts and managerial attention become increasingly merit based, and are closely linked to staff behavior and capabilities on this score.

**Enforcement.** Implementation, a general weakness in the public sector's performance has improved considerably in the Customs Administration. The new enforcement systems have reduced illegal imports. The number of seizures of illegally imported goods by customs agents more than quadrupled since 1997, and more than 1,700 cases of diversion of duties, wrongdoing in relation to importing goods, and smuggling are being brought before customs courts. Randomly based spot-checks and a regular auditing program should be undertaken to enhance the oversight function of this entity.

**Customs clearance times.** Even though measurement of total clearance times does not seem to be fully satisfactory, the reforms appear to have shortened them, because several steps in the import procedure now seem to be carried out more rapidly. In 2000, the International Finance Corporation's Foreign Investment Advisory Service estimated the average clearance time in Mozambique at 18 days, substantially more than in Botswana, Lesotho, South Africa, and Swaziland, but fewer than in Kenya and Zimbabwe. The

situation has improved since then, and latest estimates suggest that clearance times have fallen to an average of eight days between lodging of a customs declaration and provision of delivery orders. The profession of clearing agent is strictly regulated and entry into the profession of clearing agent is restricted. These restrictions undoubtedly undermine the quality of services provided to traders and negatively affect clearance time. Having a clear indicator of clearance time that is periodically communicated to private sector operators would enhance transparency and could serve as an indicator of success or the lack thereof. In addition, further efforts towards automatization and information technology could be instituted, such as extension of electronic declarations to reduce the possibilities of discretionary or administrative interventions, and with it, the prospects for corruption.

**Focused anti-corruption measures.** All customs personnel sign a personal integrity commitment declaration, in accordance with the requirements of the Public Sector Employment Law. A staff handbook and a code of conduct have been prepared and are awaiting approval. In addition, the Customs Board approved an anti-corruption strategic plan. General procedures to detect staff misconduct have been strengthened. The overall number of cases of misconduct should be published, including the corrective actions taken, so that there is awareness that corruption is not tolerated and there is knowledge of the consequences of such misconduct. A table, such as the one below, can be a powerful vehicle for staff and users alike to disseminate such action. Similarly, the outcomes of judgments of the Customs Tribunal, which deals with matters of a fiscal nature, should be published to disseminate the outcome of such judgments. However, beyond disciplinary measures, this system needs to be strengthened to be fully effective. The application of sanctions to corrupt customs officials is hampered by the fact that corruption must be dealt with under criminal law, over which the Customs Court has no jurisdiction. Delays at the level of the Administrative Court are lengthy, undermining the credibility of the campaign to enhance integrity.

**Penalties for Misconduct 1997- 2000**

Penalties	Old Staff	New Staff	Total
Expelled	20	15	35
Dismissed	58	35	93
Demoted	24	15	39
Other	16	5	21
Acquitted	45	26	71
Under Investigation	81	82	163
Total	244	178	422

*Source: Mozambique Customs Bureau data*

**User feedback.** With fundamental reforms practically completed and the departure of Crown Agents, executive responsibilities are increasingly falling on the Customs Administration to extend the effort with in-house support. To this end, the Customs Higher Technical Council, which was created as a forum for consulting with trade association representatives and clearing agents regarding their views on progress under the customs modernization process, could become a vehicle to provide independent feedback. It could also help oversee on a regular basis the performance of the entity, particularly matters concerning governance and corruption, corrective actions needed in

the entity or beyond, effectiveness of the reforms, constraints of Customs or other associated trade issues affecting the development of the private sector.

## **6.4 Inspections**

In the best of circumstances, regulations and inspections serve to ensure that the laws are carried out as intended and protect the public. But in many cases in Mozambique, regulations are unclear, uncoordinated, arbitrary, and set unrealistic standards. As a result, the inspections conducted to enforce such regulations are characterized by excessive discretion and produce major opportunities for corrupt activity by inspectors. This increases the cost of doing business in Mozambique and is a daily hassle, particularly for small and medium businesses. These costs, in turn, are passed on to consumers.

### **Institutional setting**

While government policy calls for informational inspections rather than punitive inspections and fines, there remain built-in incentives for inspectors to continue levying fines. In many agencies, inspectors are motivated to fine businesses because they are allowed to keep a percentage of the fines levied – a commission. Since regulations being enforced are often unclear and standards unrealistic, it is apparently easy for inspectors to find reason to levy fines; they also have considerable discretion in deciding on the amount to fine.

There are many administrative barriers established by government that impinge on private sector activity and yield opportunities for bureaucratic discretion and corruption, of which excessive inspections is among the most pernicious. Others include:

- Labor laws that make Mozambique uncompetitive in the manufacturing sector.
- Commercial codes that are inconsistent.
- Time consuming administrative procedures in business registration, such as notarization.
- Confusing regulations concerning the marketability of land and registration of land titles.
- Large variability and uncertainty in the length of customs clearances for imports.
- Excessive inspection and paperwork required for exports.

### **Stakeholders**

Both inspectors and the private sector are complicit in corruption regarding regulations and inspections. In the case of taxes, firms often underreport revenues because they expect huge fines. When exorbitant fines are levied, they are “negotiated” to lower amounts through bribes made by firms to tax inspectors. According to an investment climate survey conducted in Inhambane in 2004, it was found that companies often evade tax payments by not declaring their full revenues. Knowing this practice (although not



always being able to prove it), inspectors use a heightened vigilance in their auditing to identify some transgressions, even minor ones, and levy harsh fines.

In addition to central government inspections, municipalities also have a range of inspections that often duplicate their national government counterparts.

### **Corruption vulnerabilities**

A wide range of inspections are conducted by central ministries, as well as by local authorities, focused primarily on the private sector. In many cases, these inspections constitute a predatory practice of excessive and arbitrary harassment and fines levied on business in order to generate commissions that inspectors collect on fines collected or to incentivize businesspeople to give bribes to minimize the fine.

Some of the worst offenders are tax and labor inspections, but other ministries such as health and tourism also conduct inspections that are viewed as harsh and arbitrary by the business community in Mozambique.

According to a FIAS report in 2001,

- There are too many inspecting authorities with overlapping responsibilities
- There is a general lack of guidelines and information for inspectors
- There is lack of transparency in inspections
- The fine system is regularly abused by lower-level inspectors looking for informal payments.

