ECONOMIC DEVELOPMENT & INSTITUTIONS

CHAPTER 3: INSTITUTIONAL PERFORMANCE

International datasets, quantitative survey and key informants

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Chapter 3: Institutional performance

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1   Introduction

Having taken stock of the development performance of Mozambique in a historical and socio-economic perspective in Chapter 2, we introduce in Section 2 of this chapter a series of institutional indicators comparing Mozambique with neighbouring and peer countries using data from existing international databases. We then proceed in Sections 3 and 4 to bring together the results of, respectively, a quantitative survey and a series of key informant interviews. The aim of these two tools was to gather the perceptions of key politicians, business people, academics, and liberal professionals in Mozambique with regard to institutional challenges and constraints to development.

## 2   What do international databases show?

2.1   Overview

This section presents selected trends of the performance of Mozambique in different institutional indicators in comparison with two groups of selected countries: neighbouring—Tanzania, Malawi, and Zambia—and peer—Uganda, Ethiopia, Vietnam, and Lao People's Democratic Republic (PDR). The criteria used in selecting the comparator countries was, on the one hand, geographic and, on the other hand, level of income and similarity in terms of historical and economic characteristics, either past or present.

The discussion of the indicators is not exhaustive, and it is important to keep in mind the limitations of some of these measures (e.g., see Kaufmann and Kraay 2007; Gisselquist 2014; González et al. 2017). However, they were selected based on data availability and relevance for the present study. The different indicators were obtained from a variety of well-established data sources, namely, Varieties of Democracy (Coppedge et al. 2020; Pemstein et al. 2020), Afrobarometer (2020), World Economic Forum (2020), Worldwide Governance Indicators (WGIs; World Bank 2020), and Bertelsmann Stiftung (BTI 2020).[1]

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[1] We stress a caveat that has to be kept in mind throughout. Confidence intervals are often quite wide. Thus, statements about the ranking of countries, which are close to each other by a given index, must be interpreted with caution.

First, we provide an overview of the scores for Mozambique in the six dimensions of governance suggested by the WGIs—voice and accountability, political violence, government effectiveness, regulatory quality, rule of law, and control of corruption—in comparison to neighbouring and peer countries in 2005 and in 2018 (Figure 1).

