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COMPARATIVE ASSESSMENT OF DECENTRALIZATION IN AFRICA: MOZAMBIQUE DESK STUDY

JUNE 2010

This publication was produced for review by the United States Agency for International Development. It was prepared by ARD, Inc.

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Report prepared for the United States Agency for International Development. Contract: DFD-I-00-04-00227-00, Task Order 15

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ACKNOWLEDGEMENTS

This report is one of 16 reports on decentralization in 10 African countries undertaken on behalf of the Conflict, Peacebuilding, and Governance Division of USAID's Bureau for Africa and the Office of Democracy and Governance of USAID's Bureau for Democracy, Conflict and Humanitarian Assistance. The reports include a desk study for each of the 10 selected countries, an in-country study for 5 of the 10 selected countries, and a single comparative report of the findings from all 10 countries. All reports were completed between May 1 and September 27, 2010.

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ACRONYMS AND ABBREVIATIONS

ACS	<i>Advocacia Consultaria Serviços, Limitada.</i>
AMODE	Mozambican Association of Development and Democracy (<i>Associação Moçambicana para o Desenvolvimento e Democracia</i>)
ANAMM	National Association of Mozambican Municipalities (<i>Associação Nacional de Municípios Moçambicanos</i>)
ATM	National Tax Authority (<i>Autoridade Tributária de Moçambique</i>)
CDS-ZU	Center for Sustainable Development – Urban Areas (<i>Centro de Desenvolvimento Sustentável – Zonas Urbanas</i>)
CEDE	Center for Studies of Democracy and Development (<i>Centro de Estudos da Democracia e Desenvolvimento</i>)
CIP	Center for Public Integrity (<i>Centro de Integridade Pública</i>)
CIRESP	Interministerial Commission on Public Sector Reform (<i>Comissão Interministerial da Reforma do Sector Público</i>)
CNE	National Elections Commission
CSO	Civil Society Organization
DAF	Department of Administration and Finances (<i>Departamento de Administração e Finanças</i>)
DANIDA	Danish International Development Agency
DNAL	National Directorate for Local Administration (<i>Direcção Nacional de Administração Local</i>)
DNDA	National Directorate for Municipal Development (<i>Direcção Nacional de Desenvolvimento Autárquico</i>)
DNO	National Budget Directorate (<i>Direcção Nacional de Orçamento</i>)
EGFAE	General Statute for Public Servants and Agents of the State (<i>Estatuto Geral de Funcionários e Agentes do Estado</i>)
FASE	Fund for Support of the Education Sector (<i>Fundo de Apoio ao Sector da Educação</i>)
FCA	Municipal Compensation Fund (<i>Fundo de Compensação Autárquica</i>)
FDD	District Development Fund (<i>Fundo de Desenvolvimento Distrital</i>)
FE	Road Fund (<i>Fundo de Estradas</i>)
FFF	Finance Follows Function

FIL	Fund for Investments of Local Initiative (<i>Fundo de Investimentos de Iniciativa Local</i>)
FUNAE	National Energy Fund (<i>Fundo Nacional de Energia</i>)
FRELIMO	Liberation Front of Mozambique (<i>Frente de Libertação de Moçambique</i>)
GDP	Gross Domestic Product
GIDA	Inter-Ministerial Municipal Development Group (<i>Grupo Interministerial de Desenvolvimento Autárquico</i>)
GIS	Geographic Information System
GMD	Mozambican Debt Group (<i>Grupo Moçambicano da Dívida</i>)
GoM	Government of Mozambique
GPS	Global Positioning System
GTZ	German Technical Cooperation (<i>Deutsche Gesellschaft für Technische Zusammenarbeit</i>)
IDASA	Institute for Democracy in South Africa
IESE	Institute for Social and Economic Research (<i>Instituto de Estudos Sociais e Económicos</i>)
IFAPA	Training Institute for Public and Municipal Administration (<i>Instituto de Formação em Administração Pública e Autárquica</i>)
IGF	Inspector General (<i>Inspector Geral das Finanças</i>)
INE	National Statistics Office (<i>Instituto Nacional de Estatística</i>)
INSS	National Social Security Office (<i>Instituto Nacional de Segurança Social</i>)
IPPC	Institutions of Participation and Community Consultation (<i>Instituições de Participação e Consulta Comunitária</i>)
ISPC	Simplified Tax for Small Taxpayers (<i>Imposto Simplificado para Pequenos Contribuintes</i>)
LC	Local Council
LDH	Human Rights League (<i>Liga dos Direitos Humanos</i>)
LOLE	Law of Local Agencies of the Central State (<i>Lei de Órgãos Locais do Estado</i>)
MAE	Ministry of State Administration (<i>Ministério de Administração Estatal</i>)
MASC	Civil Society Support Mechanism (<i>Mecanismo de Apoio à Sociedade Civil</i>)
MCC	Millennium Challenge Corporation
MDM	Democratic Movement of Mozambique (<i>Movimento Democrático de Moçambique</i>)
MICOA	Ministry for the Coordination of Environmental Action (<i>Ministério para a Coordenação da Acção Ambiental</i>)
MINAG	Ministry of Agriculture
MPD	Ministry of Planning and Development (<i>Ministério de Planificação e Desenvolvimento</i>)
NGO	Nongovernmental Organization

ODA	Official Development Assistance
ODAMOZ	Official Development Assistance to Mozambique
OIIL	Budget for Investment and Local Initiatives (<i>Orçamento de Investimento e Iniciativas Locais</i>)
OLE	Local Organs of the State (<i>Órgãos Locais do Estado</i>)
P 13	Joint Support Program to 13 Municipalities in Central and Northern Mozambique
PAF	Performance Assessment Framework
PAP	Program Aid Partners
PAO	Activities Plan and Budget (<i>Plano de Actividades e Orçamento</i>)
PARPA	Accelerated Program for Reduction of Absolute Poverty (<i>Programa Acelerado da Redução da Pobreza Absoluta</i>)
PEDD	District Strategic Development Plan (<i>Plano Estratégico Distrital de Desenvolvimento</i>)
PESOD	Economic and Social Plan and District Budget (<i>Plano Económico e Social e Orçamento Distrital</i>)
PDD	Party for Peace Democracy, Development (<i>Partido para a Paz, Democracia e Desenvolvimento</i>)
PNUD	United Nations Development Program (<i>Programa das Nações Unidas para o Desenvolvimento</i>)
PNPFD	National District Planning and Finance Program (<i>Programa Nacional de Planificação e Financiamento Distrital</i>)
PPFD	Program of Decentralized Planning and Finance (<i>Programa de Planificação e Financiamento Descentralizado</i>)
PRE	Economic Rehabilitation Plan (<i>Plano de Reabilitação Económico</i>)
PRES	Economic and Social Rehabilitation Plan (<i>Plano de Reabilitação Económico e Social</i>)
PROL	Local Government Reform Program (<i>Programa de Reforma dos Órgãos Locais</i>)
PROGOV	Program for Democratic Municipal Governance / Municipal Governance Increasingly Democratic (<i>Programa de Governação Autárquica Democrática</i>)
PRSP	Poverty Reduction Strategy Paper
PSR	Public Sector Reform
RENAMO	National Mozambican Resistance (<i>Resistência Nacional Moçambicana</i>)
SADC	Southern African Development Community
SISTAFE	National Financial Administration System (<i>Sistema da Administração Financeira do Estado</i>)
SME	Small- to Medium-sized Enterprise
TA	Administrative Tribunal (<i>Tribunal Administrativo</i>)

UCODIN	Coordinating Agency for Integrated Development of Nampula (<i>Unidade de Coordenação do Desenvolvimento Integrado de Nampula</i>)
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program
UNICEF	United Nations Children’s Fund
USAID	United States Agency for International Development
UTRESP	Public Sector Reform Unit (<i>Unidade de Reforma do Sector Público</i>)

EXECUTIVE SUMMARY

Prior to the first multiparty election in 1994, Mozambique was governed by a highly centralized government, the product of the Liberation Front of Mozambique's (FRELIMO, *Frente de Libertação de Moçambique*) socialist experiment and the inheritance of Portuguese colonial institutions. 1994 was a watershed for Mozambicans because this election not only marked the end of a 16-year bloody conflict that spanned the entire country but also demonstrated how **democracy** can bring about **stability** by creating space for the conversion of a guerilla group, RENAMO, into an opposition political party. The 1990 Constitution, followed by the passage of the Municipal Laws (*Pacote Autarquico*) in 1997 and the Law of Local Agencies of the Central State (LOLE, *Lei de Órgãos Locais do Estado*), which designated provinces and districts as Local State Organs (OLEs, *Órgãos Locais do Estado*), set the framework for further democratization and **development** through decentralization to provincial, district, and municipal levels. Most concretely, these laws created 33 politically autonomous municipalities (*autarquias*) which were augmented in 2008 by another 10 municipalities. Significant economic development, sanitation, and public health responsibilities were devolved to these *autarquias* which were accompanied by some fiscal decentralization of fee and taxation authorities. Three subsequent municipal elections, for both mayor and Municipal Assembly, have consolidated gains in the area of municipal performance despite a wide variety of capacities, infrastructure, population, and access to resources.

However, despite these successes, our main finding is that Mozambican decentralization is limited. While the Government of Mozambique (GoM) has devolved some political authorities to municipalities and provinces and modest fiscal authorities to municipalities with some success, re-centralizing tendencies of a dominant-party state undermine the full realization of the intermediate objectives of decentralization, as articulated by the United States Agency for International Development (USAID)—namely, authority, autonomy, accountability, and capacity. FRELIMO's dominance of the Mozambican state devolved municipal revenue authorities, a lack of coordination of sector ministries at the district level, and a bifurcated hiring system combine to undercut subnational **autonomy**. Despite the dispersion of participatory governance processes across *autarquias*, **accountability** to voters is constrained by a combination of FRELIMO party politics which can limit performance incentives, lack of viable alternatives, consultative provincial and district bodies with little authority over resources, and voter apathy. Lastly, the lack of qualified public personnel at all levels, district infrastructure disparities, and the existence of a small and Maputo-based civil society all limit **capacity**.

From a political economy perspective, the main challenge to decentralization in Mozambique is the centralizing tendency of a dominant-party state which dictates a “gradual” approach to decentralization—focusing on devolution to municipalities and deconcentration to districts of responsibilities without sufficient resources. The result is a parallel system of decentralized subnational units: the deconcentrated yet centrally controlled OLEs without political plurality and autonomy, and the municipalities with devolved authority and autonomy and elected leaders. Although the OLEs have experienced some delegation and deconcentration of central authority (see 2.1 Authority), the cornerstone of Mozambican decentralization remains the municipality.

We conclude with some in-country comparisons of Mozambican decentralization, recommending that intergovernmental transfers reflect the constraints less populated municipalities face, coordination of planning processes at all levels, and the vesting of bodies like Municipal Assemblies and district consultative bodies with real authority to oversee resource allocation. The study views these observations as preparing Mozambican decentralization to be compared with other African cases.

1.0 COUNTRY CONTEXT

1.1 POLITICAL BACKGROUND AND STRUCTURE OF MOZAMBIQUE

The municipal focus of Mozambican decentralization, the political dynamic of the two dominant political parties, and the centralizing tendency of today's national government are rooted in Mozambican pre-colonial and colonial institutions. Located at the nexus of Arab, Indian, and Portuguese trade routes, Mozambique, roughly the size of France and Spain combined, became home to 20 million people from European, South Asian, and various indigenous groups, which include the Shangaan in the South, Makonde and Makua in the North, and Sena and Ndaou in the Center, who speak almost 20 native languages in addition to the official language of Portuguese.¹ From a political perspective, this ethnolinguistic inheritance underscores some of the tensions which exist today between the dominant FRELIMO party and the opposition RENAMO (*Resistência Nacional Moçambicana*) party and the regional nature of political parties, with the Northern and Southern provinces generally supporting FRELIMO and Center provinces supporting RENAMO, further discussed below.²

Prior to the arrival of the Portuguese in the 15th century, Bantu-speaking people migrated to present-day Mozambique, married into the local indigenous groups, and created communities organized into independent chieftaincies governed by land chiefs. These chiefs worked with a council of elders and appointed several territorial chiefs to oversee their expansive domains. The Portuguese capitalized on this social system to consolidate their control through the appointments of paid *régulos* or members of the indigenous ruling classes to collect taxes and arbitrate local disputes. According to Mozambican law professor Gilles Cistac, “The country inherited from the colonial past an administrative structure essentially based on the principal of centralization, that is, the centralization of administrative decisions in the superior organs of the central administration” (Cistac 2001, p. 32). From 1900 to 1962, the Portuguese established a highly centralized government, of which vestiges are apparent today. The governor-general sat at the head of government, followed by district governors. Districts were divided between European and non-European areas. European areas were the townships or *conselhos* which, like today's municipalities, enjoyed some degree of self-government autonomy in towns like Lorenzo Marques (Maputo) and Beira through the Municipal Board (*Câmara Municipal*). The indigenous population lived outside this system in rural areas which were sub-divided into posts (*postos*) headed by a chief (*chefe do posto*), a structure which still exists today. Essentially two segregated forms of order evolved: one formal in what became the urban areas for Europeans and one based on the colonial administrators' and *régulos*' interpretations of “traditional” law

¹ Brazão Mazula, “Mozambique: The Challenge of Democratization,” ed. E. Gyiman-Boadi, *Democratic Reform in Africa*, Boulder: Lynne Reiner Publishers, 2004, pp. 183–200; Republic of Mozambique, National Institute of Statistics, 2007 Census, www.ine.gov.mz

² Northern Mozambique is generally considered to be Niassa, Cabo Delgado and Nampula provinces. Central Mozambique is Zambezia, Tete, Manica, and Sofala provinces. Southern Mozambique is Maputo Province, Maputo City, Gaza, and Inhambane provinces.

outside urban areas for the indigenous population. Modern-day Mozambicans continue to live largely in the rural areas, with only 22 percent living in decentralized municipalities.³

Historical legacies brought about by the colonial period (1900–1975) and the post-Independence socialist period together with the internal war (1977–1992) affected institutions which determine the degree to which decentralization reform has been able to succeed in today’s third period, the post-war era (1992–present), which serves to consolidate the state and the economy. The Portuguese brought with them and implanted a system of government and of territorial administration which was taken over by FRELIMO at Independence. It is, by and large, still in use today at the subnational level. The need for the colonial state to exercise central control over its Mozambican territory and its people resulted in administrative structures such as district administrators (for rural areas) and boards, such as *Câmaras Municipais*, which were distinctly Portuguese. The role of *vereador*, which is like a town councilor, is a Portuguese institution. A bifurcated legal system segregated Europeans from the indigenous residents in which the former lived under colonial law, rooted in Portuguese metropolitan law, and the latter was subject to “traditional” legal systems as they were understood and applied by colonial administrators. Characteristic of colonial law was an emphasis on highly formalized procedures and paperwork, a practice which persists today. Although there is no single dominant ethnic group, the Portuguese did exploit animosities that existed among groups. During the war of liberation, Portuguese soldiers circulated propaganda in the North that the war was a tribal conflict between Makondes and Makwas and that the Makwas should align themselves with the Portuguese (Pereira, 2008, p. 54).