### **Recommended reform options**

Inspections impact primarily on businesses, so it is important for businesses to dialogue directly with regulatory agencies and ministries to determine where the obstacles and vulnerabilities to corruption exist and identify ways to eliminate them. The Confederation of Trade Associations (CTA) has begun the process of direct dialogue with government. Their work to date has demonstrated that this kind of advocacy can be fruitful. More needs to be done along these lines to streamline the regulatory framework and the inspection process itself.

**Streamlining regulatory framework:** The overall regulatory framework across all government agencies needs to be reviewed and streamlined to reduced administrative barriers and obstacles to economic growth and investment. Support can be provided to willing ministries to conduct a thorough inventory of regulations and standards. Existing regulations should be compared with the ministry's mission statement and objectives to determine which can be eliminated and which need to be modified to establish a logical regulatory regime. The private sector and interested/relevant civil society organizations should be asked to participate in this program. A computerized tracking system of regulations, standards, and inspection activities can be developed to ensure that a reasonable, consistent and simplified regulatory framework is maintained over time.

**Streamlining inspection procedures:** Business, civil society, and government agencies should be encouraged to develop a process for review and streamlining of inspection procedures. The objectives of this effort would be to minimize the number and types of inspections to those necessary to public safety and upholding the law, and to minimize inspector discretion. Standards should be made reasonable. Inspection procedures should be made clear. Perverse incentives for inspectors, such as commissions on fines levied, should be eliminated. Supervision, management and control mechanisms should be put in place to oversee the inspection process and detect possible abuses. An appeals mechanism for business should be established. The resulting inspections regime can be applied across all government agencies to minimize overlapping inspections and to create a commonly used approach.

## **7. Corruption in Institutions**

### **7.1 Municipalities**

Mozambique's experience with decentralization is new and in spite of decentralization's great promise here, its new municipalities are not free from corruption. The areas of greatest opportunity for corrupt behavior are in access to land, municipal police, inspections and the issuance and collection of fines. Despite efforts to introduce public participation in planning and budgeting, there is a great deal of discretion still in the expenditure of public resources. Capacity at the municipal level overall is low, administrative controls are lax, and citizens still have inadequate access to information about services and processes, as well as a lack of understanding of the role of municipal governments. A 2001 report warned of decentralized corruption (AWEPA 2001).

In spite of these constraints, municipal governments offer a significant potential for incubating civic awareness, promoting participation, increasing access, and developing a culture of democratic accountability and transparency. Interestingly, national level electoral participation has decreased while participation in municipal elections has increased, albeit from a very low point of departure (1998: 15 percent; 2003: 24 percent). While it is too early to say whether these trends will hold, they do perhaps reflect the increased accountability local elected officials have with their constituents and a correspondingly higher level of trust and engagement than with their government counterparts at the national level.

#### **Institutional setting**

Thirty-three municipalities were created in 1998 and they have been through two election cycles. But they were established rather quickly and there was minimal preparation or training for those who would take over their governance.

With devolved power, municipalities can set their own agenda and raise taxes. With elections of both their mayor and assembly, and the institutionalization of checks and balances, they have the potential to be relatively transparent and accountable. In some

cases the public has been involved in planning at the municipal level, as well as in open budget hearings. Municipalities raise revenue primarily through market and other fees, as well as through a head tax and through property taxes in some cities, and receive central government transfers in the form of block grants, but currently less than is mandated by the constitution. As the coverage and quality of local service provision increases, they will be increasingly supportable through collection of fees.

The 128 districts, on the other hand, have appointed heads, and upward instead of downward accountability to central government. They collect taxes, but are minimally transparent. Participatory planning and financial processes are being introduced in several areas on a pilot basis (the Nampula province model has been cited as a success), to be replicated in others. This has increased levels of transparency and accountability in districts where these programs have been implemented.

### **Stakeholders**

Local and national NGOs and donors promote capacity building in public participation and advocacy at the municipal and district levels. These groups, through donor support, are building capacity to create regularized dialogue between the community and officials in the planning process, through Consultative and Participative Forums (IPCC) and Local Development Committees. Sometimes, these groups are hijacked by political interests. But in general, civil society at the local level is very weak and unorganized. Illiteracy and lack of education in the rural areas are major problems in organizing.

Elected mayors, having independent power bases and being dependent on the electorate, are potentially interested in building more transparent and accountable governance structures in the municipalities. Yet, they have limited authority vis á vis the center, limited resources to work with, and strong ties to the two major political parties. These tend to temper their abilities to initiate major changes. However, there appear to be some forward-looking activists among the pool of existing mayors who might serve as a new wave of reformers if given the opportunity and the resources.

### **Corruption vulnerabilities**

There are several major vulnerabilities to corruption in the municipalities:

- Despite the requirement for a land use plan, there exists much discretion for city officials on how to allocate land access permits. There are inadequate checks and balances on how these permits are granted.
- There are weak controls on public tenders, especially those to purchase construction services. Procurement Commissions are established to conduct procurements according to prescribed rules, but there is little oversight over the process.
- Municipalities collect a variety of taxes and fees (personal, head, property, business). There is general public perception that there is corruption in the

collection and use of these taxes because citizens do not always see or understand how they are transformed into public services.

- Inspections carried out by municipal departments in Mozambique's larger cities, such as Maputo and Beira, are viewed as another area of vulnerability to corruption due to excessive discretion on the part of inspectors (see the Inspections section of this assessment).
- The Inspector General (for internal audit) and the Administrative Tribunal (external audit) do not have the capacity to conduct public audits of the municipalities as often as intended. There have been reports of extensive corruption in Beira, which were never followed up. Establishing and strengthening accountability at the municipal and district levels is essential.
- The implementation of recommendations by auditors/inspectors is hardly followed up and monitored.
- Municipalities generally do not maintain registers of their public assets.
- Citizens generally do not have sufficient information about municipal services they are entitled to and the cost of such services.

### **Recommended reform options**

- Continue, and perhaps replicate or scale up donor municipal capacity building programs, to professionalize the civil service and management; increase public participation and input in planning, budgeting, and service provision decisions; improved financial management; and enhanced service provision.
- In the future, once the newly founded Association of Municipalities has established itself as a credible body, help to build its capacity and through it help to build the capacity and professionalism of mayors and local assemblies through training, sharing of best practices, and replication of successful initiatives.
- Promote procedures in municipal governments that would embed greater checks and balances on executive decisions and reduce discretion. This could take the form of strengthening the oversight functions of the elected Municipal Assembly and establishing internal audit units within municipal departments.
- Develop a grassroots civic education program, perhaps through radio or other means accessible to those who cannot read to strengthen citizen awareness of their rights to change values, generate advocacy activities, and empower local leaders to demand their rights. In this regard, we strongly recommend exploring opportunities to promote participation and demand for accountability through existing programs in other sectors (e.g., health) that extend to the grassroots. Not only does this build on organizational networks that already exist, but it also places questions of public accountability in the context of concrete issues that affect people's daily lives.
- Establish civic education programs in schools to develop responsible citizens.