Figure 1: Worldwide Governance Indicators, 2005 and 2018
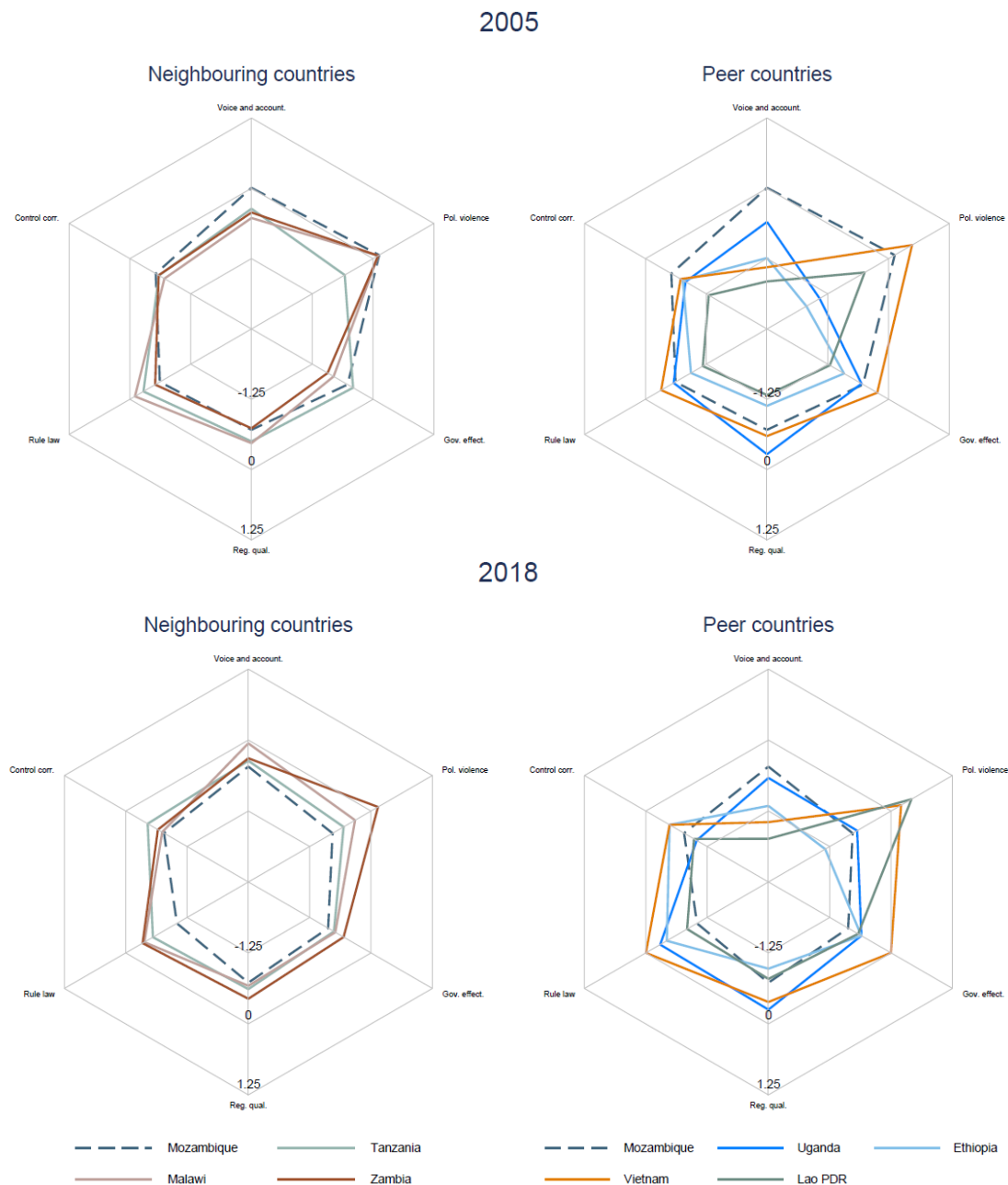
Note: centre is at −2.5; lines further away from the centre correspond to *better* outcomes. The scores range from −2.5 to 2.5, with higher values representing better outcomes. Key: Voice and account., voice and accountability; Pol. violence, political violence; Gov. effect., government effectiveness; Reg. qual., regulatory quality; Rule law, rule of law; Control corr., control of corruption.

Source: authors' compilation based on Worldwide Governance Indicators (World Bank 2020).

Similarly, when observations are made about the time dimension, it must be recalled that data sources and country samples vary from year-to-year.

In 2005, Mozambique was the best performer in terms of voice and accountability and control of corruption in both groups of countries. The graph for neighbouring countries shows similar performances for the countries considered, but there are noticeable differences when comparing Mozambique with its peers. While it has higher scores than Ethiopia and Lao PDR in all dimensions, Mozambique's score in regulatory quality, for instance, is lower than those of Uganda and Vietnam.

It is tempting to compare the same indicators over time for 2005 and 2018 to get a sense of the institutional dynamics in specific countries. However, the norm of indicators in the WGI database changes from year-to-year. Bearing this in mind, the main point emerging from the graphs is that while Mozambique was doing better than the other countries in 2005, it did worse in 2018. Even though Mozambique remains the best performer in voice and accountability among the peer countries, its scores are lower than all the other four countries in terms of government effectiveness and rule of law. We return to some of these indicators in the following paragraphs.

2.2 Rule of law and judicial independence

The first institutional dimensions we address here relate to confidence in, and abidance by, the known rules to government actors and citizens as well as to the independence of the judicial system. In Figure 1, we observed that while in 2005 Mozambique's score in rule of law was already low in comparison to its neighbouring countries, this positioning becomes more apparent in 2018 (even when considering confidence intervals). Compared with its peer countries, Mozambique's score is only lower than that of Vietnam and similar to that of Uganda in 2005, but it is, together with Lao PDR, one of the lowest among the five countries in 2018.[2]

Figure 2 represents the perception of respondents of how independent the judicial system is from influences of the government, individuals, or companies. Both graphs in the figure show that the level of independence of the judicial system is perceived as low in Mozambique, the lowest in comparison to the selected countries and across the period. It is also noticeable that there was a decrease from 2008 and a sharp fall after 2017.[3]

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[2] The data from Varieties of Democracy (Coppedge et al. 2020; Pemstein et al. 2020) confirm that Mozambique did perform worse in terms of rule of law than its neighbouring countries over the 2005–19 period (with the exception of Malawi). However, the Varieties of Democracy data suggest that until 2017 the country's performance was better than that of some of the selected peer countries, namely, Ethiopia, Lao People's Democratic Republic (PDR), and Vietnam, and very similar to that of Uganda.