After a 10-year war for independence, Portuguese colonial control ended in 1975 followed by a period of single-party dominance by FRELIMO. When FRELIMO assumed power, major ethnic groups from the North and Center were marginalized as a result of internal politics. Ironically, FRELIMO made use of the strong centralized government inherited from the Portuguese mixed with a Marxist-Leninist ideology that sought to modernize and collectivize the country on a non-ethnic basis. Traditional and tribal courts were abolished and *régulos* appointed by the Portuguese lost their official status. FRELIMO adopted a philosophy of “democratic centralism” in which the party and state merged and the party remained connected to its social bases and responded to popular demands. In practice, the FRELIMO party did little to change the government’s structure from its Portuguese roots and the state became increasingly disconnected from the grassroots. With 11 provinces, 128 district governments, and 393 administrative posts (*postos administrativos*), and local Executive Councils (*Conselhos Executivos*), the central government replicated itself throughout the country, with almost all ministries represented at all subnational local levels, like in the Russia ‘babuschka’ doll (Jackson et al, 2004, p. 15). Consistent with the constitutional framework, the President of the Republic appoints provincial governors who, in turn, approve the district administrators who are appointed by the Ministry of State Administration. Furthermore, leaders were preoccupied with modernizing a country bereft of technicians after the flight of the Portuguese and a top-down tendency took hold, with one FRELIMO member relating that “the state became its own worst enemy. We ran too fast without looking where we were going” (Hanlon, 1991, p. 14).

³ Republic of Mozambique, National Institute of Statistics, 2007 Census, www.ine.gov.mz. This estimate only includes the population for the 33 municipalities established in 1996-1997 and not the additional 10 municipalities which were created in 2008, after the 2007 Census was conducted.

Soon after the Portuguese left Mozambique, the country entered another phase of struggle. Between 1977 and 1992, Mozambicans lived through a harrowing guerrilla war waged between the Marxist-Leninist leaning FRELIMO government and the *Movimento Nacional de Resistência* (MNR) which eventually became RENAMO. The latter was instrumentalized by Apartheid South Africa in their regional war of destabilization aimed at its own survival. This complicated struggle had been portrayed as a balance of power both to keep another African country from aligning itself with the Soviet Union and to restrain the development of a potentially powerful black government surrounded by white rule. Despite FRELIMO's attempt to create a modern government which did not reflect ethnic-linguistic divides, there was and remains a feeling that the party reflects the interests of small ethnicities in the South (Shangaan) and the North (Makonde), despite its ideology stressing national unity. RENAMO exploited this dynamic and the backlash against abolition of traditional law and its leaders undertaken by FRELIMO. When RENAMO eventually became a legitimate party after the Peace Accords, signed between the FRELIMO Government of Mozambique and RENAMO in Rome on October 4, 1992, its leadership continued the practice of manipulating ethnic rivalries by incorporating specific appeals to Sena and Makua ethnic groups in the Center and North during election campaigns.⁴ It is estimated that destruction totaled \$15 billion and that 900,000 Mozambicans were affected, with Tete and Zambezia provinces being the most affected (Abrahamsson and Nilsson, 1995, p. 66).

The framework for political liberalization occurred prior to the official peace between RENAMO and FRELIMO with the National Assembly's approval of Mozambique's first multiparty Constitution in November 1990 which brought about the **stability** which exists in Mozambican politics today. The first president elected through Mozambique's first multiparty elections in October 1994, President Joaquim Chissano, won by 53.3 percent of the vote, with 129 seats in the National Assembly to FRELIMO. The RENAMO candidate, Afonso Dhlakama, garnered 33.7 percent of the vote, with his party winning 112 seats (Vines, 1991, p. 1). The Constitution was based on democratic principles and transitioning a primarily socialist economy to a market-based one. However, despite these indicators and a history of reconciliation, Mozambique still remains a de facto one-party state, or what some scholars refer to as 'predominant' party state, in that the leading party, FRELIMO, has effectively been governing and controlling centrally all resources, including the public administration, since independence. Although undercurrents of ethnic politics exist in FRELIMO-RENAMO politics which can get heated around campaign time, unlike other nascent African democracies, these dynamics do not seriously challenge the stability of Mozambique's political system and are not a major factor in Mozambican civil society.

1.2 HISTORY OF DECENTRALIZATION

Decentralization was driven by two factors: post-war economic and political stabilization, which required the creation of political space for RENAMO, and the subsequent need for economic recovery and shift from a central, planned economy to a market-based economy. The internal war exacted such a crippling effect on the Mozambican economy that the government adopted political and economic liberalization reforms to both bring an end to the war and stabilize the

⁴ The main opposition party is actually a coalition between RENAMO and a series of smaller political parties which together are known as RENAMO-UE (União Eleitoral). However, the short-hand RENAMO is used throughout the report.

economy. Motivated by necessity and the advice of donors such as the World Bank, economic liberalization began in the early 1980s with a culmination in the GoM's adoption of an Economic Rehabilitation Plan in 1987.⁵ Simultaneous to the adoption of market-opening reforms, donors used the opportunity to push for political liberalization. As the party in charge, FRELIMO proposed and passed a Constitution which, while locking into place conditions that were favorable to their continued dominance, both opened up political competition to the new opposition—RENAMO—and created a space for democratization of local government (Manning, 2005).

Vestiges of the colonial Portuguese government, socialist tendencies, and 16 years of war which created a need to track movements between cities combine to create a dominant central government in Mozambique, making its decentralization reforms an interesting study in the deconcentration and decentralization of power.

In early 1994, the FRELIMO one-party parliament envisaged a devolution model with elected assemblies and mayors for both urban and rural administrative units, as reflected in the Law 3/1994, the last piece of legislation passed by the FRELIMO parliament before the first national multi-party elections in October 1994.

With the surprisingly good electoral performance of RENAMO, notably in rural areas, FRELIMO leadership had second thoughts about extending democratic decentralization to the rural areas. This led, in 1996, to an amendment of the Titles III and IV of the 1990 Constitution, 'cementing', as it were, parallel systems of local government: urban *autarquias* (municipalities, *povoações*) referred to as '*poder local*' (local power) on the one hand, and deconcentrated 'Local Agencies of the Central State (OLE, *Órgãos Locais do Estado*) on the other. Specific legislation was produced in 1997 for municipalities (following to some extent the logic of Law 3/1994), and for OLEs, in Law 8/2003. The municipalization legislation was one of the products of the World Bank-sponsored Local Government Reform Program (PROL), housed in the Ministry of State Administration. PROL provided technical assistance as the government drafted several laws which created politically decentralized municipalities. It set the institutional and legal framework for Mozambique's municipalities (Manning 2005). Law 10/1997 designated 33 municipalities, with an additional 10 added by Law 3/2008. The package of laws enshrines administrative, financial, and patrimonial autonomy for municipalities and defines their competencies.

Although the first multiparty municipal elections were scheduled for 1996, they did not take place until 1998, after being postponed three times due to RENAMO-FRELIMO party politics, notably regarding the implications of the 1996 constitutional amendment (Weimer and Fandrych, 1999). Prior to decentralization, the GoM issued regulations which classified the country's main urban areas based on several criteria which include population density, number, and type of industries, degree of development of trade activities, education, and sanitation, a rubric still used today. Based on these criteria, all 23 Mozambican towns were classified into four categories A–D (A for the Capital Maputo, B for provincial capitals, C for major other, and D for smaller towns etc.). This classification is reflected in the municipal legislation package, and is relevant for the differentiation of tax rates (e.g., for the poll, or head, tax). While there was no doubt that

⁵ Economic Rehabilitation Plan (PRE or the *Plano de Reabilitação Económico*) became the Economic and Social Rehabilitation Plan (PRES or *Plano de Reabilitação Económico e Social*). A key component of this program was the gradual decentralization of authority to local governments. World Bank, Mozambique-Municipal Development Project, Project no. MZPE1806, Report no. PID8361, Appraisal date February 19, 2001.

all 23 Mozambican towns should have the status of autonomous, democratic local governments, there was some controversy about the selection and designation of 10 out of a total of 128 district centers ('*vilas*'), which, together with the 23 cities and towns, make up the first 33 municipalities. This controversy contributed to RENAMO boycotting the first elections, feeling that they were completely excluded from negotiations on the selection and, furthermore, they alleged that FRELIMO purposely chose cities for political rather than substantive reasons. The RENAMO boycott resulted in only a 15 percent voter turn-out (Cuereneia, 2001). When 10 additional municipalities were similarly elevated to the level of politically decentralized entities in 2008, bringing the total of decentralized municipalities to 43, 23 cities, and 20 *vilas*, some political analysts speculated that most of the cities chosen were "FRELIMO" cities selected to stack the deck in favor of the dominant government prior to the 2009 mayoral elections (Ngunha, 2009, p. 6). Thirty-seven percent of the municipalities are located in the Center, with the rest dispersed fairly evenly in the North and South (Ibid, p. 7).

1.3 CURRENT STRUCTURE AND INSTITUTIONS OF DECENTRALIZATION

Mozambique has four main levels of government:

1. Central government (consisting of the President, Prime Minister, Council of Ministers, National Assembly, and line and sectoral ministries);
2. Eleven provincial governments (consisting of delegations of central government ministries and directorates);
3. One hundred and twenty-eight district governments (consisting of district-level central government delegations which provide services to non-decentralized municipalities and villages and administrative posts, which act as bureaucratic subdivisions); and
4. Forty-three *autarquias* (which are politically autonomous units).

1.3.1 CENTRAL GOVERNMENT

The GoM is a multiparty, semi-presidential system in which the President of the Republic is elected through direct universal suffrage to a five-year mandate and appoints the Prime Minister who is accountable to the President rather than the 250-seat National Assembly. The strong executive President presides over the Council of Ministers, convened by the Prime Minister. The National Assembly is elected according to a system of proportional representation under closed party lists. A 5 percent threshold of total ballots in order to gain representation in the Assembly was eliminated in the 2006 electoral reform. The FY 2010 State Budget totals MTn 118 mil milhões (US \$3.9 billion) which funds the activities of all ministries and all levels of the government and public administration. At the central government level, the three principal central government ministries which are the institutions of decentralization are the Ministry of Finance, which coordinates and leads the budget process, and the Ministry of State Administration and Ministry of Planning and Development, which combined set and implement policy and review strategic plans for provinces, districts, and municipalities (see Section 3.4 on Institutions) (Macamo, 1999).

1.3.2 LOCAL AGENCIES OF THE CENTRAL STATE (OLE): PROVINCIAL AND DISTRICT GOVERNMENT

OLEs are the 11 provincial and 128 district governments which are representatives of the GoM at the local level. Provincial governors are appointed by and report to the President, with executives that are deconcentrated called “delegations” of line ministries, such as the Ministry of Health or Education, at the local level. The central government replicates each of its agency functions at the provincial and district levels. District administrator appointments are made with input from provincial governors. Unlike municipalities, which have some taxation authorities, provincial and district government collect a nominal amount of taxes and fees on behalf of the central government. Provinces are responsible for coordinating the activities of districts and responding to natural disasters whereas districts provide the same types of services (i.e., public illumination, cemetery maintenance) as *autarquias*. Performance of provinces and districts varies, with Nampula province currently considered to be a high performer.

Provincial governors are advised by the newly elected Provincial Assemblies while district administrators appoint members of two consultative bodies: the Institutions of Participation and Community Consultation (IPPCs) and Consultative Councils. Although members are drawn from the community, the IPPCs’ purpose remains unclear. The Consultative Councils are links between the district government and the public and are charged with commenting on the District Strategic Plans and Budgets as well as monitoring the implementation of these plans. These Councils, unfortunately, can be unwieldy because they are comprised of between 30 to 50 individuals and their composition must include, among other requirements, persons appointed by the district administrator with input from the Chiefs of the Administrative Posts (*Postos Administrativos*), 30 percent must be public functionaries, and 25 percent must be women.⁶ The combined sanctioning effect of both these bodies remains dubious as the Consultative Councils are comprised of a large group of appointees from the district and administrative posts.

1.3.3 AUTARQUIAS

The focus of Mozambican decentralization, the 43 *autarquias*, are politically decentralized, with mayor-dominant governments advised by Municipal Assemblies both of which are elected to five-year mandates. The original 33 municipalities were created in 1998 and consisted of the country’s most populous cities, 23 provincial and district capitals, and 10 *vilas*, with an additional 10 new municipalities designated in 2008. In the three municipal elections held since 1998, FRELIMO has won the vast majority of mayoral seats and majorities in almost all Municipal Assemblies. The *Pacote Autarquico* and subsequent amendments assigned 29 competencies across nine areas which include health, education, sanitation, transportation and communication, and environmental protection and the authority to charge fees and taxes which include a municipal income tax, municipal property tax, economic activity tax, and market and trash fees (Waty, 2000). Despite own-source revenue authorities, *autarquias* receive at least 50 percent of their revenue from central government transfers.

⁶ GoM, MAE/MADER/MPF, “Participação e Consulta Comunitária na Planificação Distrital: Guião para Organização e Funcionamento”, June 2003, accessed 4/19/2010 at <http://www.undp.org.mz>

1.3.4 CONCLUSIONS ON DECENTRALIZATION STRUCTURE

Political and fiscal decentralization remains limited in Mozambique. Although Provincial Assembly elections were held in 2008, these Assemblies have no veto authority over provincial budgets or plans. Similarly, district IPPCs and Consultative Councils are large appointed bodies that have little say over the distribution of district resources. *Autarquias* have a greater degree of political decentralization; however, the limits of RENAMO's appeal and FRELIMO dominance have yielded very little real political competition in municipal elections. Furthermore, the lack of fiscal decentralization to the OLEs and reliance of the *autarquias* on central government limits fiscal autonomy. Lastly, as will be discussed in the Political Economy section, FRELIMO has been able to fuse the party and state, which has allowed the dominant party to consolidate power and limit the pace of decentralization.

2.0 INTERMEDIATE OBJECTIVES

2.1 AUTHORITY, AUTONOMY, ACCOUNTABILITY, CAPACITY

USAID’s Democratic Decentralization Programming Handbook presents stability, democracy, and development as the primary goals of decentralization. This section examines the Handbook’s four key intermediate objectives which combine to facilitate democratic local government in the subnational arena: authority, autonomy, accountability, and capacity. The Rome Peace Accords brought about conditions of **stability** after the internal war by creating a framework through the Constitution for multiparty democracy and the inclusion of RENAMO, which has been furthered by the existence of limited but issue-based civil society organizations (CSOs) located mostly in Maputo (see Timeline in Appendix 2 and Section 1.1 for greater detail). **Democracy** and **development** are greatest in the municipalities (*autarquias*)⁷ because of two factors: a history of local elections, which provide citizens **accountability**, and a growing culture of municipal taxation, which increases **autonomy** and **capacity**. Contrary to the municipalities, the deconcentrated OLEs remain subordinated to the central government and the central decision-making bodies of the FRELIMO party.

2.2 AUTHORITY

2.2.1 LEGAL FRAMEWORK OF DECENTRALIZATION

Rooted in the 1996 Constitution, the *Pacote Autarquico* and LOLE are the two main legal frameworks of decentralization (see Timeline in Appendix 2). The *Pacote* outlines fiscal, political, and administrative authorities for municipalities which include five-year elected-mandates for elected officials (mayors and Municipal Assembly members), fee and taxation authorities and responsibilities for service provision. In response to confusion regarding intergovernmental relations between these new *autarquias*, provinces, and districts, LOLE was passed. It generally defines the roles of the province, district, administrative post and locality and their responsibilities. LOLE specifically reinforces that, with the exception of the municipalities, these subnational levels of government are extensions of the central government. Lastly, Decree 63/2003 was passed after RENAMO won five municipalities in the second municipal elections of 2003 to create a “Representative of the State” in the municipality that is directly responsible to the provincial and central government (see Section 3.4 on Institutions). These bodies, following the logic of subordination—contrary to that of devolution—are meant to increase the FRELIMO-dominated central government’s oversight of municipal affairs and particularly to hem in RENAMO-administered municipalities. In the 2008 elections, RENAMO’s power contracted significantly when it lost all municipal mayoral elections. Together with the previously analyzed

⁷ Throughout this report, the terms *municipality* and *autarquia* are used interchangeably.

narrowing of the devolution approach to urban areas only (in the mid-nineties), the introduction of the “Representative of the State” in municipal governance is a significant policy change in the direction of “recentralizing” local power (*poder local*).