- Support development of anticorruption campaigns and strategies, as well as corruption monitoring mechanisms at the municipal level. Where possible, these anticorruption campaigns and strategies can be linked to existing corruption reporting centers and action encouraged to achieve administrative remedies, if not legal remedies in the courts, for citizen grievances about alleged corruption.
- The mass media should be strengthened at the local level – especially radio – as a vehicle to educate the public about their rights, as well as an outlet for investigative journalism about corruption issues. Regional associations of journalists can also be developed and/or strengthened.

## 7.2 Political Parties

The existing political party system in Mozambique, dominated by the two primary political parties, Frelimo and Renamo, in many ways serves to deepen the lack of accountability, transparency, and effectiveness that characterizes the broader political system.

While the country has nominally transitioned to a multi-party electoral democracy, virtually all of the contestation between the two parties happens at the ballot box. After significant results in the 1994 and 1999 elections, Renamo lost considerable support in last year's general elections and has yet to gain access to the all-important Mozambican state. A dominant fact of Mozambican political life is the blurring of the line between party (Frelimo) and state, thus rendering separation and balance of power a meaningless construct that does little to check the excesses of any branch of government or of the party. The team was struck by the minimal relevance of the National Assembly in all of our discussions, and the domination of the judiciary by political interests is discussed elsewhere in this report. The result of these conditions is that a) political competition—the most basic opportunity for citizens to hold government accountable—isn't an effective recourse to check the problem of corruption, and b) branches of government do not provide avenues of oversight and control.

### **Corruption in political party finance and elections**

The dominance of the Presidency, combined with the weak legislative branch, ensures that electoral politics in Mozambique is a winner-take-all game. This raises the stakes at election time for both parties—an encouragement for corrupt behavior, such as vote buying, inappropriate use of government resources for campaigning by the party in power, sourcing campaign finance from inappropriate sources, and electoral fraud. In fact, while all of these behaviors have been noted in past elections, their level has so far not been so great that they are believed to have invalidated overall election results.

A political party is eligible for National Assembly seats and state funding once it has achieved five percent of the total vote in any given National Assembly election. However, this has so far resulted in only a few seats in the National Assembly for one

small party coalition in 1994. In 1999, ten small parties had to join Renamo in a coalition to be able to gain seats in the National Assembly. No other party achieved five percent of the vote in the 2004 elections.

Both parties receive funding from the state, in proportion to the number of seats each party has in the National Assembly. There are no laws stipulating how party funds obtained through private fundraising should be accounted for and hence there is virtually no transparency in the management of these funds. There is currently no requirement for parties or candidates to report on the funds that they raise, the sources of those funds, or how they are used. (Indeed, this kind of accounting does not appear to happen even within the party structure. One senior Renamo member we spoke to indicated that he was not aware of any financial report ever being given at a party congress.) However, privately generated funds are relatively insignificant for Renamo. Frelimo raises some private funds, but how much is not known. Frelimo also has private investments, but their extent is not clear.

### **Corruption and the lack of political competition**

Frelimo took power upon independence as the only viable alternative to colonial rule and ruled the country as a single party state until the peace agreement and the country's first elections in 1994. However, Frelimo's structure and institutional behavior have changed little with the advent of multiparty politics. The party inherited significant infrastructure from the time of one-party rule, such as the party buildings constructed at the district, provincial, and national levels, which have allowed it to retain a widespread physical presence. While the separation of state and party functions has been legally stipulated, in reality most state officials are still members of Frelimo and thus many of the prevailing norms from the one-party era have survived.

Renamo emerged as a political party from a guerilla army around the personality of its leader Afonso Dhlakama and has tended to be much less organized than Frelimo. Perhaps because Renamo has yet to win the Presidency, and thus any substantial governing experience in the post-war political landscape, the party has done very little to develop a platform or positions on policy issues or serve as a monitor of its competitor party. Internally, the party has been almost completely dominated by its leader, who has consistently purged the party of potential competitors and thus further eroded the organizational knowledge, skill base, and structure of Renamo.

This imbalance of organizational strength is both a cause and a symptom of the corruption and lack of transparency that characterizes public functions in Mozambique. Frelimo benefits greatly from access to state resources not only during political campaigns, but perhaps even more so from its ongoing ability to use its control of the state to disperse patronage in the form of jobs and access to public services. This helps maintain political domination especially in the rural areas, where alternatives to state-provided jobs and services are fewest, which in turn reduces even further the chance that people will feel comfortable challenging corrupt activities and other abuses of power. (As one interviewee put it, "the further you get from Maputo, the less freedom there is.")

Likewise, both parties tend to be extremely hierarchical and centrally controlled. This limits grassroots input or participation and instead favors the kind of elitism and cronyism that have tended to characterize in the political system in the past several years.

### **Recommendations for reform**

The likelihood of reform in either the operations of political parties or competitiveness between the two dominant parties is a matter mainly of political will. Donors can exert little leverage, except in the context of diplomatic and policy dialogue that highlights the problems created by lack of transparency in the political system and unchecked use of state resources for political purposes. Donor programs in the past have invested in political party strengthening in Mozambique, but the organizational effectiveness of Frelimo and the lack of vision by Renamo leadership both militated against the program having the desired impact of increasing political competitiveness in Mozambique.<sup>12</sup>

This being said, among the changes that political leaders should be encouraged to consider are the following:

- Regulations for transparent reporting of all party revenues and expenditures, including requirements for regular audits. This, of course, should be followed by regular and transparent reporting of party revenues and expenditures.
- Lowering the five percent requirement for new political party seats in the National Assembly to encourage new political party development and allow for new voices and perspectives in the national debate.
- Creation of a nonpartisan parliamentary analysis unit that would provide support to all MPs by providing information, analysis, and assistance in drafting legislation. Such a unit could potentially help to even out current disparities within the National Assembly to access to information that is often passed primarily to Frelimo party members, leaving minority party MPs without information or analysis to support their conclusions. Overall, this may help to moderate the weakness of the National Assembly as a forum for issues of national relevance, such as corruption.

