

MOZAMBIQUE

UNITARY COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: LOW INCOME

LOCAL CURRENCY: MOZAMBICAN METICAL (MZN)

POPULATION AND GEOGRAPHY

Area: 799 380 km²
Population: 29.669 million inhabitants (2017), an increase of 2.9% per year (2010-2015)
Density: 38 inhabitants / km²
Urban population: 35.5% of national population
Urban population growth: 4.4% (2017 vs 2016)
Capital city: Maputo (3.7% of national population)

ECONOMIC DATA

GDP: 37.0 billion (current PPP international dollars), i.e. 1 247 dollars per inhabitant (2017)
Real GDP growth: 3.7% (2017 vs 2016)
Unemployment rate: 25% (2017)
Foreign direct investment, net inflows (FDI): 2 319 (BoP, current USD millions, 2017)
Gross Fixed Capital Formation (GFCF): 24.6% of GDP (2017)
HDI: 0.437 (low), rank 180 (2017)
Poverty rate: 62.9% (2014)

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

Mozambique is a democratic republic with a unicameral parliament (the Assembly of the Republic). The head of state and government is the president, directly elected through universal suffrage. The president may serve a maximum of two consecutive five-year terms. He appoints the prime minister and a council of ministers. The Assembly of the Republic has 250 members, elected via universal suffrage to serve a five-year term.

Mozambique is a unitary country with two levels of subnational governments. Decentralisation was initially contemplated in a dedicated chapter of Mozambique's First Constitution of 1975, enacted by the Liberation Front (FRELIMO). It foresaw the creation of local governments, which, alongside the executive organs designated by legislation, would include representative bodies of elected citizens. These representative bodies would "organize the participation of citizens in the resolution of the problems of their communities and in the promotion of local development". Then, democratic rule of law based on political pluralism and the separation of powers was included in the 1990 Constitution, which also created new municipalities, and provided for municipal elections and a transformation of relations between levels of government (Art. 185). Local government was further acknowledged by amendment, in 1996. Mozambique's current Constitution, adopted in 2004, was amended in 2007 and 2018 to recognize the political autonomy of Provinces in relation to the administrative bodies of national government acting in their territory. The 2003 Local Organs of the State Act, which is part of the legislative framework, specifies the roles and functions of the deconcentrated government bodies at the various territorial levels and their relations with local governments. It assigns to deconcentrated government bodies functions that sometimes overlap with those of decentralized government bodies, creating in some cases some confusion about the decentralized or deconcentrated nature of particular intermediate levels of government.

The new constitutional provisions adopted in 2018 are intended to strengthen the decentralization process in relation to the architecture of the deconcentrated public administration.

The Ministry of State Administration and Public Service (MAEFP) is responsible for overseeing the implementation of laws governing local government. In addition, together with the MAEFP, the Ministry of Economy and Finance is responsible for overseeing financial and fiscal procedures of local governments.

TERRITORIAL ORGANISATION

2018	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	Municipalities (<i>Municípios</i>)		Provinces (<i>Províncias</i>)	
	Average municipal size: 559 622 inhabitants			
	53		11	64

OVERALL DESCRIPTION. Mozambique is a unitary country divided into 11 provinces and 53 municipalities. The provinces are further subdivided into 154 districts which correspond to deconcentrated administrative entities. Municipal units are classified either as cities or towns and their boundaries do not cover the whole territory. For administrative and electoral purposes, in provinces, the deconcentrated districts are further divided into administrative posts, localities and villages (*povoações*). Likewise, all municipalities are divided into urban districts (in the specific case of Maputo, the capital city), municipal administrative posts and neighborhoods (*bairros*).

MUNICIPALITIES are established by the Constitution. In 2018, the Constitution was amended to introduce modifications to the electoral process. Starting in the 2019 general elections, the mayor will be elected indirectly from among the municipal councilors. Citizens will not be required to cast different votes for the municipal council and the municipal assembly: they will cast one vote for the assembly and the head of the list with the most votes will become the head of the council.

Municipalities have -in principle- a considerable degree of political autonomy and discretion to deliver urban public services. Act 2/97 established the legal framework for the creation of local government units, which are set to include municipalities and villages. Article 2 sets out that municipalities correspond to the territorial circumscription of cities and towns, while villages correspond to the territorial circumscription of administrative posts. Act 2/97 supplemented by Acts 4/97, 5/97 and 6/97, also created the local governments of Maputo City together with the other ten provincial capital cities and the ten largest municipalities. In 2013, 22 additional cities and ten towns together with 16 new districts were established. There are still 108 towns without an assigned

legal status. Although they cannot be strictly considered as intermunicipal cooperation mechanisms, municipal councils nevertheless provide a platform for multi-stakeholder collaboration at the level of municipal territories.