[3] While the indicator 'independent judiciary' from Bertelsmann Stiftung (BTI) confirms the position of Mozambique as the worst performer among its neighbouring countries in 2020, the data from BTI (2020) suggest that Vietnam and Lao PDR scored lower in this dimension across the period.

Figure 2: Judicial independence, 2007–19
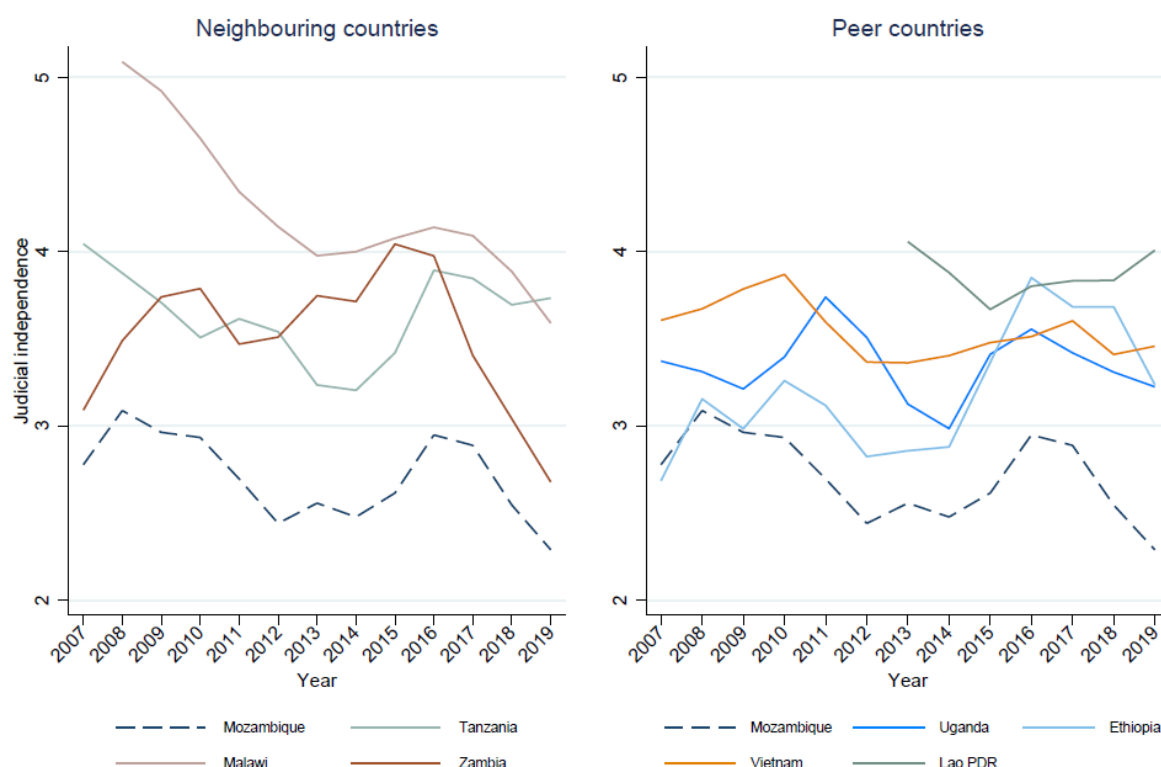
Note: the scores range from 1 to 7, with 1 being 'not independent at all' and 7 'entirely independent'.

Source: authors' compilation based on the Executive Opinion Survey (World Economic Forum 2020).