## **8. Cross-Sectoral Programming Options**

Several cross-cutting themes emerge from our assessment that target major, cross-sectoral pathways to overcome obstacles in fighting and controlling corruption in Mozambique. These program options can set the stage for the more sector-specific recommendations highlighted in the previous sections of this report.

---

<sup>12</sup> SAL Consulting, "Evaluation of the PARTIDO Program," September 2004.

## **Strengthen demand-side pressure on government to be accountable**

Most donor programs are currently focused on supply-side initiatives, that is, strengthening government and its institutions and procedures, rather than on strengthening the demand-side of the equation, that is, advocacy activity by civil society, the private sector and the mass media. Support of CTA's work to promote the interests of the business community to reduce administrative barriers and corruption-prone procedures and regulations is a major and promising exception.

Civil society is extremely weak in Mozambique, especially when it comes to advocacy activity. There are also very few civil society organizations specifically focused on anti-corruption reform. A recommended path for future donor activity is to support the emergence of *an alliance of existing civil society organizations*. It is not necessary for these organizations to be established to promote democracy, human rights or anti-corruption; those that are providing social services in particular domains or that represent particular constituencies should also share a common interest in reducing corruption, as it affects their members.

This civil society alliance against corruption can be modeled on similar alliances in Mozambique that have formed around access to land, the foreign debt and other issues, for example. Such civil society partnerships have been important forces demanding more transparency and accountability from government in Russia, Ukraine, Albania, Bulgaria, Georgia, and elsewhere. In Mozambique, civil society groups, such as democracy and human rights organizations, service provision NGOs, religious organizations, and women's groups, among others could serve as the core of an anti-corruption coalition.

Moreover, we strongly encourage the USAID Mission to explore ways of **mainstreaming** anti-corruption and accountability objectives, messages and activities throughout its programs and to encourage this among other donors. Within USAID's program, opportunities exist when working with health and private sector stakeholder organizations as well as central ministries and other authorities to mainstream anti-corruption activities. There are two benefits to this approach. First, it links anti-corruption and accountability issues to the daily concerns of the average citizen and can provide them with tools and concepts for being active agents for change. Second, there may be slightly less problematic political dynamics around issue like "delivering health care to the poor" or "improving education" than "fighting corruption."

## **Build transparency provisions into every donor program**

Basic transparency about the allocation and use of resources is a powerful tool in improving the balance of power between government and society. Some initial steps are being taken in Mozambique, but donor programs could build on these. New initiatives could take the form of instituting open hearings on budget issues, publishing laws and judicial decisions, posting prices for public services, and sponsoring public awareness campaigns that target citizen rights and service delivery.



## **Make civic education and accountability messages an ongoing aspect of donor activities**

The “demand side” of the anticorruption equation does not always need to focus specifically on corruption issues. Mozambique is still a young democracy, and the concepts of public participation and oversight of government have not developed far beyond the notion of showing up to vote every few years. Civic education programs have essentially been voter education programs and have not been sustained between elections, or HIV/AIDS education programs, yet many of these include public participation and “responsible citizen” elements, particularly on issues like the PRSP. Some of these programs have the added advantage of reaching beyond the normal “democracy and governance” NGOs to groups, such as churches, producers’ associations and others that have more access to the grassroots levels of Mozambican society.

## **High-level donor coordination on corruption**

For donors to be maximally effective, a clear and consistent message on corruption needs to be formulated and delivered to the government. Given the extent and depth of corrupt behaviors in Mozambique, a focus on corruption at the technical level is not adequate, except where reforms are of a more technical nature. A high-level (Mission Director level) donor coordination effort would signal the seriousness of donors and allow for discussions that take into account the multi-faceted and often political nature of corruption in Mozambique. (Such high-level donor coordination currently takes place in Bangladesh – another country low scoring country on Transparency International’s corruption index. In Bangladesh, high-level donor coordination seeks to leverage overall external support to influence local decision-makers toward more vigorous transparency and accountability reform programs.) Ideally, the effort in Mozambique would focus on the overall problem of corrupt behavior, with an emphasis on political will, grand corruption, and growing links with organized crime. Donors can exercise their influence by:

- Mainstreaming anti-corruption initiatives into all programs and building in-country institutional capacity to ensure transparency and accountability. This can take the form, for example, of establishing local citizen oversight boards within existing health programs to keep officials accountable for budget expenditures in hospitals and clinics, and creating internal audit units at the municipal level to monitor the procurement process within local governance programs.
- Consistently highlighting in diplomatic and donor dialogue that concrete actions must follow in order for current rhetoric about fighting corruption to be taken seriously.
- Promoting demand for anti-corruption efforts through support of civil society, media, private sector and other champions of reform.
- Creating a set of meaningful indicators and benchmarks to measure progress against corruption, and placing conditions on future budget support and technical assistance programs if significant results are not demonstrated.

Indicators must go beyond creating strategies and passing laws to implementing real reforms that increase transparency and provide for real accountability in key government functions and sectors.

- Orienting technical and financial assistance toward achieving “results on the ground,” and putting greater attention on feedback vehicles to track outcomes, impact and views from users of public services and investments, as well as auditing, review and follow-up on periodic assessments of results of public sector expenditures and projects.
- Establishing a high-level donor coordination group to develop a clear and coordinated message on corruption for the government; encourage and monitor the mainstreaming of corruption in forms of donor assistance; and encourage greater synergy between donor corruption programs.

The USG should also coordinate its messages and highlight the issue of corruption in all its diplomatic dialogue and aid discussions:

- USAID and Embassy coordination on key messages to reinforce with Government Officials (see separate talking points memo)
- Mainstreaming anticorruption precepts and activities throughout the mission portfolio and other USG assistance, particularly focusing on transparency, citizen participation and oversight, and accountable management of resources.
- Broaden the scope of MCC compact discussions to include specific attention to corruption and governance concerns, given that Mozambique’s performance on the Control of Corruption indicator has actually declined substantially between 2000 and 2004 (see Exhibit 1 earlier in this report).

Examples of ways to include these issues in the compact include:

- Develop a clear set of steps to limit corruption and benchmarks for implementation, so that projects can be terminated or redirected if corrupt practices divert significant resources or delay implementation. Transparency and public oversight should be dominant considerations.
- Ensure that clear procurement guidelines for infrastructure projects are developed in partnership with government, the private sector, and civil society. Care should be taken to 1) build the capacity of Mozambican officials to conduct competitive and transparent procurements and 2) provide avenues for civil society or other outside observers to act as monitors of the procurement process.
- Provide for substantial capacity building for municipal governments in areas where MCC supports infrastructure development, by including elected municipal governments in the planning, development, implementation, and oversight of projects.
- Private sector ownership or co-ownership of public services should be carefully designed and provisions made for monitoring to ensure that the public’s interest is protected, that government can play its regulatory role effectively, and that operations are transparent and can be readily monitored by citizens and CSOs. Avoiding conflict of interest in the award of these private activities is critical.

