

ECONOMIC DEVELOPMENT & INSTITUTIONS

Mozambique at a fork in the road

An Institutional Diagnostic

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Foreword

The vital importance of institutions for economic development is widely acknowledged in both the theoretical and empirical literature. Yet the precise nature of the relationship between the two is unclear: do ‘good’ institutions produce development, or does development lead to ‘good’ institutions? The Economic Development and Institutions (EDI) research programme, funded by UK aid from the UK government, aims to investigate that relationship and to develop an ‘institutional diagnostic’ framework that can help us understand better the nature of institutional impediments to development, and identify ways of attenuating them. In this study under the EDI research programme, the Development Economics Research Group at the University of Copenhagen (UCPH-DERG), in collaboration with Oxford Policy Management (OPM) and United Nations University World Institute for Development Economics Research (UNU-WIDER), has carried out such a diagnostic of Mozambican institutions, which aims to identify weak institutional areas that restrict development, and suggest appropriate directions for reform.

Few countries have experienced as many extreme political and economic changes as Mozambique both before and since independence in 1975. Despite an impressive growth performance after multi-party elections in 1994, the pattern of growth in Mozambique is fragmented, not sustainable and non-inclusive. This situation reflects low productivity growth in agriculture, lack of diversification, and a low level and pace of structural transformation. At the same time, the reduction of poverty has, after sharp drops from the mid-1990s, been rather slow and accompanied by increasing inequality. With the discovery of oil and gas in the early 2000s, focus has turned to the future of extraction of natural resources and the challenges of ensuring that it generates a positive impact on the Mozambican economy.

The diagnostic of institutions in Mozambique proceeds in several stages. We start by compiling an overview of the historical and political context and of the performance of Mozambique in different socio-economic dimensions. We then complement this background with an analysis of institutional indicators from existing datasets, as well as with the implementation of a quantitative questionnaire and a series of key informants’ interviews, both aimed at gathering the perceptions of people in Mozambique on the institutional constraints to economic development in the country. This serves as a stepping-stone to identifying a series of critical areas.

Our synthesis shows that the combination of a complex set of deep factors leads to crucial institutional bottlenecks, which have undermined economic development. Sectors that are critical for sustainable and inclusive growth, such as agriculture, receive low priority, and frequent shocks in strategic policy direction result in the absence of a clear national development vision. The lack of separation of powers obstructs effective law enforcement and public financial management. Citizens’ trust in government and effective government accountability are negatively affected by lack of voice and a weak political opposition. In parallel, the potential risks associated with a very large extractive sector are beginning to influence socio-economic development. Finally, a process of change from being highly dependent on foreign aid to more complex international interactions, including powerful foreign investors, is unfolding. Our hope is that this volume will contribute to the national debate on appropriate reforms and the way forward in Mozambique, a country that finds itself at a fork in the road.

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