2.3 Voice, participation, and political accountability

The second group of institutional dimensions recognizes the need for citizens to be able to participate politically and hold the executive accountable, as well as the importance of freedom of expression and assembly. The scores for voice and accountability from the WGIs represented in Figure 1 pointed to the conclusion that the performance of Mozambique in this dimension seems to have weakened comparing the situation in 2005 with that in 2018, especially in comparison to neighbouring countries.

Figure 3 represents the overall level of political participation (represented at the top of the pentagon), which measures the extent to which the populace decides who rules and has other political freedoms. The level of political participation is derived from the BTI scores for the remaining four sub-components represented in the pentagon (clockwise), namely, free and fair elections, effective power to govern, association/assembly rights, and freedom of expression. The graphs for 2006 show that Mozambique was one of the best performers that year among the selected countries in all political participation dimensions. In contrast, according to the assessment in 2020, Mozambique had the worst performance on the overall indicator of political participation among its neighbouring countries, while its peers show worse scores in all sub-components except freedom of expression and assembly rights.

Figure 3: Political participation and sub-components, 2006 and 2020

Note: centre is at 1; lines further away from the centre correspond to *better* outcomes. The scale ranges from 10 (best) to 1 (worst). Key: Pol. participation, overall political participation score; Elections, free and fair elections; Eff. power, effective power to govern; Ass. rights, association/assembly rights; Free. expression, freedom of expression.

Source: authors' compilation based on the transformation index of the Bertelsmann Stiftung (BTI 2020).

2.4 Political instability, violence, and state legitimacy

The third set of dimensions refers to the degree of recognition of the nation as a state, with adequate and differentiated power structures at national and sub-national levels, and the likelihood of political instability and of politically motivated violence and terrorism. The scores on political stability and absence of violence motivated by political reasons, including terrorism—represented in Figure 1 as 'Pol. violence'—shows that Mozambique's relative position compared with neighbouring and peer countries deteriorated over time. It is interesting to note that while

Mozambique's score was similar to that of Malawi and Zambia in 2005, it was lower in 2018 (with more certainty in the case of Zambia).

Figure 4 represents a measure of political instability, defined as 'stateness', as well as the sub-components used to derive it: monopoly of the use of force, state identity, no interference of religious dogmas, and basic administration. In 2006, Mozambique's performance was similar to that of its neighbours, and it was one of the best among its peer countries. Still, Mozambique's score was relatively much weaker in 2020 compared with the comparator countries, especially concerning the monopoly of the use of force.