As the following section will demonstrate, districts and municipalities provide similar services. Consequently, the GoM has been sensitive to the call to decentralize districts in the same manner and has responded with articulating a policy of gradualism (*gradualismo*). The policy is aimed at slowly (and in a manner controlled by the central government) introducing decentralization of functions and resources to additional localities and the OLEs. There is a universe of 128 districts and 111 potential municipalities, of which only 43 municipalities were elevated to the level of *autarquia*. The GoM is cautious to proceed with further devolution of resources which would accompany decentralization so their approach has been “gradual.”

2.2.2 DEVOLVED, DECONCENTRATED, AND DELEGATED POWERS AND RESOURCES: ECONOMIC DEVELOPMENT AND SERVICE DELIVERY

Autarquias and OLEs are charged with alleviating poverty and promoting development in response to local needs. However, unlike OLEs, which are considered to be “local extensions” of the central government, *autarquias* have devolved authorities and access to (albeit limited) own-source revenue to deliver services, which a recent World Bank/ Mozambican Association of Municipalities study indicated has improved in the 10 years since municipalization. Provincial governments are responsible for proposing and implementing the provincial budget accordance with the Council of Ministers and supervise the activities of districts, administrative posts, and localities (see Table 1 in Appendix 2 for breakdown). Like *autarquias*, districts are responsible for providing solid waste management services and public illumination, maintaining cemeteries, and constructing market infrastructure. The GoM undertook an initiative to deconcentrate planning and budgeting to the districts through the Program of Decentralized Planning and Finance (PPFD, *Programa de Planificação e Financiamento Descentralizado*). However, districts unfortunately suffer from “double subordination” in that they are accountable to both central and provincial governments and do not have the resources to adequately provide these services.

In terms of resources, provinces receive greater budget authority than do districts (see Section 2.3 Autonomy for greater detail). However, in 2005, the GoM announced a fund entitled the Budget for Investment and Local Initiatives (OIL, *Orçamento de Investimento e Iniciativas Locais*) capitalized by US \$300,000 (MTn7 million) per district available for district development. Regulations accompanying the OIL defined the responsibilities of district governments to include the provision of education, health, and agricultural promotional services, requiring that district planning be inclusive and participatory through the Consultative Councils and IPPCs. Unfortunately, these funds have been allocated to the district government with no enforceable way to ensure their proper use, although guidelines for their use were issued. This resulted in diversion of funds for improvement of public official’s private residences and purchase of office furniture rather than improving the welfare of the nation’s poorest individuals.⁸ One study of nine districts found that they lacked the capacity to monitor the OIL

⁸ Grupo Informal das Organizações da Sociedade Civil na Governação, “Orçamento Distratal Politizado,” (Documento para discussão), May, 2007, accessed 4/19/2010 at <http://www.integridadepublica.org.mz/actual/OiILpercent20port.pdf>.

properly, calling the 2006 initiative a “total failure.”⁹ The districts were encouraged to form their Consultative Councils, which was an authority provided for them by law, to curb the mismanagement of these funds by creating bodies that would oversee its expenditure. Although funds were still diverted for unauthorized use, the Councils did motivate the appropriate expenditure of funds on infrastructure such as school construction. As of 2006, only 60 percent of the budget was used and only 40 percent was for projects that generated revenue.¹⁰ Corruption still plagues the OIIL, with one governor suspending its allocation due to the level of corruption in certain agricultural projects.

Seventy percent of gross domestic product (GDP) is produced by service and industry sectors of the Mozambican economy which are mostly located in urban areas, making Mozambican municipalities economic development powerhouses (World Bank, ANAMM, p. 6). Municipalities promote local economic development through public private partnerships and contracts. For example, Manhica has partnered with a sugar company, Maxixe with a coconut oil processing company and Dondo with a cement company. Maputo has signed 12 contracts totaling over \$7 million in investments (World Bank, ANAMM, p. 7). Maputo has also contracted with local microenterprises to provide primary trash collection service in informal neighborhoods. Despite limited resources (between US \$3 and \$20 per capita per year), some municipalities have been able to follow through on delivering services such as solid waste management.

As previously discussed, *autarquias* were given the authority to charge several taxes and fees to conduct specific services (see Appendix 2). However, municipalities still receive at least 50 percent of their revenue primarily from two central government transfers: the Municipal Compensation Fund (FCA, *Fundo de Compensação Autárquica*), which is an all purpose block grant, and the Local (Municipal) Investment Fund (FIIL, *Fundo de Investimentos de Iniciativa Local*). Although own-source revenue collection has increased since municipalization, as evidenced in cities like Beira and Maputo, it has not outpaced central government transfers. New revenue authorities enacted in 2007 (i.e., vehicle tax and improvement tax) were not accompanied with corresponding central government guidance on how municipalities can implement them (vehicle taxes were formerly transferred to the central government and the improvement tax is new). Unfortunately, the trade-off for these new authorities was a reduction in the percentage of the national revenue transferred to municipalities via the FCA and FIIL (reduced from 3 percent to 1.5 percent) (see Section 2.3.2 Fiscal Autonomy). Many analysts believe this reduction is not offset by revenues from the new revenue authorities.

2.3 AUTONOMY

FRELIMO’s dominance of Mozambican politics undercuts the political autonomy of its *autarquias* and relegates the influence of the newly-elected Provincial Assemblies to a consultative role. Fiscal autonomy in the *autarquias* is similarly hamstrung with the devolution of taxation authorities that are poorly defined at the cost of reduced transfers. In terms of resources, districts suffer from a lack of coordination among sector ministries.

⁹ GoM, “Necessários outros investimentos para os distritos”, April 29, 2008, accessed 4/21/2010 at <http://www.portaldogoverno.gov.mz/>

¹⁰ Grupo Informal das Organizações da Sociedade Civil na Governação, “Orçamento Distratal Politizado,” (Documento para discussão), May, 2007, accessed 4/19/2010 at <http://www.integridadepublica.org.mz/actual/OIILpercent20port.pdf>.

2.3.1 POLITICAL AUTONOMY

As a dominant-party state, the political autonomy accorded to municipalities and now provinces is seriously constrained. Municipalities have held three Municipal Assembly and mayoral elections since 1998, with FRELIMO winning 33 of 33 mayoral seats in 1998, 28 of 33 seats in 2003, and 42 of 43 seats in 2008. The creation of the “Representative of the State” after the 2003 elections constrained municipalities by imposing an additional layer of government favorable to the dominant party. The first elections for Provincial Assembly were held on October 28, 2009 in which FRELIMO won the overwhelming majority of seats (703 seats) followed by RENAMO (83 seats), the new Democratic Movement of Mozambique (MDM, *Movimento Democrático de Moçambique*) (24 seats), and finally the Party for Democracy, Peace and Development (PDD, *Partido para a Paz, Democracia e Desenvolvimento*) (2 seats).¹¹ The stated purpose of provincial assemblies is to monitor the activities of their respective provincial government. However, the authority for final approval of provincial plans and budgets remains with central government (through the Provincial Governor and representatives of the central ministries). The 2010 State Budget (*Orçamento do Estado*) programs US \$13.9 million (MTn419.8 million) for Provincial Assemblies.¹² No sooner were these members elected than the press questioned subsidies for housing and transportation ranging from US \$300–\$566 (MTn9,000–17,000) per month to which assembly members are entitled (Canal de Moçambique, 2010). Among subnational governments, districts enjoy a mixed degree of political autonomy, due to the relatively recent requirement that IPPCs and Consultative Councils be appointed.

2.3.2 FISCAL AUTONOMY

Despite own-source revenue authorities, municipalities do not have access to the full economic development potential present within the municipal territory. First, *autarquias* are major drivers in the country’s economic development; however, the central government claims the majority of those receipts with an estimated 80 percent of central government fiscal receipts being generated from economic development activities within municipalities, with the bulk generated from Maputo, Beira, and Nampula (Ilal, 2008). Second, central government transfers do not make up for the loss of this potential municipal income. The National Assembly approved a new law on municipal finances (1/2008) which provided the municipalities with additional sources of own-revenue (i.e. property transaction tax and a charge for public investment improvement) but caps transfers (FCA and FIIL) by reducing the percentage share (in relation to national revenue) from the 3 percent to 1.5 percent. This severely limits the fiscal autonomy of the municipalities, especially in a scenario in which more municipalities are created (43 v. 33), meaning more receive less. An examination of the 2009 State Budget demonstrates this point. The FIIL and FCA combined totaled MTn837 million (US \$27.9 million) which pales in comparison to total provincial and district expenditures at MTn 19.5 billion (US \$641.9 million).¹³

¹¹ GoM, “Governo aposta na formação dos membros das Assembleias Provinciais”, January 5, 2010, accessed 4/21/2010 at <http://www.portaldogoverno.gov.mz/>

¹² GoM, “Orçamento do Estado Orçado em 118 mil milhões de Meticaís”, April 14, 2010, accessed 4/21/2010 at <http://www.portaldogoverno.gov.mz/>

¹³ GoM, “Orçamento do Estado para Ano de 2009: Despesas Para Funcionamento Segundo a Classificação Orgânica e de Grupo de Despesa, Nível Provincial”, Chart G, 9/30/2008, accessed 4/22/2010 at <http://mpd.gov.mz/orcamento/2009/oe2009.html>; GoM, “Orçamento do Estado para Ano de 2009: Despesas Para Funcionamento Segundo a Classificação Orgânica e de Grupo de Despesa, Nível Distrital”, Chart H, 9/30/2008, accessed

The degree of fiscal and administrative autonomy provincial and district governments enjoy varies contingent on the specific sector ministry and local capacity. The Ministry of Energy's Energy Fund (FUNAE, *Fundo de Energia*), which pays for electrification in districts, is the most widespread fund, present in 90 districts.¹⁴ The Ministry of Agriculture (MINAG) is the only institution that makes financial resources available for economic development activities at the district level, with, for example, some funds allocated directly to Sofala province's Cuamba district in 2008 (Tschinkel, 2008). Despite this step forward, MINAG still uses its own planning process instead of allowing plans to form organically at the district level using the IPPC/Consultative Council process. Furthermore, only 3 percent of MINAG's resources are channeled to the districts, an insignificant amount considering their agricultural production potential.¹⁵ The Ministry of Education and Culture delegated planning, execution, and control of school infrastructure to provincial government in 2005. By 2008, the Fund for Support of the Education Sector (FASE, *Fundo de Apoio ao Sector da Educação*) was decentralized to both provincial and district levels, accompanied by personnel funds for supervision and training. However, exercising autonomy over funds is problematic in instances in which the district is not connected to the public financial management system (SISTAFE, *Sistema da Administração Financeira do Estado*) to be able to request and have funds be made available. Absent SISTAFE, the district has to use the goods and services of a neighboring district for requesting and receiving funds. Starting in 2008, the Ministry of Health decentralized funds to construct rural health centers at the district level and the Council of Ministers decided to include decentralization of local salaries and expenses.

2.3.3 ADMINISTRATIVE AUTONOMY

Provincial, district and municipal governments are all subject to a series of constraints on their administrative autonomy which include:

1. A bifurcated hiring process (*fora do quadro/ dentro do quadro*) overseen by several central government stakeholders and an inability to use current hiring authorities at the district level;
2. Low level of capacity and professionalization among public employees; and
3. Multiple central government agencies responsible for personnel policy which confounds hiring.

A significant challenge to hiring at the subnational level is the requirement that job applications be screened by both MAE and the Administrative Tribunal (TA, *Tribunal Administrativo*) to confirm that the application is consistent with legal requirements. Public personnel can be hired under two rubrics: outside the framework (*fora do quadro*), i.e., employees contracted temporarily by the state, and within the framework (*dentro do quadro*). Those who are hired within the framework qualify for retirement benefits, for example, while those who are outside the *quadro* do not. As a general, yet unofficial, rule, those within the *quadro*, and increasingly

4/22/2010 at <http://mpd.gov.mz/orcamento/2009/oe2009.html>; GoM, "Orçamento do Estado para Ano de 2009: Fundo de Compensação Autárquica", Chart L, 9/30/2008, accessed 4/22/2010 at <http://mpd.gov.mz/orcamento/2009/oe2009.html>; GoM, "Orçamento do Estado para Ano de 2009: Fundo de Investimento Autárquico", Chart M, 9/30/2008, accessed 4/22/2010 at <http://mpd.gov.mz/orcamento/2009/oe2009.html>; calculations by author.

¹⁴ GoM, "FUNAE considerado fundo mais presente nos distritos," August 17, 2009, accessed 4/22/2010 at <http://www.portaldogoverno.gov.mz/>

¹⁵ GoM, "Moçambique exemplo de descentralização," June 9, 2009, accessed 4/22/2010 at <http://www.portaldogoverno.gov.mz/>

also those outside, are supposed to be members of the FRELIMO party.¹⁶ Although this process is not supposed to allow central government interference, inevitably, these recruitment procedures and screenings delay and influence local hiring. Although this system constrains provincial and district hiring, those employees are considered central government employees. This system becomes problematic at the municipal level because it can ‘punish’ municipalities by delaying hiring, forcing them to ‘contract’ with employees they otherwise intend to keep permanently. In a couple municipalities, it was clear that the personnel hired through this track were members of the opposition party, and therefore disqualified ‘politically’ to be hired within the framework, despite excellent technical qualifications.

Furthermore, the existence of several agencies that have a stake in personnel policy (MAE, TA, Ministry of Public Function) is confusing and results in cumbersome, lengthy hiring procedures. The General Statutes for Public Servants and Agents of the State (EGFAE, *Estatuto Geral de Funcionarios e Agentes do Estado*), Law 44/2009, foresees the periodic performance evaluation of the civil service staff (within the *quadro*), a prerequisite for promotions and transition into other careers and salary scales. At provincial and district levels, the Permanent Secretary and the District Secretary, respectively, are charged with this task. The EGFAE also applies to municipal staff. At the district level, Decree 5/2006 conferred on district administrators the ability to recruit their own personnel and set salaries. However, administrators still cannot use this authority because salaries and expenses funds have not yet been decentralized (they are managed at the provincial level), so they have no effective control over personnel funds. Lastly, the GoM employs over 170,000 employees, most of who are employed at the district level, 60 percent of who have an education level no higher than basic.

2.4 ACCOUNTABILITY

As discussed in Section 1.3.3, *autarquias* are the only politically decentralized subnational governments with some own-source revenue authorities. Despite this, accountability to voters is limited by a combination of FRELIMO party dominance, lack of viable alternatives, and voter apathy. However, the formation of a new party and participatory processes in the majority of municipalities provide evidence of accountability.

2.4.1 POLITICAL ACCOUNTABILITY

Since the first multiparty elections were held in 1994, Mozambican political parties have proliferated with roughly 20 parties competing mostly in local elections. However, FRELIMO remains the dominant party with RENAMO-UE remaining the distant second and progressively weaker opposition party. In 2003, FRELIMO won 28 mayoral positions and dominance in 29 Municipal Assemblies with RENAMO-UE capturing five mayoral positions and majorities in four Municipal Assemblies. The decision by RENAMO party leadership to oust a popular mayor before the 2008 municipal elections combined with the long-standing concern expressed by many political observers that RENAMO has no cohesive development agenda resulted in a continued weakening of the party. This weakness was most evident in the 2008 national, provincial, and municipal elections when RENAMO-UE lost all 43 mayoral seats. In addition to a poor showing in the 2008 municipal elections, RENAMO-UE did poorly in the national

¹⁶ This is officially denied by the Minister of Public Service, Victoria Diogo. AllAfrica.com, [Mozambique: Government Denies Political Discrimination](http://allafrica.com/stories/201004280932.html). 28 April 2010. Accessed 4/28/2010 at <http://allafrica.com/stories/201004280932.html>

elections. The October 2009 elections marked an all-time low for RENAMO, with their presidential candidate Afonso Dhlakama winning only 14 percent of the vote to FRELIMO candidate President Guebuza's 75 percent. FRELIMO won the majority of the 248 seats in the National Assembly and 703 out of 812 seats in the Provincial Assemblies.¹⁷ This lack of an effective opposition party reduces political accountability by not providing an effective check against the dominant party.