## **Support local governance**

Locally elected municipal governments are a recent phenomenon in Mozambique and they offer important new opportunities for developing a greater culture of democratic participation and government accountability in the country.

- **Local elected officials** – Mayors and municipal assembly members represent a group of elected leaders who are accountable to the electorate. As such, they may be more amenable to pursuing anti-corruption initiatives that demonstrate their commitment to the voters. Several donor programs are currently developing the capacity of local elected officials and administrators to generate local revenue, provide services to residents, manage finances, organize participative planning processes, and other activities that promote local transparency and accountability. There may be potential to expand and deepen existing anti-corruption efforts in the targeted municipalities, perhaps by working in other sectors, such as health and education, or as national or regional organizations of local elected officials (for example, the newly established Association of Municipalities) gain experience and credibility. Since municipal and local government institutions and their officials are relatively new, they can learn from shared experience of localities in other countries.
- **District Consultative Councils** – These new councils, which encourage public participation in decentralized planning, may be another target for future anti-corruption action. USAID and other donor programs are expanding many of their local programs to work with these councils and develop their capacity. Transparency activities and accountability controls can be made a part of these programs.

## **Identify, work with and bolster potential champions of reform**

To motivate new anti-corruption programs, it is often useful to identify the forceful, but rare, personalities who are willing to advocate for transparency and accountability reforms. This assessment has identified several possible candidates who are worthy of further exploration based on their past actions and statements. Because of the risky and sensitive issues involved in fighting corruption, it is important for donors to remain steadfast and visible supporters of these champions throughout the course of their initiatives. Potential champions that can serve as points of entry for anti-corruption programs can be found among:

- **Ministers** – As they are new to their posts, controlling low level petty corruption within their domains of authority may be seen as very attractive – their initiatives would be viewed as progressive while, at the same time, not impacting higher level vested interests. The Health Minister, in particular, has been outspoken and committed in his opposition to petty corruption. Other

candidates that were recommended during our assessment include the Education Minister, the Minister for State Administration, the Industry and Trade Minister, and the Minister for Energy. A first step could be to commission an audit of their ministry.

- **Anti-Corruption Office (GCCC) in the Attorney-General’s Office** – At least on paper, this Office has significant power to deal with the corruption within the judicial system. If donors believe there is a sincere commitment to achieve real outcomes through this Office, they can bolster the Office’s capacity by supporting its activities, training its staff, etc. Donors should also put pressure on government to ensure that cases are tried once they get to the court system.
- **Technical Commission for National Anti-Corruption Strategy** – Once the National Anti-Corruption Strategy is approved, a Technical Commission to supervise, monitor and assess implementation of the Strategy will be established. As suggested above, if there is the belief that the government is fully behind the strategy and wants to see results, donor support to this body will help to promote the goals and initiatives of the Strategy.
- **Media** – Support, especially to radio outlets, can help to get out the word about citizen rights, thus empowering the public vis-à-vis corrupt officials.

### **Promote professionalization and depoliticization of the bureaucracy**

To break the cycle of political patronage and generate a competent and professional bureaucracy to implement and execute laws and procedures free of political influence, it is critical to separate the political leadership of the Ministries from the technocratic line staffs in the Ministries. To do this, civil service reform is required to establish and strengthen a merit-based civil service, including reforms in recruitment, performance review, promotion, and disciplinary actions. A meritocratic administration will require significant programs to train and build technical and management expertise among civil servants. Donor programs can support development of a Public Administration Academy and other ministry-specific training programs.

## **9. Prioritization of Sectoral and Cross-Sectoral Options**

This section integrates the recommendations from the preceding sections into an overall anti-corruption package that can be considered by USAID/Mozambique and other donors. Some of the programming options are sectoral in nature and others are overarching and cross-sectoral. The table below seeks to provide some guidance on priorities for these programming options by identifying key counterparts that would have to be engaged, the feasibility of implementing the options in the near-, mid- or long-term, and the probable time horizon for anticipating outcomes.

### Summary of Anti-Corruption Program Options

Anti-Corruption Program Option	Major Counterparts	Feasibility	Potential Scale of Impact	Relative Priority	Implementation Timing	Impact Timing
<b>Cross-Sectoral Options</b>						
Strengthen demand-side pressure on government to be accountable	Civil society organizations and business associations	Medium to high. The primary constraint here is a lack of capacity among existing civil society actors and a relatively small number of organizations.	Low to medium. This intervention will take years to have major impacts, but which will generate small & important successes that impact people's lives directly.	Highest	Near-term	Near-term
Build transparency provisions into donor programs	Line ministries	Medium to high.	Low to medium. Not likely to impact grand corruption, but could noticeably impact petty corruption.	Highest	Near-term	Medium-term
Mainstream anti-corruption activities across all donor programs	Donors	Medium to high.	Low to medium. This is a long-term intervention that will primarily impact petty corruption.	High	Near-term	Near-term
High-level donor coordination on corruption issues	Donor organizations	High	High	Highest	Near-term	Near-term
Identify and bolster potential champions of reform: selected Ministers, local elected officials, district consultative councils, Anti-Corruption Office, Technical Commission for the National Strategy, mass media	Selected champions	Low to medium. Depends on political will of the individual and their ability to galvanize change.	Difficult to say.	High	Near-term	Medium-term
Promote professionalization and depoliticization of the bureaucracy	HR Department in Health Ministry (as pilot test)	Low. Dependent on broader structural reforms and serious political will. A major and costly undertaking.	Low to medium	Low	Medium-term	Long-term