Figure 4: Stateness and sub-components, 2006 and 2018
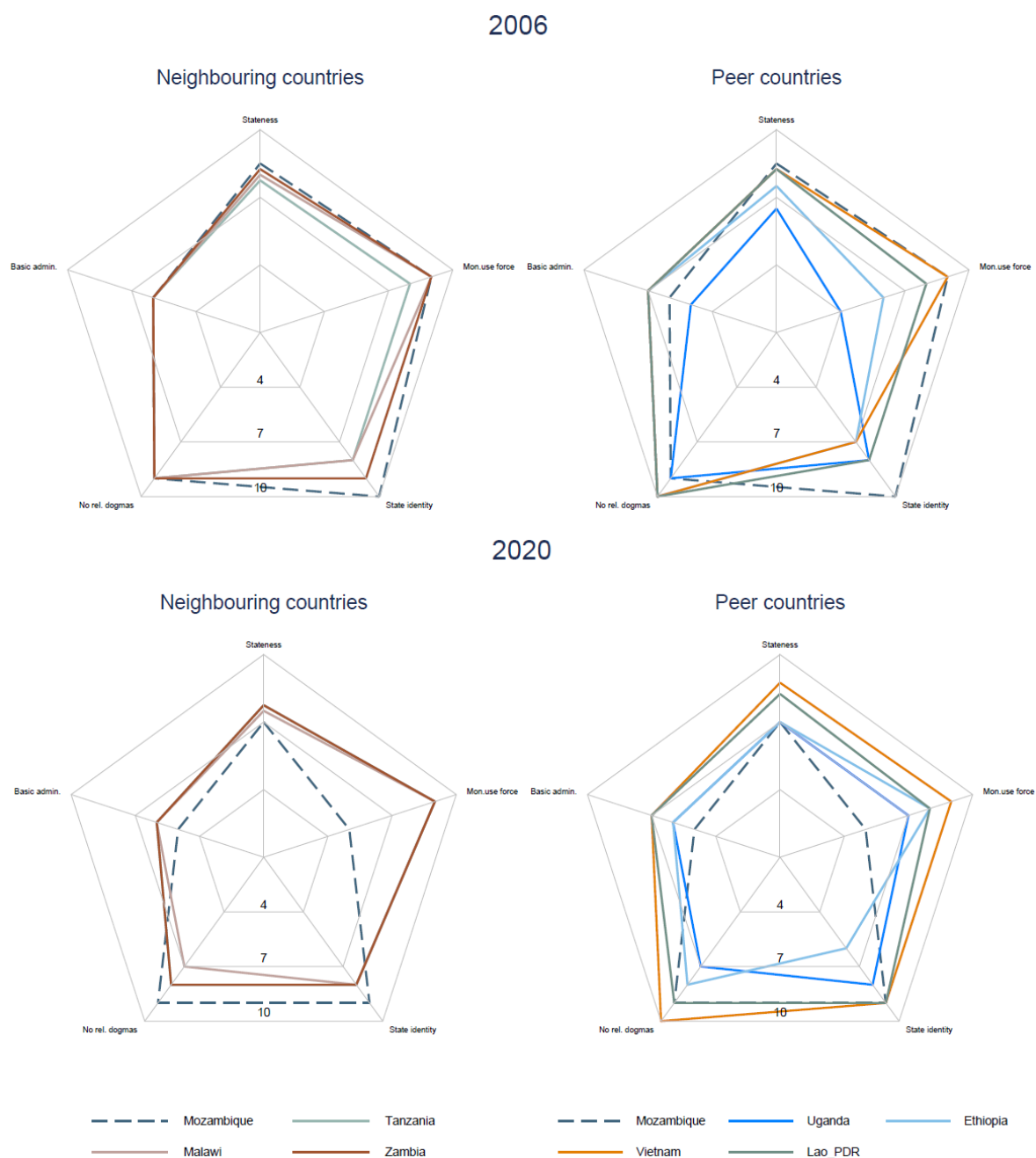
Note: centre is at 1; lines further away from the centre correspond to *better* outcomes. The scale ranges from 10 (best) to 1 (worst). Key: Stateness, overall score; Mon. use force, monopoly on the use of force; No rel. dogmas, no interference of religious dogmas; Basic admin., basic administration.
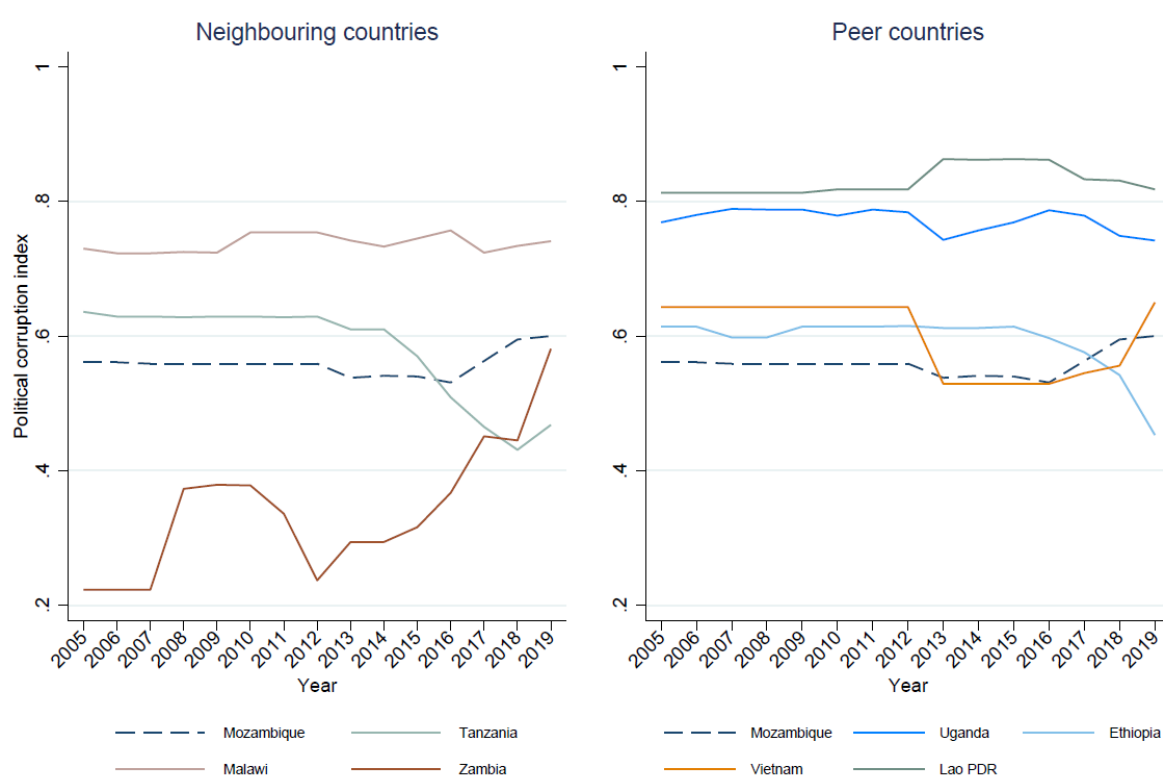
Source: authors' compilation based on the transformation index of the Bertelsmann Stiftung (BTI 2020).