Party dominance can also reduce political accountability by not rewarding performance. The case of Dr. Eneas Comiche, the former FRELIMO mayor of Mozambique's largest city and the capital, Maputo, raises questions about whether he was not re-nominated to run in 2008 due to party, rather than performance, considerations. South African Performance Review (PMR online 2008) twice indicated that Dr. Comiche was a high-performing mayor¹⁸. In 2005, Maputo introduced a citizen scorecard to gauge performance and Dr. Comiche initiated a *presidência aberta* in which he held periodic, rotating public hearings in each Maputo neighborhood to hear what residents thought about municipal services, which eventually developed into Maputo's first participatory budget. Mayor Comiche's Administration cut municipal jobs from 3,112 workers in 2005 to 2,662 in 2008, a reduction of 14 percent.¹⁹ Dr. Comiche also worked to increase tax receipts, which meant increasing the effort to collect property taxes. However, Dr. Comiche challenged party interests. The deputy of the FRELIMO bench in the Municipal Assembly indicated that "in fact there were some errors in (dealing with) the base," speaking of Comiche's Administration (Moquivalaka, 2008). Of the three candidates put forth in the internal vote for the FRELIMO 2008 mayoral nomination, Dr. Comiche came in second with only 32 percent of the vote (Nhamirre, 2008).

Despite a lack of maneuverable space in the dominant party, an opening in the opposition landscape propelled a high-performing mayor to success as an independent candidate and traction on a national platform. Daviz Simango, the popular RENAMO mayor of Beira, successfully cleaned up trash collection in Beira in his first mandate. Despite a successful first mandate, intraparty rivalries reported in the press resulted in the RENAMO party leadership not re-nominating him for a second term. Simango was encouraged to run regardless and was eventually kicked out of RENAMO. He ran as an independent and won the 2008 mayoral contest with over 60 percent of the vote. Simango ran on a results-based platform ("*Ele Promete e Faz*," or "He promises and delivers," was his campaign slogan) and was so successful that it created enough momentum to create another party, the Democratic Movement of Mozambique (MDM, *Movimento Democrático de Moçambique*). Two months before the 2009 elections, the National Elections Commission (CNE) deemed MDM National Assembly candidates ineligible in all but three provinces. Although the MDM challenged this finding in the Constitutional Court, it stood. Despite these setbacks, Daviz Simango won almost 10 percent of the vote for President and the MDM captured eight seats in the National Assembly. The two examples above demonstrate how the mechanisms of political accountability operate in nuanced ways in the decentralized context.

Despite national trends indicating voter apathy in general and presidential elections, municipal voter turnout has been on the rise. Seventy-two percent of the voting population participated in

¹⁷ Mozambican Constitutional Court, "Acórdão no. 30/CC/2009," accessed 4/23/2010 at <http://www.cconstitucional.org.mz/>.

¹⁸ Also see PMR Vol. 20 Issue 03 which published the 2008-2009 results surveys, reiterating these findings.

¹⁹ Interview with Dr. Eneas Comiche, December 12, 2008, Maputo City Hall.

the 1994 national elections, but this went down to 50 percent in 1999 and 30 percent in 2004, with an upwards trend again in 2009 (44 percent).²⁰ Mozambican political observers indicate that the population do not see how voting affects them directly. However, voter turnout for municipal elections is on the rise, steadily increasing from 15 percent of eligible voters in the first elections (1998) to 24 percent in 2003 and to 42 percent in the 2008 polls. The introduction of municipal elections initially confused voters as they did not see the difference between the district administrator and the mayor, as little public outreach was conducted. This perception shifted largely due to FRELIMO's increasing investment in voter registration and outreach.

2.4.3 FISCAL AND ADMINISTRATIVE ACCOUNTABILITY

Subnational governments are held fiscally and administratively accountable in two ways: through central government monitoring procedures and participatory governance bodies. Provincial, district, and municipal governments are subject to the same reporting requirements in terms of their budgets. The fiscal year is January to December with budget review occurring typically in the summer and fall. The Ministry of Finance is charged with reviewing budget requests from central government and subnational entities and receiving quarterly reports from provincial, district, and municipal levels of government (see Section 3.3.2 for more detail). The municipalities have major difficulties in the timely and correct production of their budget reports on municipal accounts (*Conta da Gerência*), because detailed paperwork (i.e., for current expenditures, bank transactions, asset register) is required by both the Ministry of Finance and the TA. Some municipalities, like Maputo and Beira, post their quarterly financial reports at city hall, and all of them are obliged by law to publish their bank deposits on a daily basis—although most of them do not abide by this best practice. However, even if they did, the highly technical nature of these reports makes fiscal accountability by civil society and members of the public difficult.

Municipal decentralization evolved through three distinct periods to eventually adopt participatory processes. In the first mandate (1998–2003), municipalities were occupied with reorganizing their administrative infrastructure from its colonial form to a modern state bureaucracy. The second mandate (2003–2008) saw a consolidation of these processes (i.e. revision of regulations, reorganizations) and inclusion of community authorities in consultations. By the end of the second mandate going into the third, several municipalities have adopted participatory processes for commenting on strategic plans and municipal budgets. Three municipalities have institutionalized participatory processes, 16 have done so with the help of donors, 14 have a participatory planning process in place and 33 of the 43 *autarquias* have some sort of consultation/hearings process (Nguenha, 2009, p. 15). Initially funded by the Austrian Cooperation, Dondo's participatory process was instituted since the first mayoral mandate to stimulate resident feedback on municipal infrastructure investments. Each neighborhood (*bairro*) has a Consultative Council which articulates proposals to the *Conselho Municipal de Dondo* for

²⁰ Luis de Brito, "Uma Nota Sobre Voto, Abstenção e Fraude," *Instituto de Estudos Sociais e Económicos*, Discussion Paper no. 04/2008, Comunicação apresentada à Conferência "Pensar a República: Estado, governo e contrato social em África", Bordeaux, 3 a 5 de Setembro de 2008; Irae Baptista Lundin, "Reviewing mozambique's first municipal elections: A Brief Qualitative Study", *Instituto Superior de Relações Internacionais*, African Security Review, Vol. 7, No. 6, 1998, accessed 4/22/2010 at <http://www.iss.co.za/pubs/ASR/7No6/ReviewingMozambique.html>; Anne Gloor, "Electoral Conflicts: Conflict Triggers and Approaches for Conflict Management –Case Study Mozambique: General Elections 2004", *Peace, Conflict, and Development: An Interdisciplinary Journal*, Vol. 7, July 2005, 282 accessed 4/22/2010 at <http://www.peacestudiesjournal.org.uk/dl/July05Gloor.pdf>; Joshua Howat Berger, "Mozambique elections a test for struggling opposition," AFP: Maputo, April 28, 2009.

community funding priorities. The Consultative Council has its own representative attached to a specific town councilor who in turn is also charged with representing that neighborhood. They have annual consultations to help formulate the budget allocations for funds like the FCA. Furthermore, the five-year strategic plan is composed through a community consultation process.

2.5 CAPACITY

Although decentralization faces serious capacity constraints at all three levels of subnational government, *autarquias* have made some progress in the area of service delivery. Poverty, lack of qualified staff, and lack of infrastructure are three challenges subnational government, especially districts, face. Provincial variation on economic development favors the South, posing challenges to development in Northern and Central provinces. Lack of qualified public personnel at all three levels of government limits the quality of governance. Infrastructure disparities and the GoM's focus on municipal decentralization put districts at a disadvantage. Civil society is small and mostly limited to the capital.

2.5.1 TECHNICAL AND ADMINISTRATIVE DEFICITS OF SUBNATIONAL GOVERNMENT

Although provincial, district, and municipal governments have the same general structures as outlined by law, they operate in different regional contexts which place different exigencies on subnational resources. Regional economic and human development typically favors the south. According to the United Nations Development Programme (UNDP)'s 2005 Human Development Report, Northern Mozambique has the lowest Human Development Index average (0.33), with the lowest life expectancy rate at birth (43 years) and literacy rate (34.6 percent) of the three regions.²¹ Maputo province has the highest averages across all three categories, with a literacy rate almost three times that of Northern Mozambican provinces combined (94.8 percent).²² Northern provinces tend to have greater needs relative to their resources to deal with them. A case in point is Nampula Province. It has the second highest population of all Mozambican provinces (after Zambezia), is third ranked among all provinces on tax revenue and contributes substantially to the GDP and domestic tax revenue, but has at the same time one of the highest incidences of poverty, illiteracy, and endemic diseases (*Advocacia Consultaria Serviços, Limitada* (ACS) 2010). Many districts governments still lack electricity which makes record keeping and communication difficult. Infrastructure access remains a critical capacity deficit in Mozambican districts. The GoM has focused its attention mostly on urban development through the 43 municipalities. Although these areas tend to be economic development drivers, the majority of the Mozambican population lives in rural areas. In 2004, only 43 percent of the rural population had access to potable water and only 35 percent had access to rural sanitation.²³ Rural dwellers also are the most isolated, with only 11 percent of residents living within two kilometers of a road in 2006.

Lack of personnel capacity in public administration plagues all subnational levels of government. The GoM employs over 170,000 employees, of whom only 40 percent possess a level of

²¹ UNDP, "Mozambique: National Human Development Report 2005: Human Development to 2015, Reaching for the Millennium Challenge Goals," accessed 4/22/2010 at <http://hdr.undp.org/>

²² Ibid.

²³ "Análise da Governação do País em Moçambique," discussion draft for DFID, October, 2007, 9.

education higher than basic.²⁴ At the municipal level, there are approximately 9,000 public functionaries, 40 percent of whom are between 36 to 59 years of age with a large percentage eligible for retirement, which is paid by the central government's National Social Security Office (INSS, *Instituto Nacional de Segunça Social*), an agency in whose solvency and ability to pay retirement has come under intense recent scrutiny (Rodrigues, 2007). Many municipalities are still organized as they were prior to decentralization even though municipal legislation gives the *autarquias* the ability to reorganize and define their departmental structures, procedures, and job descriptions. Existing human resource regulations limit the ability for municipalities to hire, fire, and compensate staff, leaving them with low-skill workers and unqualified senior staff.

Despite these deficiencies, *autarquias* have been able to make some, albeit uneven, progress in service delivery. Maputo and Beira have been considered cities with high performing mayors, albeit with some flux in performance. According to residents of both cities and the local press, trash collection has improved tremendously since 2005. Despite limited resources, municipalities still spend a fair share of their budgets on investments and a municipal tax collection culture is emerging. Participatory budgeting processes are permitting citizens in some municipalities to propose (and have accepted) local infrastructure projects for funding in the municipal budget. Lastly, municipalities are entering into public-private sector partnerships and contracts to promote economic development and service delivery in their respective communities.

2.5.3 TECHNICAL AND ADMINISTRATIVE CAPACITY OF CIVIL SOCIETY

Civil society in Mozambique faces two main challenges: first, lack of capacity and reach and second, a lack of participation. Although local, community-based CSOs exist, they are weak and non-sustainable. Furthermore, of the 301 registered CSOs included in a recent survey, 90 percent are located in Maputo.²⁵ This is highly problematic because Maputo City contains only 5 percent of the national population with almost 40 percent living in two Northern provinces (Nampula and Zambezia).²⁶ According to work done by Mattes and Shenga, civil society participation in Mozambique is twice as low as Tanzania, Senegal and Nigeria and four times lower than neighboring Malawi. However, when Mozambicans do participate in civil society, they tend to join religious organizations. Pereira reports that 39 percent of respondents participate in religious organizations.

Recognizing some of the structural weaknesses of CSOs (i.e., lack of funding, organization, and internal lack of transparency), the Civil Society Support Mechanism (MASC, *Mecanismo de Apoio à Sociedade Civil*) started in 2007 to provide technical assistance to CSOs. In particular, MASC emphasizes local governance and decentralization monitoring, together with associated academic **research**. It has recently awarded a contract to the renowned independent Institute for Social and Economic Research (IESE, *Instituto de Estudos Sociais e Económicos*) to conduct studies concerned with local governance. And, at various universities, both private and public,

²⁴ AIM, "Expansão do ensino a distância na Função Pública," March 13, 2010, accessed on 4/21/2010 at <http://www.portaldogoverno.gov.mz/>

²⁵ Please note that this directory's scope appears not to include small community-based CSOs, which do exist throughout the country. However, a comprehensive list of these organizations is not accessible. *Mozambique: Directory of Development Organizations: Guide to International Organizations, Governments, Private Sector Development Agencies, Civil Society, Universities, Grantmakers, Banks, Microfinance Institutions and Development Consulting Firms*, Volume 1.B/Africa, Edition 2008, accessible at <http://www.devdir.org>.

²⁶ Republic of Mozambique, National Institute of Statistics, 2007 Census, www.ine.gov.mz.

theses for undergraduate and Master's degrees focus on selected aspects of decentralization and local governance. Thus, the younger academic generation is increasingly familiar with the process, features, and results of decentralization in Mozambique and its critical analysis.

3.0 POLITICAL ECONOMY

3.1 POLITICAL INCENTIVES: PROPONENT AND OPPONENTS

3.1.1 DECENTRALIZATION IN A CENTRALIST SETTING

As is the case in many African countries, the state is, as a result of colonial heritage and post-Independence policies, severely under-structured. Given Mozambique's vast territory, low population density, and rudimentary technical infrastructure, key public functions are limited to the capital (at the periphery of the territory) and a few urbanized areas such as the 43 municipalities and a few district centers. At the same time, power and resources were and continue to be highly centralized. In 2007, only about 3 percent of total public sector expenditures were spent at the district level and around 1 percent at the level of municipalities. The state budget has been dependent on foreign aid, to the tune of 50 percent of recurrent expenditure over the past 10 years. This makes Mozambique "the world's eighth most aid dependent country, with an aid to Gross National Income ratio which is four times the average for sub-Saharan Africa" (de Renzio and Hanlon, 2007). It has been estimated that less than 10 percent of the Mozambican active population pays taxes or holds a tax identification number.²⁷ Although generation of own-revenue (tax) has increased in recent years from around 14 percent to 18 percent of GDP, it remains below the average of other countries in the Southern African Development Community (SADC). This is in large part due to poor support of private business and investment, especially of small- to medium-sized enterprises (SMEs), weak capacity and effort of taxation, rent seeking behavior, and a preference for large-scale projects and foreign investment in strategic economic sectors, which usually benefit from generous tax holidays.²⁸ The discovery, exploitation, and export of energy and mineral resources (hydropower, natural gas, coal, potentially oil), together with major direct foreign investment in mega projects (aluminum smelter, mining of heavy sands, coal) have considerably strengthened central government's interests in revenue and control of the commanding heights of the economy.