<b>Anti-Corruption Program Option</b>	<b>Major Counterparts</b>	<b>Feasibility</b>	<b>Potential Scale of Impact</b>	<b>Relative Priority</b>	<b>Implementation Timing</b>	<b>Impact Timing</b>
<b>Judicial Sector</b>						
Broadening the coalition involved in formulating judicial reform plans	Reformist lawyers and judges	Medium to high, depending on willingness of reformists to participate and ability to identify them.	Medium. A wider range of voices in reform efforts could open the	Low for USAID if other donors are engaged	Medium-term	Medium-term
Developing court performance data	Courts	Medium	Medium	Low	Medium-term	Long-term
Develop ADR practices	Reformist lawyers and judges	Medium to high. MCC is likely to introduce ADR in the north.	Low	Medium	Medium-term	Medium-term
Address bottlenecks in corruption prosecutions	Attorney-General's Office, Minister of Justice, President	Low to medium. The engagement here should be to mobilize political will at higher levels; if it is not evident, then further support of AC unit should end.	Low to medium, depending on response.	High	Near-term	Medium-term
<b>Health Sector</b>						
Improve oversight and control mechanisms for drug registration and procurements	Central Medical Store; Health Ministry inspectors	Medium to high. There is a great deal of donor interest and oversight here (although this may contribute to the problem, given the large amount of funding).	Medium to high. There is a great deal of money involved and this impacts on both grand and petty corruption.	High	Medium-term	Long-term
Improve human resources management	HR Director in Ministry of Health	Low to medium. This is a long-term effort and the incentives and drivers for change are not yet in place.	Low. Change will be driven more from the demand side, clear sanctions, and demonstration of political will.	Low	Medium-term	Long-term
Promote citizen participation and advocacy	Civil society organizations at the local level	High.	High.	Highest	Near-term	Near-term

Anti-Corruption Program Option	Major Counterparts	Feasibility	Potential Scale of Impact	Relative Priority	Implementation Timing	Impact Timing
<b>Education Sector</b>						
Promote merit-based human resources management and professional management training	Ministry of Education	More information needed. This will be a long-term effort with uncertain results, as it is a technocratic fix for a political problem.	Low	Low	Medium-term	Long-term
Raise public awareness on sexual corruption targeting children	Civil society, media.	Medium. Requires finding a capable and interested partner. Ideally would be demand driven.	Unclear	Medium	Near-term	Medium-term
Strengthen citizen participation through school councils and public awareness programs	Civil society organization at the local level	More information needed.	Experience in other countries, i.e. Bangladesh, indicates that this can be very effective.	High	Near-term	Near-term
<b>Public Financing and Budget</b>						
Promote demand for accountability	Civil society and business community; the National Assembly and other oversight bodies	Medium. Finding partners who are interested in this (i.e., demand driven partnerships) may be the hardest part of accomplishing this.	Medium. This is a critical area for transparency and accountability. Really a starting point.	High	Near-term	Medium-term
Promote increased leadership and management for planning and budgeting within line ministries	Line ministries	Medium. This is already being done by donors in different ministries, but is labor intensive and does not get at issues of political will.	Low. Doesn't address bigger structural issues and political will, which are necessary for these efforts to have impact.	Low	Medium-term	Long-term
<b>Public Procurement</b>						
Involve civil society and the private sector as external controls on the process	Civil society and business organizations	Low to medium. Finding civil society partners and capacitating	Medium to high. This is an important area of intervention and	High	Near-term	Near-term

Anti-Corruption Program Option	Major Counterparts	Feasibility	Potential Scale of Impact	Relative Priority	Implementation Timing	Impact Timing
		them will be a hurdle. Should be demand driven to the extent possible.	one with potentially high profile results.			
Mainstream donor procurement procedures	Line ministries	Medium.	Low to medium	Medium	Medium-term	Medium-term
<b>Customs</b>						
Simplify and streamline duties and customs charges	Customs Administration	Medium	High	Medium	Medium-term	Long-term
Support professionalization, training and disciplinary programs	Customs Administration	Medium to high.	Low. Needs to be linked with other reforms.	Low	Medium-term	Medium-term
Strengthen enforcement systems	Customs Administration	Medium	High	Medium	Medium-term	Medium-term
Reduce customs clearance times	Customs Administration	Medium	Medium	Medium	Medium-term	Medium-term
Support Customs Higher Technical Council as channel for user feedback	Customs Administration and business clients	High	Moderate	High	Near-term	Near-term
<b>Inspections</b>						
Support streamlining of the regulatory framework	Line ministries and business associations	Low. This will be labor intensive and needs to happen in all relevant ministries and local government departments.	Medium.	Low.	Medium-term	Long-term
Support streamlining of the inspection procedures	Line ministries and business associations	Low to medium.	Low. Dependent on political will and streamlining of regulatory framework.	Low	Near-term	Medium-term
<b>Municipalities</b>						
Support extending mainstreaming anti-corruption initiatives into municipal governance assistance programs	Localities, Association of Municipalities Mayors, Municipal Councils and Assemblies	Medium to High.	Low to medium.	High	Near-term	Near-term
Strengthen oversight bodies at local levels	Municipal Assemblies,	Medium to high	Medium	High	Near-term	Medium-term



<b>Anti-Corruption Program Option</b>	<b>Major Counterparts</b>	<b>Feasibility</b>	<b>Potential Scale of Impact</b>	<b>Relative Priority</b>	<b>Implementation Timing</b>	<b>Impact Timing</b>
	Community leaders					
Support grassroots citizen advocacy and civic education programs	Local NGOs Local media	Medium to high	Low to medium	Medium	Near-term	Near-term
Support creation of local anticorruption agendas and corruption monitoring mechanisms at the local level	Local NGOs, elected officials, and media	Medium	Medium to high	Medium	Near-term	Near-term
Support capacity building for local media	Local media	Medium	Medium to high	High	Near-term	Near-term
Support / encourage IGF Tribunal Administrativo and GCCC to do inspections / audits of municipalities	TA, IGF, GCCC	Medium to high	Medium	Medium	Medium term	Medium to long-term
<b>Political Parties</b>						
Support drafting of regulations for transparent reporting of party revenues and expenditures, and for seating requirements	National Assembly committees; political parties	Low. There is not currently a movement to do this or clear support for it from any quarter.	Low to medium. This would be a good first step in promoting accountability, but would depend on implementation.	Medium	Long-term	Long-term
Support establishment of a parliamentary analysis unit	The National Assembly	Low. There does not seem to be support for this at present in government.	Not clear. This intervention would largely enhance the independence and capacity of the National Assembly and would take time to show results related to corruption.	Low	Medium-term	Medium-term

The coverage of this assessment, by the very fact that it was conducted within a two-week period, is limited to the major highlights. There are other emerging areas that are vulnerable to corruption and where programmatic options might be effective which are only touched upon briefly in this report. These include potential problems that might arise

in extractive industries, and audit and control reforms that might be possible in the Tribunal Administrativo.