DISTRICTS AND PROVINCES. Districts are referred to as local organs of the state (Act n° 8/2003) to differentiate them from the municipalities. Currently, there are 154 districts with 154 consultative councils. These councils are composed of members of the district government (the district administrator, the directors, and the chiefs of administrative posts), together with the presidents of municipal councils, community authorities, and representatives of economic, social and cultural organizations in the district.

The Provincial level include 10 provinces and the capital city of Maputo. Provinces have elected Provincial Assemblies (Act no 5/2007), but the Assemblies have little or no real authority over the functioning (or financing) of state organs within their province. Following the constitutional amendments of 2018, the National Electoral Commission established that in the next two general elections, provincial governors - in 2019 - and district administrators - in 2024 - will be elected by the winning party in the legislative elections (and no longer appointed by the President, but still subject to his final approval).

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

Municipalities exercise their responsibilities under the supervision of the Local Organs of the State (Act 8/2003: the “Provincial Government” or “District Government”). Their primary objective is to guarantee the fulfillment of economic, social and cultural tasks and programs of local and national interest, (Act No. 2/97, article 8). General functions of municipalities include (i) maintenance of peace, order, and good government (ii) social welfare and economic well-being (iii) social and economic development in line with national policies (iv) regulation and improvement of agriculture, trade, commerce and industry (v) furtherance and enhancement of the health, education, and the social, cultural and recreational life of the people, and (vi) relief of poverty and distress. In addition, autonomous bodies are in place to address certain collective needs (e.g. the FIPAG for public water supply); they are managed in an entrepreneurial manner and enjoy administrative and financial autonomy.

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

	PROVINCES	MUNICIPALITIES
1. General public services	Administration and operation of general services	Cemeteries and crematoria
2. Public order and safety	Fire protection and civil protection (shared with national government)	Traffic lights
3. Economic affairs/transport	Trade and industry (shared between all levels of governments); Tourism (shared with municipalities); Consumer protection; Road network, ports and airports (shared with all levels of government); Electricity and gas services	Local economic development; Local trade and industry (shared with all levels of governments); Tourism (shared with provinces); Public transport, urban roads, ports and airports (capital cities, shared with all levels of government)
4. Environmental protection	Climate protection and nature protection (shared with national government)	Maintenance of parks and open spaces; Sanitation; Waste management
5. Housing and community amenities	Regional and town planning	Housing management and construction; Water supply; Street lighting
6. Health	Primary care and maintenance of hospitals (shared with national government)	
7. Recreation, culture & religion	Promotion of cultural activities (theatre and concerts); Maintenance of museum and libraries	Sports and leisure facilities; Religious facilities
8. Education	Vocational, technical and adult education (shared with national government)	
9. Social protection		Relief of poverty and distress

SUBNATIONAL GOVERNMENT FINANCE

Scope of fiscal data: provinces and municipalities.	SNA 1993	Availability of fiscal data: Low	Quality/reliability of fiscal data : Medium
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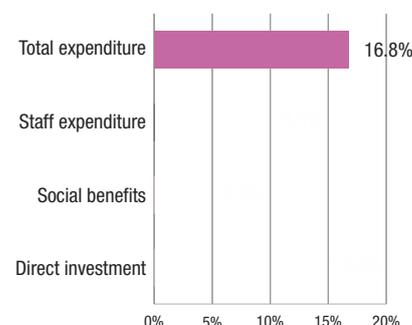
GENERAL INTRODUCTION. The Mozambican public sector revenue system is highly centralized. The Government’s objectives for fiscal decentralization are derived from the Policy Paper on Local Government Reform of 1997 and Act n° 8/2003 which aims at enhancing the efficient management of both locally generated and centrally disbursed financial resources. Act N°1/08 which repealed the original Act N° 11/97, redefined the financial and budgetary regimes of the municipalities.

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UNITARY COUNTRY

SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2016	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE	% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)
Total expenditure	65	5.4 %	100 %	
Incl. current expenditure				
Staff expenditure				
Intermediate consumption				
Social expenditure				
Subsidies and current transfers				
Financial charges				
Others				
Incl. capital expenditure				
Capital transfers				
Direct investment (or GFCF)				



EXPENDITURE. About one-third of public sector spending in Mozambique takes place at the subnational level. 16.6% are carried out at the deconcentrated level by districts and 16.8% directly by sub-national governments: about 15.2% at the provincial level and 1.6% at the municipal level. More than 4/5 of SNG's expenditures are current expenditures, less than 1/5 are capital expenditures.

SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG



SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY

	DOLLARS PPP / INH.	% GDP	% GENERAL GOVERNMENT REVENUE (SAME REVENUE CATEGORY)	% SNG REVENUE
Total revenue				
Tax revenue				
Grants and subsidies				
Tariffs and fees				
Property income				
Other revenues				

OVERALL DESCRIPTION. As established in Act 8/2003, the financing of a large majority of expenditures at the provincial and district levels is based on (1) budgetary transfers coming from central funds to finance current and capital expenditures, (2) shares of central fiscal revenues assigned to provincial and district levels, and (3) donations from private NGOs and from bilateral or multilateral international cooperation. The 2008 fiscal reform restructured the conditional grants which fund most local expenditures by reducing conditionality (i.e. with the introduction of “block grants”). It also reduced the transfers from the central government to municipalities (through the Municipal Compensation Fund) from 3 to 1.5% of total public revenue. In return, it has conceded to municipalities both fiscal (concession of land use rights, ability to raise property and vehicle tax) and non-fiscal (economic and market activities and user fees) revenue sources. In 2016, the total revenues of municipalities were about 5 PPP dollars per inhabitant, of which 80% was composed of tax revenues (both shared and own-revenue) and less than 10% of grants and subsidies.

TAX REVENUE. According to the fiscal reform of 2008 (Chapter IV, Act 1/ 2008 on Municipal Finances and Decree 63/2008 (Municipal Tax Code)), local taxes include the tax on immovable property transactions (SISA), property tax, vehicle tax and municipal personal tax (IPA). However, municipalities have limited capacity to collect tax-revenue as budgeted. In 2016, property taxes accounted for 6% of SNG revenue which corresponds to 0.03% of the GDP. By law, municipalities, and now provinces, receive a share of national taxes. These include the tourism tax, which is collected by local businesses, vehicle taxes and some income taxes for people working locally. According to the Commonwealth Local Government Forum, the amount of the tourism tax and the vehicle tax transferred to municipalities represents 30% and 75% respectively of the corresponding tax revenues of the general government.

GRANTS AND SUBSIDIES. In Mozambique, the "function-follow financing" principle is enshrined in the legislative framework of municipal finance (Chapter III, Law 1/2008). Direct transfers from central government to municipalities come from (i) the Municipal Compensation Fund (FCA); (ii) Sectoral funds and (iii) the Local Initiative Investment Fund (FIIL). The transfers from FCA and FIIL are established in the annual budget of national government, and take the form of recurrent and capital grants from the central government based on a formula. The formula is published in the annual budget and takes into account (i) the surface area of the local government, (ii) the population, (iii) the level of development and (iv) the success in collecting taxes. Provincial capital cities also receive the Urban Poverty Reduction Fund (FRPU). In addition, in some cases, municipalities receive funds through development cooperation.

■ SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
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Total outstanding debt

Financial debt*

* Currency and deposits, loans and bonds

FISCAL RULES. The State Financial Management System (SISTAFE, in Portuguese) was established by the state budget law of 2002 as an integrated set of budgetary principles and rules. These principles include: the annuity of budgetary laws; the unity and public nature of the general State budget; the annual balance of the budget; and the principle of "non-compensation" (i.e. all income and expenditure must be liquid assets). All levels of government must comply with these principles.

DEBT. Municipalities may borrow with the approval of the Ministry of Economy and Finance, although borrowing is indeed considered as an "extraordinary" scenario (Article 18 Act 1/2008) which only applies in three cases: a) for reproductive investments and investments of social or cultural character; b) coverage of extraordinary expenses necessary to compensate for losses incurred in the event of a public disaster, and c) coverage of the needs of local authorities for financial recovery, following the execution of a previously concluded financial rebalancing agreement.

Short-term loans (Article 19) from national financial institutions are authorized to deal with occasional cash-flow difficulties. However, recourse to bank credit must meet two criteria: (a) the amount must in no case exceed the equivalent of three-twelfths of the amount that each of the transfers from the FCA shall bear, and (b) shall be written off at the end of the respective fiscal year. Loans can also be contracted by autonomous institutions (for example public companies) and local public companies can resort to credit under the terms of special regulations to be established by government decree.



Lead responsible: UNCDF
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Socio-economic indicators: World Bank // UNDP // UN Desa // ILO.

Fiscal data: MEF (2018) Relatório de Execução do Orçamento do Estado, 2017 // MEF/TA (2017) Conta Geral do Estado, Ano 2016.

Other sources of information: Cities Alliance and UCLGA (2018) Assessing the institutional environment of local governments in Africa // MAP Consultoria (for MEF) (2017) O Sistema de Transferências Fiscais Intergovernamentais em Moçambique // CLGF (2017) Mozambique Country Profile // USAID/ARD (2010) Comparative Assessment of Decentralization in Africa: Mozambique Country Assessment Report // Y-A Fauré and C. Udelsmann Rodrigues (2011) Descentralização e desenvolvimento local em Agola e Moçambique: Processos, terrenos e atores.