Segments of the FRELIMO party have considerable stakes in mining and energy ventures, as well as in the tourism, real estate and service sector of the economy. Since President Guebuza's ascent to power as head of state and chairman of the party, the re-centralizing tendencies have been observed, despite a political rhetoric and action which stresses decentralization. One reason for this is the attempt to resuscitate and consolidate, irrespective of the constitutional set up of a multi-party state, the idea of a 'predominant party state' in which the executive and the public administration are subordinated instruments of the ruling party used to consolidate what amounts to a de-facto one party rule.²⁹ In this model, Mozambican civil society is eventually absorbed by

²⁷ AllAfrica.com, Mozambique: Campaign to Improve Tax Collection. 7 April 2010. Accessed on 4/28/2010 at <http://allafrica.com/stories/201004070869.html>

²⁸ Data provided by National Tax Authority *Autoridade Tributaria de Mocambique*

²⁹ This point is made in an analysis of power and change in Mozambique, whose methodology looks at secular, 'foundational factors,' the formal and informal 'rules of the game,' and the 'here and now.' ECORYS Research and Consulting. *Power and*

the party state, which explains the former's structural weakness. As one observer put it: "You must see FRELIMO as an employer, the only employer, who guarantees the daily bread for us and our families."³⁰

3.1.2 FRELIMO: PROPONENT AND OPPONENT IN ONE?

Mozambican decentralization is initially a FRELIMO "home grown" process, as can be gauged from the Law 3/1994 passed by the then one-party National Assembly. At the time, it reflected a genuine recognition by the party leadership that the vast, thinly populated Mozambican territory cannot be centrally governed, and that decentralization provides an opportunity for post-conflict stability by accommodating the political opposition. One of the most dynamic driving forces for decentralization was the former Minister for State Administration, Aguiar Mazula, on the FRELIMO team at the Rome peace negotiations. Furthermore, RENAMO "administrators" and "*chefes de posto*" were temporarily integrated in local government training in the aftermath of the Peace Accord. Of course, the FRELIMO-driven decentralization agenda at the time was matched and partially reflected by the donor supported reform programmes such as PROL. These have their roots in the 1980s negotiation for an aid package. This required both political and economic liberalization of a closed economy and a one-party state with centralizing tendencies. Yet different factions within the FRELIMO party hold different assumptions and objectives concerning decentralization. While there is an objective need for decentralization to extend public goods and services to peripheral areas, proponents of the notion of a FRELIMO state are poised to maintain central and political power and control of people (voters), resources (rents, taxes), and territory. Only a party minority entertain a vision of a more decentralized, pluralistic, and democratic political set up at subnational levels. Regardless, federalism is anathema to both.

These contradictions are the primary reason for the GoM's **gradualist approach** to decentralization. While it gradually introduces and tests new local entities' (municipalities) capacity to enhance service delivery (and thus satisfying the proponents of decentralization in the party hierarchy), it simultaneously maintains and strengthens the strong central state via the deconcentrated local branches of the (central) state, the OLEs, at provincial, district, and sub-district level, in which the municipalities are territorially embedded. Seen from this angle, decentralization appears politically useful and necessary only if it strengthens the political party which claims control over all levels of government, the country, and its resources. Within this overall strategic framework tactical approaches to shaping intergovernmental central-local relationships may vary, from benign neglect, via cooptation and power sharing (in the case of 'allies'), to 'usurpation' in the case of rivals (Boone, 2003). This depends on factors such as the social capital, ethnicity, and resource endowment of local stakeholders.

The result is a parallel system of decentralized subnational units (the deconcentrated yet centrally controlled OLEs without political plurality and autonomy, and the municipalities with devolved authority and autonomy and elected leaders). An increase in the number of municipalities and the transfer of functions and resources to districts ('gradualism') is thus, in the final analysis, a function of FRELIMO party politics, and political preferences and decisions of the party leadership of the day, translated into rules and laws. Central government control is present at the

Change Analysis: Mozambique. Client: The Foreign Ministry of the Kingdom of The Netherlands. Final report. Rotterdam, 2008 (Unpublished, restricted).

³⁰ Personal communication by a senior lecturer at one of Mozambique's public universities, who is also a member of a CSO.

municipal level through a new government entity directly responsible to the provincial and central government, called the “Representative of the State.” Vested with sectoral and ceremonial responsibilities delegated by the central government, this entity may interfere in municipal affairs and governance on behalf of the national government, often without coordination with the elected mayor. Conflicts between the mayor and the (nominated) Representative of the State of a parallel town administration are the order of the day. This is particularly true for the five out of 33 municipalities which were ruled by RENAMO mayors during the 2003–2008 mandate. The government, through its “Representative of the State” made great efforts to limit those *autarquias*’ scope, territory, tax base, and authority (Chamaite, 2010; de Rosario, 2009).

One can see that Mozambican decentralization resulted in a carefully engineered, multi-institutional set up of at least three local government institutions. Recurrent expenditures and transaction costs of this multi-institutional approach to local government in relation to the benefits the local populations have through this form of decentralization remain unknown. However, it is clear, that the **overall decentralization objective** shifted from post-war peace consolidation through democratic decentralization to consolidating the dominant state-party system at the local level.

Other **political parties** represented at the national level, i.e. in the National Assembly, have had little influence over the decentralization process. RENAMO systematically opposed decentralization by voting almost always against relevant legislation and boycotting the first municipal elections in 1998. Only in 2003, when its candidates for mayor won five out of 33 municipalities, did decentralization and local governance start to matter politically, at least in the official discourse. In 2008, however, this party and its leader, Mr. Dhlakama, raised doubts about their commitment to democratic principles in local governance by ousting their confirmed incumbent candidate for Beira, Mr. Daviz Simango, from the party’s election campaign. Mr. Simango founded the MDM, which won Beira in the national elections with an overwhelming majority. The party is still too young to be gauged on its positioning concerning decentralization. At present, it seems to give priority to consolidate its responsibilities in the National Assembly, where it holds a minority.

3.2 THE DECENTRALIZATION SEQUENCE

If we understand by sequencing the logical sequence of administrative, political, and fiscal aspects of decentralization, resulting from political pressures upon central government by important socio-economic regional stakeholders and their alliances, Mozambique’s municipalities do not provide a good example to fit such a sequential process. The main reason is that all these phases of the sequence come together in the institutional legal framework which gave birth to them in what one may call a ‘big bang’ approach.

Thus, contrary to cases in other parts of the world, notably in Latin America, administrative, political, and fiscal decentralization is not primarily the result of struggles between central government and regional or local parties and organized stakeholders, but rather the results of a ‘benevolent bestowal’ by the central government and its powerful party.

For this reason, political decentralization has only very marginally seen the emergence of locally organized political interest, represented in parties or citizens groups, in cases such as Beira. In most other municipalities, the local political scene and agenda is to a large degree defined by the

dominant party at the national level, with the mayoral programmes often being smaller replicas of the national program (i.e., the fight against poverty) of the central government and the ruling party. Their interests are basically to enhance control of the political and economic development through what observers have called ‘centralized decentralization.’ This has had, of course, repercussions also for fiscal decentralization. Despite the view generally shared by all mayors that the central government transfers are a far cry from what the needs of the municipalities are, there has never been pressure or a concerted negotiation effort, i.e. by ANAMM, to increase the municipal share of the state budget. On the contrary, the curbing of the total percentage share during the alteration of the municipal finance law in 2008 was met with tacit approval by ANAMM and its members.

Even the administrative aspect of the decentralization sequence was somewhat neglected, at least at the beginning of the process, in which the newly created municipalities had to grapple with the challenges of organizing a functioning local administration, largely without adequate office accommodations, trained personnel, equipment, and transport. These problems were aggravated by the central government transferring to the municipalities largely uneducated, unproductive civil servants, many of them retirement age, thus creating a heavy burden, already at the outset, for municipal recurrent expenditures at the cost of much needed investments and services.

As a consequence, the elected mayors’ first priorities were to get their administration going, in relation to the newly attributed functions. Much attention was given, in the early phase, to obtaining the necessary means (equipment, personnel, organization). Central government and donor-supported projects focused on institutional capacity-building and the acquisition of equipment and vehicles, notably for the smaller municipalities. Concerning the (own) fiscal element of the sequence, early attention was given almost exclusively to collecting non-fiscal revenue (market fees), with a neglect for tax revenues. Until today, own tax revenue is, on average, much lower than non-fiscal revenue, in most of Mozambique’s municipalities. However, the municipalities could count on the intergovernmental fiscal transfers (block grants, investment grants): central government followed the generally accepted rule for fiscal decentralization, namely ‘finance follows function.’ But, as stated above, they had virtually no say or lobbying power in determining the scope and volume of fiscal transfers.

Moreover, in Mozambique, most of the other, more technical for elements of a coherent decentralization sequencing are not in place: such as a government policy and strategy (‘white paper’), baseline studies on resources and expenditure, or a monitoring system for the various phases of the decentralization process. During the past five years several attempts to pull together a strategic **policy framework** have been made both through consultants contracted by the Public Sector Reform Unit (UTRESP, *Unidade de Reforma do Sector Público*) and donor agencies. The last one is the result of a consultancy project, financed by the German Technical Cooperation (GTZ, *Deutsche Gesellschaft für Technische Zusammenarbeit*). It foresees the maintenance of the dual local government system, a stronger voice of community, and it stresses the important role of provinces. But it also is very cautious on the issue of gradualism and addressing the controversial matter of fiscal decentralization, i.e. a formula for intergovernmental transfers.

The lack of a coherent monitoring system with the necessary database provides a disincentive for an informed political debate of decentralization, its pros and cons, and its achievements and shortcomings, out of which may arise political demands, e.g. from mayors or ANAMM. Thus the

monitoring, analysis, and comparison of, for example, local revenue generation by both districts and municipalities, is difficult. At present, it is only possible to measure the central state transfers to the municipalities (FCA, FIIL) and districts (OIL, sectoral transfers) via the national PFM system (SISTAFE). A database for donor support to the various sectors and levels of government exists (Official Development Assistance to Mozambique (ODAMAZ)), which, however lacks alignment with government budget classifiers (economic, territorial, functional etc). The absence of a national policy and monitoring system may reflect a kind of ‘benign neglect’ of decentralization in the best case and of ‘systemic resistance’ in the worst, by the established central state agencies. A telling example is the official government website. Its portal suggests that municipalities are part of the OLEs, thus officially denying, so to speak, the *autarquias*’ constitutional status of autonomy with leaders mandated via elections. Another example is that the 2007 census and housing statistics are published for the municipalities by the National Statistics Office (INE, *Instituto Nacional de Estatística*), except for Maputo.

In sequencing fiscal decentralization, it is assumed that ‘finance follows function’ (FFF). As stated, this is the case with regard to municipalities. Their competencies and their fiscal endowments, including central government transfers, are defined by law, which stresses the FFF principle by conditioning any further transfer of competencies to the simultaneous transfer of the necessary financial resources, best exemplified by the FCA and FIIL block grants. In the case of the OLEs, the FFF principle is often ignored. With an overall very small share of government spending (less than 5 percent of the annual budget) for both types of local government (municipalities and districts), the opponents to (fiscal) decentralization have clearly had the upper hand in budgetary policies. Without a revenue sharing formula for intergovernmental fiscal relations defining entitlements in place (and without political pressure to negotiate one), and with the competition among subnational governments for transfers, the Mozambican local governments have little clout to negotiate better deals, adequate to their tasks and development challenges. Except for the provinces, they have hardly any voice either in the annual budget negotiations or in the Annual Joint Review, which defines the official development assistance (ODA) by the Mozambican Program Aid Partners (PAP).

3.3 INSTITUTIONAL ARENAS: THE NATIONAL ARENA

3.3.1 DOMINANT FRELIMO PARTY

The **FRELIMO party** and the **central government** are the main actors in decentralization. Without a national decentralization policy in place, a gradual policy shift from municipalization to deconcentration with a focus on districts has been observed since the present President Guebuza won the 2005 and 2009 elections. As both head of state and chairman of the party, he clearly favors the consolidating central power of party and government at the local level via the OLEs. In the President’s political rhetoric and working visits to districts, decentralization (in the sense of deconcentration), local participatory planning and participation, management of the OIL and local economic development for combating poverty are the key messages. He clearly tries to link a ‘Minister’s perspective’ to a ‘local arena perspective.’ Municipalities are much less frequently visited than districts, with the exception of major ones, i.e. provincial capitals and Maputo.

3.3.2 INSTITUTIONAL PLURALISM FOR DECENTRALIZATION IN THE EXECUTIVE

Concerning the **executive**, there is no clear focus or functional and operational responsibility for decentralization such as a ministerial task force or an inter-ministerial commission. Since the introduction of the Public Sector Reform (PSR) in 2001, the Interministerial Commission on Public Sector Reform (CIRESP, *Comissão Interministerial da Reforma do Sector Público*), through its sub-unit (UTRESP), has decentralization as one of its strategic objectives. Yet, in practical terms, UTRESP works through the individual ministries, and responsibilities for decentralization are fragmented. As seen above, it has not yet produced a national strategy.

MAE's National Directorate for Municipal Development (DNDA, *Direcção Nacional de Desenvolvimento Autárquico*) was set up in 2000 to oversee and support the introduction and capacity building of municipalities. MAE also ensures municipal compliance with the administrative requirements of the law. It is, however, not clear what this *de facto* implies. No report on this activity has ever been published.

Despite the charge of MAE's National Directorate for Local Administration (DNAL, *Direcção Nacional de Administração Local*) to oversee administrative, normative, and capacity matters related to districts, the driving force for the OLEs in general and the PPF in particular has been the MPD. It was the host to the PPF, which was turned into a national program in 2010 after a decade of partial, territorially-focused programs supported by the United Nations Capital Development Fund (UNCDF), the World Bank, Netherlands, Ireland, Norway, Germany, and Switzerland. MPD's National Directorate for Rural Development has intrinsic links to the PPF, whose programmatic priorities contribute to rural development. The PPF unit, however, was transferred to the MAE in March 2010 to better integrate it with local administration.

The **Ministry of Finance (Finance)** is also a key actor, exercising financial oversight over municipalities. Finance receives and approves the municipal budget (after approval by the local executive and legislative) and transfers the FCA and FIIL. The Ministry's **Inspector General** (IGF, *Inspector Geral das Finanças*) examines the municipalities' accounts, asset registers, and internal control functions. Their reports are not public. According to the municipal finance legislation, revised in 2008, both FCA and FIIL taken together for all municipalities may not exceed 1.5 percent of the annual national budget. Finance also has the main responsibility over the OIIL through the National Budget Directorate (DNO, *Direcção Nacional de Orçamento*), assisted by the national financial management system, SISTAFE. It is the primary online tool for classifying, budgeting, disbursing, and monitoring all expenditures at all levels of government. All 128 districts are reflected in the system, although less than half of them are connected to it, because they lack the necessary infrastructural environment (i.e., bank, electrical energy, telecommunication).³¹

Municipalities are charged with providing several services with the qualifier (Decree 33/2006) that further transfers of competencies from sectoral agencies would be accompanied by adequate resources and sufficient municipal capacity. At present, hardly any of the municipalities meet these conditions, and the decree lacks operationalization. So far, only Maputo city was selected to assume responsibility for primary education, from 2010 onwards. Furthermore, a recent study

³¹ At the time of writing, SISTAFE budget principles and accounting procedures are extended to municipalities, whose future financial management system (SGM), initially developed by the USAID supported PROGOV between 2005 and 2008, will be adjusted accordingly with funding from P 13.

suggests that sectoral decentralization is still very much at its infant stage, if not outright neglected or resisted by the line ministries. Although the **Ministries of Health and Education** best exemplify the principle of ‘gradualism’ in the transfer of sectoral competencies and resources (human and financial) to the municipalities, the first experiences with the Road Fund (FE, *Fundo de Estradas*) have been fraught with difficulties such as lack of knowledge about the rules of the game and principles of financial management.³²

Lastly, the **Inter-ministerial Group of Municipal Development** (GIDA, *Grupo Interministerial de Desenvolvimento Autárquico*), a coordinating body encompassing all key ministries, was set up a few years ago, but has so far produced little impact in coordinating and monitoring the sectoral responsibilities and assumed tasks of relevant key ministries vis-à-vis the municipalities.