## **10. Signals of Political Will to Fight Corruption**

Unfortunately, there is no single set of criteria or indicators that can be used by donors, citizens, civil society organizations, political opponents or others to judge the relative political will of a government to address corruption. In Mozambique, this is complicated by several factors, including: the country's nascent democracy, domination by a single party of all branches of government which undermines checks and balances, a lack of direct accountability to citizens, weak control mechanisms to detect abuses, impunity for wealthy and politically-connected individuals, weak civil society capacity, the absence of significant and meaningful engagement by civil society with government, and an atmosphere of pervasive secrecy and opacity in government and within the parties. Movement on these structural issues, then, will be the true test of democratic maturation and political will to address corruption at its roots.

In the meantime, donors and others seeking to ascertain political will should look to reforms that meaningfully impact those critical factors that create an enabling environment for corruption in Mozambique. Those reforms should aim to:

- Strengthen the checks and balances between and among all branches of government, with particular emphasis on the independence and impartiality of the judiciary;
- Improve control mechanisms that strengthen direct accountability to citizens;
- Eliminate the culture of impunity and apply the law equally to all citizens;
- Strengthen civil society capacity to contribute to and monitor progress of anti-corruption efforts; and
- Increase the transparency of government and political parties.

Because the nature of such reforms is broad and will take time to fully implement, short term measures of political will are difficult to predict in advance. However, steps that would signal the greatest seriousness on the part of government are those that most effectively tackle the core points where the most problematic corruption is either perpetrated or protected, including the following:

- Follow through or re-opening of high profile crimes and charges that were poorly or inadequately prosecuted in the recent past, including the Carlos Cardoso and Antonio Siba Siba Macuacua murders and associated crimes.
- Increasing dissemination of and access to (i.e., presented in a usable and comprehensible format) critical government information, such as budgets, public expenditures, and revenues.
- Increased transparency in major procurements, including active and informed involvement of civil society as a watchdog.
- Increased transparency of political party and campaign finances.

- Decreased use of public resources for political campaigning.
- Public declaration of assets, particularly of elected officials and key political appointees.

Other important steps on the road to reform may be a sign of political will, but are more difficult to read and for that reason should be viewed more skeptically as measures of seriousness in fighting corruption. The following kinds of efforts may be genuine efforts (whose prospects for success will inevitably be hindered unless broader structural reforms are undertaken) or they may simply be an effort to deflect criticism and attention from the real problems.

- Passage of laws or development of regulations. While these are important steps, it is in the implementation that the intention of political leaders will be manifest.
- Exhortations of political commitment or the need for change. Speaking honestly about the need for change and political commitment is an excellent first step, but without meaningful action on what will be undoubtedly difficult and daunting reforms, words are not enough.
- Technical reforms and fixes. These are also important steps for reform, but alone they are not necessarily a sign of political commitment and in fact may be a way of demonstrating action on the issue without intending to significantly change the status quo.

## Bibliography

- Austral (2005), *National Survey on Governance and Corruption*, Austral Consultoria e Projectos, Lda.
- AWEPA (1995), *Mozambique Political Process Bulletin*, No.32, European Parliamentarians for Africa, Amsterdam.
- AWEPA, *The Laboratories of the Mozambican Municipalization Process*, Occasional Papers Series No.9)
- Berger, Nadja (2002), "Corruption Risk Profile for Municipalities: Catandica, Manica and Vilankulo," for Ministerio da Administracao Estatal, Direccao Nacional de Desenvolvimento Autarquico, GTZ, and UNDP, Maputo, Mozambique.
- Commercial and Industrial Association of Sofala, Technical Note from Labour Group. 2003
- Eames, Diane and Alain Thery (2002), "Assessment of Corruption and Red Tape as Barriers to Trade and Investment in Mozambique," Final Report for the US Agency for International Development.
- ETICA (2001), *Corruption Report Mozambique 2001*, Maputo, Mozambique.
- Fauvet, Paul (2004), *Mozambique- Prosecuting the Cardoso Murderer's*, case study for the Institute for Security Studies' Anti-Corruption Programme, Guateng, South Africa.
- Fauvet, Paul (2003), "What Can We Expect from the Attorney-General's Report?" *AIM*, March 10, 2003, Maputo, Mozambique.
- FIAS and USAID, (2001), *Mozambique: Continuing to Remove Administrative Barriers to Investment*, Maputo, Mozambique.
- Filmer, Richard (2000), "Note on Mozambique Customs," Draft.
- Fundacao Friedrich Ebert (2005), *Corruption in the Health Sector in Mozambique*, Maputo, Mozambique.
- Gastrow, Peter and Marcelo Mosse (2002), *Mozambique: Threats posed by the penetration of criminal networks*, report for the Institute for Security Studies' Regional Seminar on Organized crime, corruption and governance in the SADC Region, Pretoria, South Africa, April 2002.
- GoM (2005), *Anti-Corruption Strategy (2005-2009)* Draft, Public Sector Reform Technical Unit, April.
- GoM (2002) *Health Sector Expenditure Review*, Ministry of Planning and Finance and Ministry of Health, 31 October 2002.
- GoM (2004), "Inhambane Investment Climate Survey," Inhambane, Mozambique.
- GoM, Law No. 6/2004, Maputo, Mozambique.
- GoM (2005), *Proposta do Orcamento do Estado para o Ano de 2005*, March 2005.
- GoM (2005), *Relatorio de Execucao do Orcamento so Estado*, for the Ministry of Planning and Finance, January to March 2005.
- GoM (2005), Review of Danish Programme Support to the Justice Sector in Mozambique 2002-2005, Debriefing Note Draft, for the Ministry of Foreign Affairs, Maputo, Mozambique.