2.5 State capacity and autonomy from private interests

The fourth dimensions deal with the capacity of the state to fulfil the social contract and the separation of state power from private interests. Figure 1 included the scores for government effectiveness, a measure of perceptions about the quality of public services, civil service, and policy formulation and implementation, as well as the extent to which there is independence from political pressures. The scores for that indicator show that the relative position of Mozambique was quite good in 2005, but depreciated in 2018.

Figure 5 shows the level of pervasiveness of political corruption where a high score reflects a high level of corruption. The figure shows that Mozambique's score remained consistently close to that of neighbouring Tanzania (up to 2016), below that of Malawi, and above that of Zambia. Compared with its peer countries, the score for Mozambique stayed similar to that of Vietnam and Ethiopia (until 2017), and lower than the score for Lao PDR and Uganda. Moreover, the hidden debt scandal is reflected in an increase in 2017.

Figure 5: Political corruption index, 2005–19

Note: the scale ranges between 0 and 1; the index runs from less corrupt to more corrupt.

Source: authors' compilation based on Varieties of Democracy data (Coppedge et al. 2020; Pemstein et al. 2020).

Figure 6 complements this analysis by asking how much respondents trust one element of the public service, the police. We use data from the two most recent rounds of the Afrobarometer (2020). In 2016, among the selected African countries, the responses for Mozambique show the highest percentage of respondents saying that they do not trust the police at all, and one of the lowest percentages of those who say they trust the police a lot. However, in the latest round the highest percentage corresponds to trusting the police a lot, whereas the response 'Not at all' received a lower percentage of responses.