3.3.3 OTHER ACTORS

Other important actors at the national level, especially regarding the municipalities, include the TA, which assumes the function of Auditor General of the state and municipal accounts. It not only audits and judges the municipal account (*Conta da Gerência*), but also both defines the format for fiscal and financial accountability and engages in capacity-building for municipal staff. The **National Tax Authority** (ATM, *Autoridade Tributária de Moçambique*) is relevant for the municipalities. The recently introduced Simplified Tax for Small Taxpayers (ISPC, *Imposto Simplificado para Pequenos Contribuintes*), a tax on informal sector activities, taps the same population group already subject to municipal fee assessment. Cooperation between the ATM and the municipal authorities in fiscal education and the avoidance of double taxation is crucial in a socioeconomic setting often characterized by poverty and illiteracy. The **National Assembly** (AR, *Assembleia da República*) is not frequently involved in local government affairs, beyond their legislative routine work and providing checks on the (central) government policy and budgetary performance. In its specialized commission, local government affairs are lumped together with Agriculture and Traditional Authorities. Finally, the **National Association of Mozambican Municipalities** (ANAMM, *Associação Nacional de Municípios Moçambicanos*) is relevant at the national level. With its executive secretariat based in the Matola, neighboring Maputo City, its main function is to represent its members’ interests vis-à-vis central government.

3.4 INSTITUTIONAL ARENAS: THE SUBNATIONAL ARENA

3.4.1 MUNICIPALITIES: INSTITUTIONAL STRENGTHS AND WEAKNESSES

As previously discussed, the subnational arena may be characterized by an institutional cleavage between the municipalities on the one hand, and their surrounding OLEs on the other, with the “Representative of the State” checking the municipalities and the provincial government supervising both municipalities and sub-provincial OLEs. The FRELIMO party plays a role at all levels and holds both the mayors and the district administrators increasingly accountable, with the central government’s national policy agenda and the party program as reference. Periodic meetings between the FRELIMO provincial secretaries and both mayors and district

³² Kulipossa, F. e Nguenha, E. (2009). Relatório Final da Pesquisa sobre o Impacto da Descentralização dos Fundos Sectoriais de Estradas, Águas e de Construção Acelerada de Salas de Aulas nas Províncias, nos Distritos e nas Autarquias Locais. Maputo (unpublished).

administrators have increased in number during the Guebuza mandate. Even the municipal administrative sub-units are now obliged to report to both the Municipal Council and the “Representative of the State” in the municipality.

Municipalities are not well endowed with **financial resources** and they have not invested enough effort in organizing and tapping their own tax base. Central state funding via transfers is legally capped to 1.5 percent of the central government budget for all municipalities. They receive their share based on population and size. The overall average per capita revenue varies between US \$3 and \$20 per year. Their own-revenue, mostly fees, is estimated to be between 30 percent and 50 percent on average over the past five years. Looking at sustainability defined as the ability to cover recurrent expenditures, a number of case studies suggest that financial sustainability does not exist for most municipalities. On average, own-source fiscal revenue (taxes) contributes only 10 percent to the budget while non-fiscal revenue (license and market fees) is about 28 percent. Thus, transfers received from the central government are often used to finance salaries, instead of investment and services. In fact, some municipalities resemble local ‘public enterprises’ which employ a considerable amount of people, but produce little in terms of basic services. However, some preliminary analysis³³ on the tax potential of municipalities indicates that locally generated revenue could increase dramatically if property and property transaction taxes were collected. Yet, issues of local political economy and of poverty may undermine this potential.

Although the population understands the **institutional setup** of the Mayor-Municipal Assembly government, the Municipal Assembly’s ability to hold the mayor accountable is weak. Cases of Municipal Assemblies refusing to approve the budget or the municipal accounts (Conta de Gerência) are rare exceptions. In recent years, there were cases in the provincial capitals of Manica Province (Chimoio) and Cabo Delgado Province (Pemba), in which the FRELIMO majority in the Assemblies did not approve budgets proposed by the FRELIMO mayor. This led, in both cases, to interventions by the party, even the Head of State in the case of Manica, to resolve the conflicts. In general, the mayors nevertheless complain that they gain little in terms of constructive criticism in return for what they consider the generous remunerations Assembly members receive. This is often due to lack of capacity and knowledge of Assembly members in matters related to budget and accounts. Another factor for the weakness is the mayor’s legally enshrined power to pick and co-opt half of his executive from the elected assembly members, on the basis of political confidence. This appointment authority was recently expanded in favor of mayoral discretion in appointing all members of his executive at his discretion.

Political competition of the parties is obviously most felt during election campaigns, which occasionally have turned violent in the past. During a mandate, such conflicts tend to abate. However, during the previous mandate, the provision of basic services seems to have been politicized, especially in municipalities run by National Mozambican Resistance (RENAMO, *Resistência Nacional Moçambicana*). In Nacala, for example, water sources were tagged to the political parties, with the “Representative of the State” providing, in the same municipal area, “FRELIMO” water, and the Municipal Council doing the same on behalf of RENAMO. Thus,

³³ Conducted by P 13 and the World Bank, at the time of writing.

basic services become politicized.³⁴ Another aspect which undermines the democratic legitimacy of Assembly members and mayors is that candidates are normally handpicked by the parties' central and provincial decision-making bodies. Thus, their performance in the past, their local popularity and reputation are not necessarily major factors in whether they stand as a candidate. This makes them less accountable to the electorate, and more accountable to the central bodies of their parties, which may use them to pursue policies and programs defined at national, rather than at local level. Since the last municipal elections (2008), cases of interference by party officials into municipal human resource management have been reported. There are cases in which technical staff members who are members of opposition parties have been dismissed, both in FRELIMO-run municipalities and in Beira which is run by MDM.

Generally, and in all municipalities, considerable **internal conflict potential** exists between the executive (mayor and *vereadores*) on the one hand and the technical staff in the municipal departments, notably the departmental heads. The former, in a position of power, but often with little technical capacity, have a limited mandate of five years, while the latter are long-term employees of the municipal administration with comparatively considerably more expertise. This often results in situations in which the latter will commit an irregularity ordered by his 'boss,' fearing for his job otherwise. Many of the **irregularities** reported by the IGF and TA have their origin in this situation. There are also cases of embezzlement and **corruption**, reported in the media in which both the mayor and head of Department of Administration and Finances (DAF) drained the municipal treasury of public funds for their own private purposes. A study commissioned by the USAID-supported PROGOV showed that there is a considerable risk of corruption in the municipalities, especially in the field of public tenders for infrastructure, allocation of plots of land and granting of (construction) licenses (Center for Public Integrity (CIP, *Centro de Estudos da Democracia e Desenvolvimento*), 2007).

Collective and individual **technical and management capacity**, notably at the intermediate level of municipal technical staff, has increased considerably in various relevant fields such as urban planning, public works, solid waste management, budgeting and financial management, and procurement, due to various training programs run by the national Training Institute for Public and Municipal Administration (IFAPA, *Instituto de Formação em Administração Pública e Autárquica*) and on-the-job training, often supported by donor agencies. Most of the municipal administrations are equipped with computers and, increasingly, have internet access. Some technical departments boast of considerable equipment for civil engineering and public works (i.e., heavy machinery, multi-tool tractors) and use sophisticated methods (i.e., geographic information system (GIS), global positioning system (GPS)) in the area of urban planning.

Despite significant constraints in the areas of financial resources, including the sub-optimal utilization of their own -resource bases and administrative capacity, overall performance in service delivery has increased over the past 10 years. This study concludes that progress has been made in the following areas:

- Gradual enhancement of revenue collection, mostly fees, and improved financial management;

³⁴ USAID PROGOV. "Historias Autarquicas (4). Democratização e Participação da Comunidade nas Autarquias Moçambicanas Planeamento participativo num ambiente politicamente sensível: O caso da Cidade de Nacala", ARD contract, USAID, accessed on 4/27/2010 at <http://www.progov.org.mz/pt/historias.php>

- Participatory planning methods have been introduced in a few municipalities;
- Solid waste management, sanitation, drainage, and road construction and maintenance have seen some progress in selected urban areas of many municipalities;
- The administrative apparatus was reorganized for improved performance; and
- In some municipalities urban upgrading of informal settlements and the allocation of serviced plots in extension areas have been accomplished, together with improved infrastructure, especially municipal markets (ANAMM/WB, 2009).

Although **municipal governance** progress was rather mixed based on a sample of seven municipalities, given their limited financial base, effectiveness was rather good, whereas equity was considered poor, especially regarding gender. Participation, in formal democratic terms (elections), was considered fair, with democratic participation in decision-making limited. Accountability in areas such as procurement could improve.

3.4.2 CHALLENGES TO DECONCENTRATION

One of the major challenges is related to transparency and effectiveness of the management of the OIIL established in 2006. Since 2006, the OLEs have received OIIL coming from a central budget line. Being only a budgetary unit in the central state budget without financial autonomy, they have no legally enshrined claim to those allocations, which can be discontinued at any time by executive decision. With few competencies legally defined for the OLEs, the FFF principle applies partially. Initially, within the PPF framework, the allocation of a flat amount of MTn7 million (seven billion, or *sete bilhões* of the old denomination) for each of the 128 districts served to finance public works (i.e., social and technical infrastructure), and was reflected in the District Strategic Development Plan (PEDD, *Plano Estratégico Distrital de Desenvolvimento*) and approved by the District Consultative Council. This condition was changed in 2007 from a focus on public works to a focus on job creation activities in the form of a grant monitored by district governments acting as local ‘banks.’ In 2008, an amount of MTn2.3 million per district for public infrastructure was reintroduced, in addition to the ‘seven billion.’ As discussed in Section 2.1.2, the approach to generating a local economic dynamic by transforming public funding into private activity and wealth was fraught with difficulties and corrupt practices. Beneficiaries were predominantly party members, the reimbursement rate of the credit was very low, the funds were often used for consumption rather than for investment, and the district government had enormous difficulties to perform the functions of a bank.³⁵ As a result, the government decided in 2009 to create an autonomous fund, the District Development Fund (FDD, *Fundo de Desenvolvimento Distrital*). Its capital stock results from the flow of reimbursements by beneficiaries of the ‘seven billion’ credits.

3.5 INSTITUTIONAL ARENAS: THE CIVIL SOCIETY ARENA

With the exception of Maputo, civil society at local levels reflects the state of national civil society organizations: organizations outside religious denominations are rather weak, suffer from lack of sustainability related to donor dependency, leadership crises, and corruption. Lack of

³⁵ Salvador Forquilha, “Reforma de descentralização e redução de pobreza num contexto de Estado Neopátrmonial. Um olhar a partir dos Conselhos Locais e OIIL em Moçambique,” Paper presented at the *IESE Conference: Dinâmicas de pobreza e padrões de acumulação*, Maputo, 23-24 de Abril, 2009. Accessed on 10.10.09 at http://www.iese.ac.mz/lib/publication/II_conf/CP25_2009_Forquilha.pdf.

interest, technical knowledge, or a fear of reprisals leads civil society members to be passive in engaging local leaders (mayors, district administrators) and denouncing irregularities. Only recently, encouraged by the President's approach of the 'open presidency,' have residents and civil society members denounced abuses of power which, in some cases, has led to the dismissal and disciplinary measures of such leaders.

Even in the municipalities, where increased interaction between those elected and their electorate is one of the premises of democratic decentralization, civil society members are careful to avoid confronting, even engaging the mayors or deputies in a formal way. The activities of the Anti-Corruption Office (GCCC, *Gabinete Central de Combate à Corrupção*) restricted to the capital city and two provincial capitals (Beira and Nampula) notwithstanding, the lack of formal complaint procedures and codes of conduct for municipal leaders result in a clear preference for addressing and possibly resolving contentious issues informally and not via formal complaints or open challenges to the local leaders. Where they do occur, they remain exceptions.

Thus, interventions by civil society in democratization are restricted to national and provincial CSOs and the media. One of the most important **national organizations** is the Center for Public Integrity (CIP, *Centro de Integridade Pública*). In their strategic plan, anti-corruption activities and governance monitoring at the local level (municipalities and districts) is one of the key components. CIP has not only published the only study on corruption risks in municipalities but also set up a monitoring program for both types of local governments (CIP, 2007). CIP has cooperated with other national non-governmental organizations (NGOs), such as the Human Rights League (LDH, *Liga dos Direitos Humanos*), the Mozambican Association of Democracy (AMODE, *Associação Moçambicana para o Desenvolvimento e Democracia*), and the Mozambican Debt Group (GMD, *Grupo Moçambicano da Dívida*). Their first report, covering six districts and three municipalities, was published in 2009. CIP also has called attention to the fact that the population's access to justice remains highly deficient at local levels, despite investments in infrastructure and training of personnel (i.e., attorneys, judges, and auxiliary personnel). Another important national CSO with a focus on local governance is the Research Center on Development and Democracy (CEDE, *Centro de Estudos da Democracia e Desenvolvimento*). Based on their own research and experience in conflict resolution in municipalities such as Montepuez and Mocimboa da Praia, they have produced a number of reports and manuals on local governance monitoring (CEDE, 2009).

At **provincial level**, Nampula Province, birthplace to decentralized (participatory) district planning and financing, has a national reputation for national and local NGOs with a focus on local governance. One of them is the Dutch NGO SNV, which, together with local partners, has engaged in local governance monitoring of districts, using a methodology developed in South Africa by the Institute for Democracy in South Africa (IDASA). Nampula CSOs have also been in the lead regarding instituting Provincial Poverty Observatories, working together with the provincial government through the latter's Coordinating Unit of Integrated Development of Nampula (UCODIN, *Unidade de Coordenação do Desenvolvimento Integrado de Nampula*) (ACS, 2010). Some proactive involvement of provincial CSOs in local government and decentralization monitoring has also been reported from other provinces, such as Niassa (Åkesson, Nilsson, 2006).

During the past 10 years the **media, both print and electronic**, at national and local levels has also taken an increasing interest in municipal and local governance affairs. Features and critical

reports on municipal and district governance have become quite common, notably in TV programs, which examine in depth achievements and challenges of decentralization, notably during periods of elections. The media can be considered a proactive stakeholder in decentralization. Local media, however, especially community radios, is an exception to this: not only is there not much of a competition between them (exception: Maputo) despite a rather low start-up and running cost, but also many of them are controlled, some even financed, by local leaders, i.e. municipal mayors, to whom the staff feel to owe loyalty, compromising their critical reporting. In highly contested municipalities, such as Nacala city, the local community radio station simply was closed down after the RENAMO mayor took over the reins of the city from his FRELIMO predecessor after the 2003 elections.