- GoM (2004), *Relatorio de Execucao do Orcamento so Estado*, for the Ministry of Planning and Finance, January to December 2004.
- Hanlon, Joseph, "Killing the goose that laid the golden eggs."
- Hanlon, Joseph (2004), "Do donors promote corruption?: the case of Mozambique," in *Third World Quarterly*, Vol. 25, No. 4, pp.747-763.
- Hanlon, Joseph (2002), "Bank Corruption Becomes Site of Struggle in Mozambique," in *Review of African Political Economy*, No. 91, pp.53-72.
- Hodges, Tony, and Roberto Tibana (2004), *Political Economy of the Budget in Mozambique*, Complete Final Manuscript.
- IMF (2005), "Republic of Mozambique- Staff Report for the 2005 Article IV Consultation and Second Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, Request for Waiver of Performance Criteria, and Modification of Performance Criteria," June, 2005.
- IMF (2005), "Republic of Mozambique- First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility," January, 2005.
- Joint Review (2005), Aide-Memoire, May 12, 2005, Maputo, Mozambique.
- Joint Review (2004), Aide-Memoire, April 7, 2004, Maputo, Mozambique.
- Klitgaard, Robert, R. Maclean-Abaroa and H. L. Parris, *Corrupt Cities*, Oakland, CA: Institute for Contemporary Studies, 2000.
- Management Systems International (2005), *Corruption Assessment Handbook (Draft) for USAID*, Washington, DC.
- Management Systems International, *The State of Democracy and Governance in Mozambique*, Washington, DC: MSI, December 2002.
- Mosse, Marcelo (2004), "Guebuza and the fight against corruption," in *Savana*, November 19, 2004.
- Neto, Benedicto Porto (2005), *Regulamento de Procedimentos de Contratacao e Contratos de Empreitada de Obra Publica e de Fornecimento de bens ou Servicos*, Study for the Ministerio de Obras Publicas e Habitacao, Maputo, Mozambique.
- Norwegian Embassy, *An Assessment by the Embassy as Background for the Draft Health Appropriation Document*, 2003
- Private Sector Working Group, *Issues Paper for Mid-Year Review*, September 2004
- SAL Consultoria e Investimentos Lda and Associacao Comercial e Industrial de Sofala (2005), *The Legal Framework for Company Start-up in Mozambique*, Maputo, Mozambique.
- SAL Consultoria e Investimentos Lda (2004), *Evaluation of the PARTIDO Program*, September 2004, Maputo, Mozambique.
- Scanteam, *Public Finance Management Assessment Mozambique 2004*, Oslo, September 2004.
- Spector, Bertram I., editor, *Fighting Corruption in Developing Countries: Strategies and Analysis*. Bloomfield, CT: Kumarian Press, 2005.
- Swedish National Audit Office (SNAO) and Tribunal Administrativo (TA), *Pro-Audit Capacity Building Project for the Tribunal Administrativo Completion Report*, 1 July 2001- 30 June 2004, Maputo, Mozambique.
- SNAO and TA (2004), *Plan of the Second Phase of the Audit Project (Pro-Audit) 2005-2006*, Mozambique.

- USAID (2003), *Mozambique Country Strategic Plan FY 2004-2010*, Maputo, Mozambique.
- USAID (2000), Supporting Electoral Choice Program Performance Evaluation, Final Report, 31 March 2000, Maputo, Mozambique.
- United States General Accounting Office (2004), "Foreign Assistance: US Anticorruption Programs in Sub-Saharan Africa Will Require Time and Commitment," Draft, Washington, DC.

## **Appendix**

### **List of Interviewees**

#### **USAID**

- Jessica H. Zaman: Democracy & Governance Team Leader  
Miguel de Brito: Democracy & Governance Team  
James E. Watson II: Program Officer  
Ripon Zaman: Financial Management Specialist  
Luisa Capelao: Senior Policy Analyst Economist  
Timothy W Born: Trade and Investment Program Team Leader  
Hipolito Hamela, Private Sector team  
James Watson, Program Officer  
Lidia Cardoso, Health team  
Titus Angi, Health team  
Vanessa Coelho, Health team

#### **Government & Private Sector Officials:**

- Carlos Cornelius Jessen Junior: Ministry of Finance, Republica de Mocambique  
Dr. Aboobacar Z.D. Changa: Ministry of Finance, Presidente da Comissao da Reforma Tributaria  
Danilo Nalá: Custom Commissioner (Deputy General - Director for Internal Control); Alfandegas (Customs) de Mocambique  
Paula Ferreira: Managing Partner; Deloitte & Touche  
Luis Magaco Jr.: Director Geral Adjunto ; Austral Consultoria e Projectos, Ltda.  
Rui Monteiro: Director Peral Managing director; Rani Internacional  
Dr. Adbul Carimo M. Issa: P.C.A. ; Etica Mozambique  
Sérgio Chitará: Director Ejecutivo; Confederacao das Associacoes Economicas de Mozambique  
Carlos Morgado; former Minister of Trade and Industry  
Samuel J. Levy: Sócio-Gerente; SAL Consultorias e Investimentos Lda.  
Kekobad M. Patel: Vice-Presidente; Enacomo  
Isabel Rupia: Gabinete Central Anti-Corrupcao  
Carlina Nguenha: Ministerio Finance (Public Accounts)  
A.Novela: Associacao de Mukhereistas

Mark Elvin: Manager; Rio Tinto  
Victor Zacarias: Manager; Corridor Sands  
Jan Stander: Director; SASOL  
Carlos Mesquita: Director; Mozal  
Paulo Nhaducue, Ministry of Health, Central Medical Stores  
Dr. Suraia Nanla, Ministry of Health, Pharmaceutical Department  
Dr. Antonio Mussa, Ministry of Health, Human Resources  
Carlos Tembe, Mayor, Matola

**Donors:**

Arne Jakobsson: Representate Residente e Chefe de Equipa; Republica de Mozambique  
Tribunal Administrativo  
Sonia Matsinje Cumbi: PSD Coordinator, PS Programme-Private Sector; Ambaixada  
Real da Dinamarca  
James Dudley: Deputy Chief Mission; US Embassy  
Emmy Bosten: Coordenadora P/Assistência Técnica; IMF  
Issufo Omar aba: Business Development Officer; IFC  
Ramón Ynaraja: Officer Private Sector & Trade; European Union  
Sorley McCaughey: Consultant-Public Sector Reform; Royal Norwegian Embassy  
Mette Masst – Norwegian Embassy  
Andrew Preston, DFID  
Paul Wafer, DFID  
Luis Santos, European Union  
Dr. Abdul Ilal, GTZ

**Millennium Challenge Corporation:**

Stephen B. Gaull: Country Director, Africa Region  
Stuart Kerr: Director, Legal and Regulatory  
Beverly Watson: Associate Country Director  
Thomas P. Briggs: Managing Director  
Jolyne Sanjak: Director Land and Rural Economy

**NGOs, Private Sector, and USAID Implementing Partners:**

Will Helyar, Concern  
Eduarda Cipriano, Foundation for Community Development (FDC)  
Ibraimo Ibraimo, Ernst and Young  
José Oscar Monteiro, Professor  
Marcelo Mosse, Journalist  
Bernhard Weimer, ARD, Municipal Governance Program