Figure 6: Trust in police, Rounds 6 and 7 of the Afrobarometer
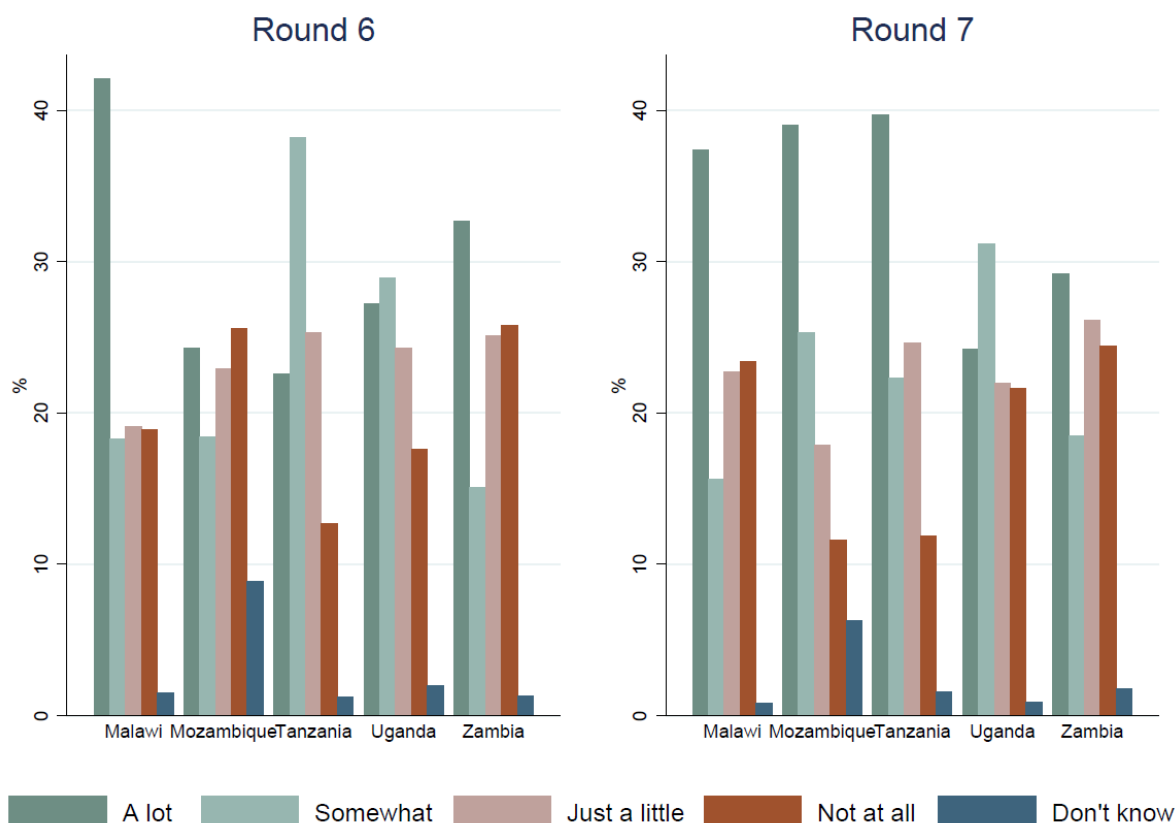
Source: authors' compilation based on Afrobarometer Rounds 6 and 7 (Afrobarometer 2020).

2.6 Sovereignty and independence

The final dimension considered relates to external factors and the degree to which Mozambique has a sovereign position in an international context and whether the political leadership in Mozambique is willing and able to cooperate with external supporters and organizations. Figure 7 represents BTI data on international cooperation (the top of the diagram) and its different sub-components, namely, effective use of support, credibility, and regional cooperation (represented clockwise). We note that while Mozambique did well in both 2006 and 2020 in terms of regional cooperation compared with all other countries considered, it is clear that the credibility and effective use of support scores, which were both at the top in 2006, were lower than everywhere else in 2020.[4]

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[4] It is interesting to observe that credibility scores are lower in 2020 than in 2006 for all neighbouring countries and Lao PDR.