3.6 INSTITUTIONAL ARENAS: THE DONOR ARENA

Mozambique is one of the largest aid recipients in Africa with an average US \$58 per inhabitant, double the sub-Saharan African average of \$26 (Nuvunga, 2007, p. 39). Mozambique's multilateral and bilateral donors and international PAPs have had a keen interest in supporting democratic decentralization over more than the past decade as evidenced by their various projects and programs either aimed at municipalization (Austria, Denmark, Germany, Spain, Switzerland, UN Habitat, the United Nations Children's Fund (UNICEF), USAID, the World Bank) or at deconcentration within the PPFDF framework targeting OLEs (Germany, Ireland, Norway, Netherlands, Sweden, UNCDF/UNDP and the World Bank). Only Austria, Germany, Switzerland, and the World Bank have found it appropriate to more or less systematically support both approaches. Initially, the predominant aid delivery modality took the form of single, stand-alone projects, focusing on selected municipalities and/or districts and provinces. In 1998, PPFDF focused exclusively on Nampula districts where the project eventually became replicated in other provinces, financed by a common fund, and managed by a project management unit in the MPD. Ten years later all districts of all provinces were covered. In March 2010, after 12 years of accumulated and varied experiences, including the 'trial and error' type, the Mozambican government fully subscribed to the PPFDF within the framework of a national program. This is no longer supported by the donors individually, but rather via the modality of a common fund inscribed in the national budget and aligned to national procedures in terms of programming, budgeting, financing, and auditing (the 'non-common fund partners,' Germany and UNDP, are exceptions). A memorandum of understanding for what is now referred to as the *Programa Nacional de Planificação e Financiamento Distrital* (PNPFDF) was signed on March 18. The total volume is US \$46.3 million for the years 2010–2015, financed by Germany, Ireland, Switzerland, Netherlands, UNDP, and the World Bank.³⁶

In the field of municipalization, there is a movement towards a more coherent and aligned support program, financed through pooling of resources. In 2007–2008, three donors (Austria, Denmark, and Switzerland), who had individual programs supporting democratic decentralization in selected municipalities, joined forces and funding to design and implement a common program: the Joint Support Program to 13 Municipalities in Central and Northern

³⁶ Mozambique: Decentralisation Memorandum Signed With Donors. 18 March 2010. <http://allafrica.com/stories/201003190425.html>.

Mozambique (“P 13”).³⁷ Based at the Ministry for the Coordination of Environmental Action’s (MICOA, *Ministério para a Coordenação da Acção Ambiental*) Center for Sustainable Development – Urban Areas (CDS-ZU, *Centro de Desenvolvimento Sustentável – Zonas Urbanas*) in Nampula, the first phase of the program ends in December 2010, with a midterm evaluation and possible redesign in progress at the time of writing. Different to the previous programming, it uses a holistic approach, which includes municipal governance, capacity-building for strategic and operational planning, municipal finances, environmental and urban planning, as well as service delivery and infrastructure development. The budget for 2008–2010 amounts to MTn510,000,000, or US \$17 million. Technical assistance is provided via an international consortium identified through international procurement.

At present the World Bank (PROMAPUTO in Maputo) and Spain (Matola and Manhiça) continue with individual projects. GTZ, with their decentralization component under review at present, supports municipalities in Inhambane, Sofala, and Manica, in cooperation with the German Volunteer Services (Inhambane City, Vilankulo, Dondo, Gorongosa, Catandica, and Manica). USAID-financed PROGOV (partnering with Vilankulo, Chimoio, Gurue, Monapo, and Nacala) was discontinued in 2008. The U.S. Millennium Challenge Corporation (MCC) also has a project portfolio in municipalities and districts in Northern and Central Mozambique, basically related to the provision of road construction, water supplies, and land use planning and real property registers. This stand-alone program is not mainstreamed and aligned with national or other donor driven program and thus is relatively isolated from them.

There are a range of municipalities, including most of the newly created ones (in 2008), which have no donor support at all. Donor coordination is assured through the Decentralization Working Group, which meets more or less regularly. Initially the group was subdivided in two, one focusing on deconcentration and the other on democratic decentralization. The Working Group is part of the governance pillar within the framework of the memorandum of understanding on the implementation of the Paris Declaration agenda, juxtaposing the Mozambican government to the PAPs, comprising presently of 19 bilateral and multilateral donors.³⁸

During the Annual Joint Review progress in the implementation of the national Poverty Strategy Reduction Paper (PRSP) or PARPA (*Programa Acelerado da Redução da Pobreza Absoluta*) is monitored, using the Performance Assessment Framework (PAF) as a principal tool. Therein ‘decentralization’ is part of the governance pillar, together with public sector reform, anticorruption, and police and justice reform. Although government performance in the decentralization component was considered good, both in the recent Joint reviews and the Impact analysis of PARPA for 2006–2009, overall performance in governance was not satisfactory, from the PAP perspective. Major concerns were irregularities and uneven playing fields in the 2008 local government and 2009 general elections, lack of progress in fighting corruption and addressing conflict of interests of public figures in private business, and the politicalization of the public administration by FRELIMO. In the first months of 2010, this led to a crisis of confidence and a temporary ‘donor strike,’ resulting in a delay in disbursements of funds committed by donors during the last review.

³⁷ Beira, Cuamba, Dondo, Ilha de Mocimboa, Marrromeu, Metangula, Mocimboa da Praia, Mocuba, Montepuez, Nacala, Nampula, Quelimane, Pemba

³⁸ The US and Japan are not members of this group.

4.0 CONCLUSIONS

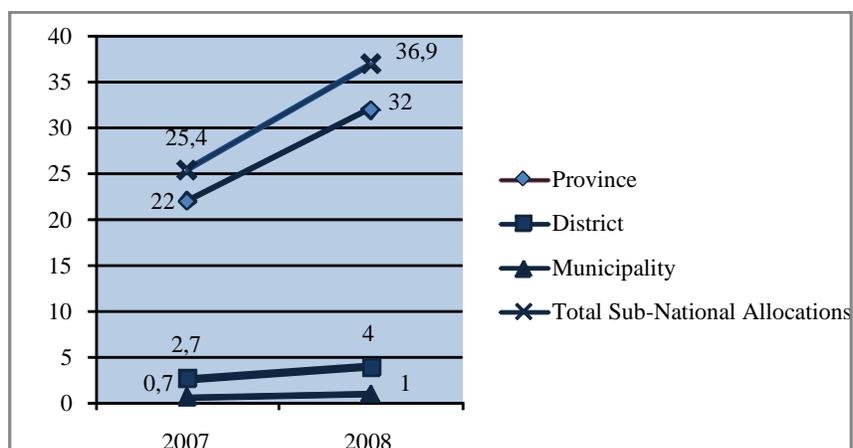
As this report has demonstrated, Mozambican decentralization has created a parallel subnational governance structure which divides local governments into the OLEs and *autarquias*, with decidedly more authority, autonomy, accountability, and capacity present in the *autarquias*. Although capacity constraints exist at all levels, uncoordinated sectoral ministry approaches to service delivery and infrastructure deficits are specific to the district level, while one-party dominance has grown and places formidable challenges to decentralization, services, and participatory governance in *autarquias*. Although the introduction of Provincial Assembly elections, the PPDF planning processes at the district level, and the presence of municipal level elections in 43 municipalities represent a ceding of central authority in a FRELIMO-dominant state to local decision-makers, most of them nevertheless represent the dominant party. Thus, a certain shift has occurred in favor of local political interests of this party, including regarding the accommodation of local party members in local government jobs. The presence of the IPPC and Consultative Councils at the district level introduces a level of accountability. Own-source revenue authorities at the municipal level are beginning to be exploited, with market revenues increasing and a culture of fee and taxation payment on the rise. This section will address some of the variations in decentralization in greater detail and offer some concluding questions to point the way forward.

4.1 VARIATIONS

4.1.1 VARIATION ACROSS SECTORS/ARENAS

In this section we compare endowment and performance of municipalities vs. districts only. The following figure provides an overview of the resource allocations to subnational governments as percentage shares of budgetary expenditure.

FIGURE 1: STATE BUDGET ALLOCATIONS TO SUBNATIONAL GOVERNMENTS, 2007–2008 (IN PERCENT)



Source: OE 2007 and 2008

Municipalities have less access to central government transfers than other subnational governments. As Figure 1 demonstrates, central government transfers to municipalities not only represent the lowest share for subnational governments but furthermore, during the same time period (2007 and 2008), transfers to all subnational governments increased considerably, notably those to provincial governments.

What is, however, more significant is to ask whether there are differences in effectiveness in the use of the allocated resources in producing public services and goods.

One way of analyzing this is by looking at the variation in performance between municipalities and districts, in relation to the execution of their respective annual plans. No systematic analyses exist. One of the few case studies, done by the Center for Public Integrity (CIP) and other NGOs and comparing performances of a sample of six district and three (rural) municipalities reveals **substantial differences** (CIP, 2009). Comparing selected planned activities (i.e., construction and public infrastructure projects) reflected in the respective annual plans with the actual execution and completion of these activities, the study concludes:

- Districts execute fewer projects than they plan relative to their municipal counterparts. In other words, municipalities manage to execute projects more effectively, despite resource constraints. This conclusion is confirmed by the aforementioned World Bank/ANAMM study; and
- Although municipalities fail to execute projects largely due to insufficient funding, districts perform poorly due to lack of institutional capacity. First, while district planning, following a bottom-up logic, occurs under conditions of uncertainty concerning the eventual resource endowment for the execution of the plans, municipalities generally have a better comprehension of their resource entitlement and constraints, leading to more realistic plans. This results from the fact that many resources are transferred to districts via sector ministries, with the district administration not having sufficient *ex ante* information about allocations. Second, local, provincial, and national plans, all relevant to the district, are not harmonized and dovetailed. Third, other actors, notably the provincial government and the sector ministries, are implementing agents for more planned projects than the district administration itself. Finally, the incremental approach to budgeting (at central level) prevents both districts and provinces from funding the full cost of a planned project. It is estimated that provinces regularly only receive 30 percent of funding for the annual plans submitted to central government.

There are also **common features**. Both types of local government have too many ambitions and unrealistic plans, resulting in an overall execution rate of less than 50 percent of planned activities. This low rate is also a function of cumbersome procurement procedures stipulated by the procurement Law 54/2005, as well as the general lack of private sector enterprises with sufficient financial and technical capacity to participate in public tenders. In both types of local governments, participation of the local population is weak. In the case of the districts, local governments are more interested in OIL money than in PESOD implementation. And in the municipalities, Municipal Assemblies are not proactively participating in monitoring the execution of the projects which they have approved. In conclusion, the study suggests that under the prevailing circumstances, the district is unable to assume the responsibility of being the key

territorial unit for planning, whereas in the case of the municipalities, the major constraint is lack of resources.

4.1.2 VARIATION ACROSS ACTORS

The Mozambican Constitution stipulates that: “local authority’s objective is to organize the participation of citizens in the solution of the problems of their communities, promote local development, and deepen and consolidate democracy.”³⁹

As this report demonstrates, Mozambican decentralization has had some success with municipal decentralization. Unlike provincial and district levels of government, both the Municipal Executive and Assembly members are elected and this creates some pressure to perform. Revenues in cities like Beira and Maputo have grown and the Inspector General and Administrative Tribunal have hosted training programs on topics such as financial statements, which at least 20 municipalities have attended. However, devolving responsibilities for health and education services to municipalities is premature, given that the resources to conduct these activities would also need to be decentralized.

Focusing on **municipalities**, we look at variations among them, focusing on two scores, namely municipal governance and on revenue. Concerning governance, a survey commissioned by USAID examined the five partner municipalities of PROGOV, based on a representative sample of 600 households in each of those municipalities. It looked at indicators for measuring their performance in good governance, such as access to and trust in municipal institutions, participation in planning and local affairs, satisfaction with public goods and services, and anti-corruption measures. The results are as follows:

TABLE 1: MUNICIPAL GOVERNANCE: PERFORMANCE INDICATORS FOR FIVE PROGOV MUNICIPALITIES (Scale: from 0 (“worst”) to 100 (“best”))

	GENERAL	CHIMOIO	GURUÉ	MONAPO	NACALA PORTO	VILANKULO
Index of Access	27	26	25	27	34	25
Index of Trust	58	48	50	75	54	61
Index of Participation	37	31	40	41	36	36
Index of Satisfaction	52	41	45	67	49	57
Index of Corruption	57	45	51	68	53	67
General Performance Index	46	38	42	57	45	49

Source: de Brito et.al. 2007, p. 71

The sample is not representative of all Mozambican municipalities since it has a bias towards medium- and small-sized *autarquias*. With a confidence level of 95 percent and a margin of error of 4 percent, the results are, however, highly significant for the selected municipalities. Among them the best performers are the small, rural municipalities of Monapo (with a strong agricultural

³⁹ GoM, Constitution as altered by Law no. 9/96, November 22, 1996, Title VI, Local Authority, Article 188, section 1.

base) and Vilankulo (tourism and commerce), whereas the capital of Manica Province, Chimoio, holds the lowest rank, despite the inverse relationship concerning (technical) capacity. A key difference among them is the presence (or absence) of proactive leadership and effort. Additional common features among the five are: i) the citizens are reasonably well informed about their rights and duties, and those of the municipal institutions; ii) participation as well as an enabling environment for it is generally lacking, and the elected Municipal Assembly is far from being the preferred interlocutor of the citizens, who have doubts about the body's legitimacy; iii) the general perception of corruption is on the increase; and iv) the lack of adequate water supplies and roads as being the major challenge.

Looking at **revenue** in five other small municipalities, a recent comparative study on financial performance provides the following picture:

TABLE 2: EVOLUTION OF REVENUE PER CAPITA IN FIVE SMALLER MUNICIPALITIES, 2004–2008 (MILLION MTN):

Year	2004	2005	2006	2007	2008
Own Revenue per capita	000.000 MTn				
Ilha de Moçambique	24	32	34	30	33
Metangula	21	18	28	38	50
Cuamba	40	40	43	46	42
Mocímboa da Praia	25	Nd	34	27	35
Marromeu	Nd	Nd	46	48	38
Total Revenue per capita					
Ilha de Moçambique	96	118	124	133	170
Metangula	88	164	513	331	631
Cuamba	100	102	147	168	391
Mocímboa da Praia	163	Nd	134	135	182
Marromeu	Nd	Nd	73	221	70

Nd: no data available; Source: Hassam, 2008, based on data provided by municipalities

The data shows that only Metangula, the smallest among the five, has made a substantial effort to increase the collection of own-source revenue (mostly tax revenue), having more than doubled the yield between 2004 and 2008, followed by Mocimboa da Praia. The case of Metangula is particularly interesting because in the same period, total revenue increased more than aid and transfers, which means that the effort was made despite the availability of non-earned external funding. In Ilha and Cuamba, there has been no real additional effort, and in Marromeu the effort and yield declined. As stated elsewhere, the data confirms the common feature of all municipalities to depend more on external funding (transfers, aid) than on own resources.

The horizontal variation (between municipalities) is influenced not only by (own) effort, but also availability or not of external funding (Metangula is an exception). Central government transfers vary with the size of population and territory (which count 75 percent and 25 percent respectively) in calculating the transfers. Thus, the less populated municipalities benefit considerably less in comparison to the more populous ones. From 1998–2007 Maputo, Matola, Beira, and Nampula, representing over 50 percent of the municipal population, absorbed 50 percent of total transfers. In relative per capita terms, municipalities with greater resources received a bit less than three times the amount the municipalities with fewer resources received.

The distribution pattern is two times more unequal in the case of the FIIL in relation to the FCA (ANAMM, World Bank, 2009:111). Aid, in aggregate terms the most important source of municipal revenue, also varies considerably (Ibid). Some municipalities have had bilateral and multilateral aid partners for quite some time, whereas others had to cope with the same challenges of municipal development alone. According to ODAMOZ statistics, aid has been concentrated on eight municipalities (Maputo, Beira, Pemba, Matola, Xai Xai, Nampula and Ilha de Moçambique). In per capita terms, during the period 2004-2007 aid varied between US \$1 (Monapo, Angoche) and \$30 (Pemba, Manhiça), with an average of \$23 annually.

Municipalities collect a series of fees and taxes, of which market fees constitute more than 50 percent of own-source revenue in many municipalities. Both Maputo and Beira, for example, have seen an increase in own-source revenue. From 2004 to 2007, tax collection has increased by 30 percent in Maputo and 36 percent in Beira, with fee collection in Beira growing 87 percent in the same time period.⁴⁰ Both Beira and Maputo have seen an explosion in trash fee collection (a 98 percent and 114 percent increase, respectively, since 2004). However, central government transfers have also grown, especially in the area of infrastructure investment. From 2004 to 2007, FIIL transfers have grown by 60 percent in Maputo and 92 percent in Beira with FCA transfers growing by 31 percent in Maputo and 39 percent in Beira for the same time period. Although municipal capacities have improved in 10 years, the central government continues to support municipalities substantially through the FCA and FIIL.

What is the picture regarding to the **deconcentrated district OLEs**? A recent major study examined Local Councils (LCs) (IPPCs) in 14 districts of seven provinces, focusing on their contribution to and satisfaction with participatory district planning and its outcomes.⁴¹ The authors note substantial differences, which vary with factors such as i) leadership, both by officials and representatives of LCs; ii) experience with participatory approaches; iii) the support and training received concerning capacity-building by government officials and NGOs, and the available resources for active participation. In the districts of Nampula province, the birth of institutionalized decentralized participatory planning and financing have a successful experience, together with those of Manica Province, which has been counting on support from the German technical cooperation for more than 15 years. They normally produce good quality planning documents. Those LCs from Niassa and Gaza provinces are lagging behind, since participatory planning has only recently been introduced. Inhambane and Zambezia have a more mixed picture, with the districts in the latter province experimenting with innovative approaches to the detriment of producing tangible results. Concerning the outcomes of participatory planning, the report stresses that respondents in Niassa, Inhambane, and Gaza are more satisfied in comparison to their counterparts in Zambezia, Manica, and Nampula, despite the long experience and the good quality of the planning in the latter two provinces. At least for Nampula the reasons are quite clear: people are, as a result of the long experience, more aware and technically more competent concerning the process, and thus capable of making more critical assessments. They not only object to the increasing politicization of participatory planning by the ruling party but also the abuse of power by local administrators and the wide spread elite capture of its benefits

⁴⁰ Conselho Municipal de Maputo, *Contas de Gerência 2004, 2005, 2006, 2007*; Conselho Municipal da Beira, *Contas de Gerência 2004, 2005, 2006, 2007*, author's calculations.

⁴¹ SAL and Massala Consultorias, *Analysis of Experiences relating to community participation and consultation in district planning in Mozambique. North, central and southern regions (Niassa, Nampula, Tete, Zambézia, Manica, Inhambane and Gaza Provinces)*. Unpublished: 2009.

(ACS, 2010). Public statements, by local residents on the occasion of presidential visits to districts ('open Presidency') reported in the media testify to this.

More important, however, are common features and challenges, to which the study alludes, which partially confirm some of the previous observations. These include:

- There is no 'organic' link between planning and budgeting, and, between the PESOD and the OILL;
- The LCs are generally little and not systematically informed, by central, provincial, and local governments about changes of policies and procedures, guidelines, dates for planning meetings, and deadlines; local media is not systematically used to publicize the planning results, budgets etc. among the broader population;
- Often, the recurrent expenditures for the LC (meetings, travel, documentation) are ignored in the local budget;
- The capacity of LCs to monitor the execution of plans and budget, governance performance, and corruption is extremely weak;
- Despite some progress in documentation, institutional memory of the LCs is generally very weak; and
- The gender balance in LCs has improved over the past few years.

Despite LOLE, the GoM's implementation of decentralization outside the *autarquias* remains minimal, as evidenced by the previous sections. This is attributable to many factors. Regional variation in terms of capacity and capabilities stymies performance. A lack of authority to generate and retain revenue at the provincial and district levels and a lack of elections inhibits incentives for improved performance. Districts remain remote, posing real access issues, creating a stark difference between urban centers experiencing development next to rural villages with no running water, electricity, or infrastructure. Across subnational government, two impediments remain: lack of professionalization of staff and lack of political competition. Many subnational governments, especially provincial and district governments, retain their colonial structures and a strong tie to the central government, employing the same staff that was there previous to decentralization.

4.2 COMPARATIVE LESSONS

A couple of important lessons can be drawn from the analyses in the forgoing chapters:

- a) Concerning municipalities, their **size** matters only when it comes to revenue and to the capability of producing infrastructure and services. The smaller ones are considerably less endowed with resources and have a small tax base. But this does not mean that they lack good **performance** when it comes to own-revenue mobilization (including aid) and good governance. They are doing often much better than the bigger towns and cities. However, the smaller municipalities face serious challenges with regard to their sustainability, as measured by the capacity to finance recurrent expenditure by own-revenue. Unless the formula of **intergovernmental revenue sharing** in favor of the smaller *autarquias* is introduced, they will continue to face considerable fiscal stress, with expenditures (and citizen expectations) by far exceeding the available resources;

- b) Municipalities are in need of increased investment into **financial management systems** and tools (i.e. registers, cadastres) enabling them to tap into and effectively administer a hitherto insignificant part of their **tax base**, namely property and property transaction taxes;
- c) **Participation of citizens** in municipal affairs, either directly or via the elected Municipal Assemblies, is rather limited. Despite some good examples of participatory planning, it is not a common practice across the whole spectrum of *autarquias*. The passivity of the Municipal Assemblies, expensive to support via the municipal budget but ineffective in its results, casts doubts on their legitimacy, and, as such, on the model of democratic decentralization, unless ways are found to complement (formal) democratic participation with practices of participatory democracy in planning and budgeting;
- d) The **planning and budgeting cycle** and the tools for it seem adequate, and produce increasingly the required outputs (plan of activity and budget, *Conta de Gerência*), often with difficulties in terms of quality and timeliness. Scarce resources (of smaller municipalities) and considerable levels of recurrent expenditures (salaries and goods and services) notwithstanding, public infrastructure and services are increasingly produced, making the municipalities quite effective in the implementation of their projects and production of services;
- e) In comparison, **OLEs at district and sub-district levels**, although generally much better endowed with resources (including OIIL, sectoral funds from central and provincial governments) face major challenges. These include:
- Lack of harmonization of planning, budgeting, and execution at district level, where a multiplicity of actors intervene simultaneously, with little coordination and common information base;
 - Separation of planning and budgeting, each following a different logic;
 - Lack of efficiency and transparency in implementing plans;
 - Frequent changes in the delivery modality of the OIIL, with widely perceived opaque and corrupt practices surrounding the access to and distribution of the funds; and,
 - Despite considerable progress with the participation of LCs and IPPCs in district planning involvement, there is a lack of capacity, information, and resources to do better, especially with regard to monitoring the execution of governance-related performance plans.
- f) Given their considerable difference in the institutional frameworks, the rights of their citizens, their resource endowments on the one hand, and the lack of comparative studies on the other, it is difficult to **compare OLEs and municipalities** with regard to key criteria for successful decentralization, such as efficiency in resource use, responsiveness to the tax payer and electorate, and the production and distribution of basic services. However, most of the evidence presented in this study suggests that municipalities, specifically, tangible results stemming from the devolution model of municipalization, have fared somewhat better than that of the deconcentration model. If factors such as the higher degree of (formal) democratic legitimacy the *autarquias* have over their OLE counterparts or the positive correlation between taxation and state-building suggested by Bräutigam et al. (2008) are taken into consideration, this assessment may be even more positive: municipalities provide a more fertile institutional environment and arena for the emergence of citizens with an awareness of

their rights and duties. The aforementioned study on the five PROGOV municipalities confirms this view: on average 72 percent of respondents would even pay higher taxes to get better services from their local governments. Focus groups conducted in an additional four municipalities—Beira, Maputo, Dondo, and Matola—also confirm this finding;⁴²

- g) In **conclusion**, the deconcentrated OLEs have not passed the litmus test of successful decentralization. From a political economy perspective, however, one of the motivations for deconcentration may have been to consolidate FRELIMO state power in Mozambique and minimize the constituencies of the opposition. The concern is that this is increasingly the case also in the municipalities, which have shown some vigor and resilience in not only surviving, but producing what is expected from them, despite a playing field tilted to their disadvantage.

4.3 FINAL QUESTIONS

The past 12 years since the first municipal elections have provided decentralization observers an opportunity to study successes in Mozambican decentralization. Three successful municipal elections have introduced competition into local Mozambican politics absent from the national arena. All municipalities incorporate some form of participatory consultation whether by advertising hearings in the local press or creating councils at a neighborhood level to deliberate on infrastructure projects. Disaggregated revenue data for central government transfers for the FIIL and FCA has become increasingly available, as well as aggregate data on transfers to provinces and districts. Municipalities are making their budget data increasingly available by posting it at city hall and engaging in participatory consultation. Services like trash collection have greatly improved as evidenced in Beira and Maputo. Donors, like USAID, World Bank, Austrian Cooperation, Swiss Cooperation, Italian Cooperation, GTZ, and Danish International Development Agency (DANIDA) have capacity-building and infrastructure investments in cities like Maputo, Dondo, Cuamba, Ilha de Moçambique, Beira, and Mocimboa da Praia.

Decentralization has brought about increases in own-source revenues at the local level and improvements in service. These improvements should continue to be consolidated in the 10 new *autarquias* with a focus on improving own-source revenue collections and working with donors on a coordinated development strategy modeled after the PROMAPUTO process.

Looking ahead, a number of important questions must be asked:

- Can one think of a revenue sharing formula, which not only results in increasing transfers, including a part of aid resources, but link transfers also to performance of municipalities in utilizing their own tax base?
- Given the horizontal resource imbalances between municipalities, should not the vertical compensation (between central government and municipalities) be complemented with a horizontal component, which corrects these imbalances in favor of the smaller and less endowed *autarquias*?
- Is it politically wise to increase the number of municipalities, taken into consideration that these most likely will lack the resources to become sustainable?

⁴² Findings are the result of assessments gathered from over 100 participants in 11 focus groups in the four cases mentioned above. See Beatrice Reaud, "The Buck Stops Where? Service Delivery and Accountability in Mozambique," unpublished doctoral dissertation, American University, May, 2010, for more details.

- What is the relationship, in terms of economic transaction, migration, cost and benefits etc. between the municipalities and the surrounding districts, and how can this relationship be reflected in more integrated municipal special and infrastructure planning?
- What are viable strategies to stem ‘decentralized corruption’ in all subnational governments?

The relative successes of the Mozambican decentralization approach are largely confined to the municipal level and exclude the majority of Mozambicans who live in rural areas. Provincial and district level government is still plagued by a lack of political, fiscal, and administrative autonomy. The Provincial Assembly elections held in 2009 are a substantial step in the direction of provincial political autonomy. However, the ultimate decision-making authority remains the presidentially-appointed provincial governor. Even with elections, political competition at both the provincial and municipal levels remains low. Despite the existence of IPPCs and Consultative Councils, there is no political autonomy at the district level. Provincial and district governments pass through receipts to the central government level and lack any real fiscal authority to collect and keep fees or taxes. The GoM undertook a data exercise to profile all its districts, which is useful but disaggregated budget data on district-level expenditures and collections remains widely inaccessible. Disaggregated personnel data at a provincial and district level and how these personnel are hired, appointed, and retained is similarly opaque.

Moving forward, Mozambican decentralization should also review the role of provincial and district levels of government by asking the following questions:

- What are the major sources of own-source revenue at the provincial and district levels and what revenue-generating functions and corresponding services can be decentralized?
- What are revenue-growth opportunities for provincial and district governments?
- To what extent can property tax collection at the municipal level be further incentivized?
- To what extent can district level representative bodies (like the IPPC and Consultative Councils) be elected instead of appointed?
- How can line agencies coordinate better to deconcentrate responsibilities more uniformly to districts and provinces?
- How can line agencies, MPD, MAE, and the Ministry of Finance enhance cooperation in budget formulation with provinces and districts to make it a more bottom-up rather than top-down formulation process?
- How can communication among provincial, district, and municipal levels on service provision be enhanced and strengthened?
- How can responsibilities and territorial lines among subnational governments be better defined so that provincial, district, and municipal levels are coordinating, instead of duplicating, their efforts?
- How can the “outside the framework” (*fora do quadro*) and “within the framework” (*dentro do quadro*) review process be streamlined to allow for quick local hiring?

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APPENDIX 2: TABLES

TABLE B-1: DEGREE OF DECENTRALIZATION AND CAPACITIES BY SUBNATIONAL UNIT

Subnational Unit	Type	Degree of Decentralization	Capacities
Municipality (Autarquia)	43 municipalities	High	Devolution: Three successive municipal elections (1999, 2003, 2008) for mayor and Municipal Assembly. Only subnational government which can charge and keep fee receipts (market and trash fees) and taxes (municipal and property taxes). Responsible for drainage infrastructure, market infrastructure, licensing and regulation of buildings, policing, public health and sanitation infrastructure, and management of urban space. Funded primarily through central government transfers with varying degrees of reliance on own-source revenue.
Province	11 provinces	Medium	<p>Partial Devolution: First Provincial Assembly elections held in 2009. Assemblies can comment on Provincial Governor's proposals but have no power to reject plan. Governors, appointed by central government, recommend appointment of district administrators to MAE.</p> <p>Deconcentration: Provincial services are an extension of the central government sectoral ministries. Charged with coordinating responses for natural disasters on behalf of central government. Service provision occurs in the directorates at both the provincial and district levels (vertical alignment). Collects fees and taxes on behalf of the central government. District and provincial budgets are considered separately from <i>autarquia</i> budget.</p>
Districts	128 districts	Low	<p>Partial Deconcentration: IPPCs and Consultative Councils are appointed, not elected. Like municipalities and unlike provinces, districts are responsible for providing services such as solid waste management and public illumination within their territory. Works with provincial government in coordinating response to natural disasters. Service provision occurs in the directorates at both the provincial and district levels (vertical alignment). Districts are accountable to both provincial and central government levels but very little accountability to citizens ("double subordination"). The PPFD planning process deconcentrated to districts planning for economic development (<i>Plano Estratégico Distrital de Desenvolvimento</i>, PEDD) and budgeting (<i>Plano Económico e Social e Orçamento Distrital</i>, PESOD). Collects fees and taxes on behalf of the central government. District and provincial budgets are considered separately from <i>autarquia</i> budget.</p>

TABLE B-2: MOZAMBICAN DECENTRALIZATION TIMELINE

Mid 1980s	Election of local party officials, provincial governors and ministers appointed within the doctrine of socialist 'democratic centralism'
1990	National Assembly approves first multi-party Constitution
1992	Rome Peace Accord, End of Internal War
1994	Decentralization legislation (Law 3/94) passed by FRELIMO National Assembly (gradualist introduction of devolution model for rural and urban municipalities). First multiparty Presidential and National Assembly elections held
1995	First local government elections postponed
1996	Constitutional Amendment introduces two types of local government: devolution/autonomy to urban municipalities, deconcentration to rural districts and <i>gradualismo</i> policies
1997	Laws 2/97, 7/97, 9/97, 10/97, and 11/97 (<i>Pacote Autarquico</i>) designated the 33 original urban municipalities and vested them with political, administrative and fiscal authorities
1998	First Municipal Elections RENAMO boycott FRELIMO wins all 33 mayoral elections First guidelines for district planning published First district development plan and introduction of PPF process
2003	Law 8/2003 'Local Agencies of the Central State (OLE, <i>Órgãos Locais do Estado</i>) passed Decree 63/2003 created the 'Representative of the State' Second municipal elections held; five of the 33 municipalities gained RENAMO mayors
2005	Constitution reconfirms parallel system (OLEs v. <i>autarquias</i>), introduces Provincial Assemblies
2006	OIL funding approved for districts (' <i>7 bilhões</i> '). Regulation for transfer of additional competencies to municipalities approved
2008	Finance law amended to provide additional revenue authorities to <i>autarquias</i> (vehicle tax, property transaction tax and improvement tax) and reduce the FCA and FIIL transfers from 3 percent to 1.5 percent of central government own-source revenue
2008	Law 3/2008 designated an additional 10 municipalities Third municipal elections held FRELIMO wins 42 of the 43 mayoral seats
2009	First Provincial Assembly Elections held
2010	Guebuza government reconfirms its commitment to decentralization

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