Figure 7: International cooperation, 2006 and 2020
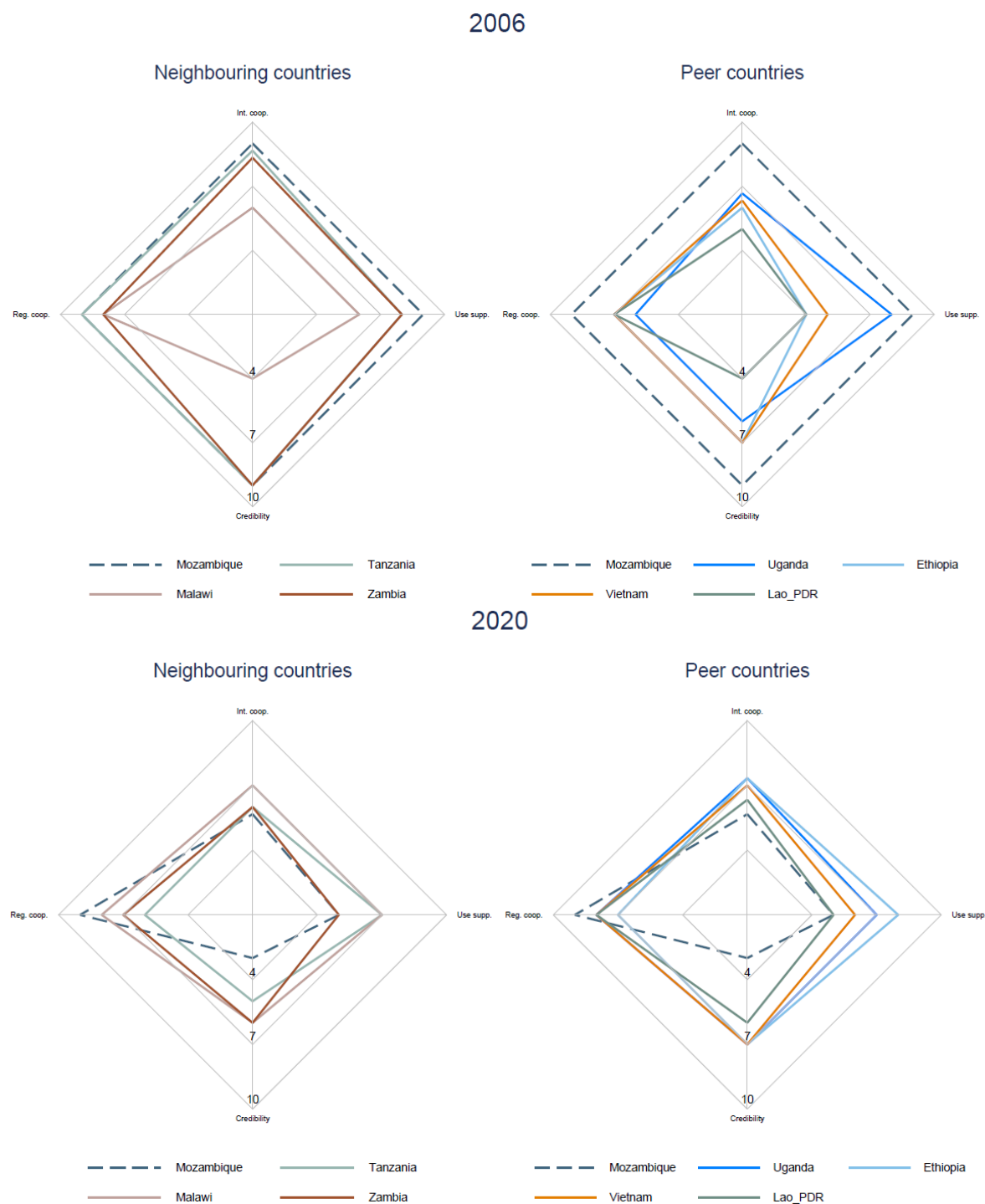
2006

Note: centre is at 1; lines further away from the centre correspond to *better* outcomes. The scale ranges from 10 (best) to 1 (worst). Key: Int. coop., overall score; Use sup., effective use of support, which represents the extent to which the political leadership uses the support of international partners to implement a long-term strategy of development; Credibility, represents the extent to which the government acts as a credible and reliable partner in its relations with the international community; Reg. coop., regional cooperation, which represents the extent to which the political leadership is willing and able to cooperate with neighbouring countries.

Source: authors' compilation based on the transformation index of the Bertelsmann Stiftung (BTI 2020).

3   What do people say? The quantitative survey

3.1   Design, implementation, and sample of respondents

Design and implementation

The quantitative survey implemented in Mozambique benefited from the implementation experience of the quantitative questionnaires in other countries where the economic development and institutions (EDI) project was implemented (namely, Tanzania and Bangladesh). The survey contained three main parts. The first collected basic demographic questions, including age, province of birth, knowledge of languages, education, etc. The second part asked respondents to select the five biggest constraints to economic development in Mozambique from the following list of 15 possible constraints, and to rank them:

- functioning of the legal sector;
- decentralization of public power;
- political participation;
- common vision of national strategy;
- agriculture and access to and use of land;
- management of public administration;
- management of macroeconomic and sectoral policy;
- management of natural resources;
- business environment;
- regulatory quality;
- human capital;
- poverty and inequality;
- gender equality;
- foreign aid;
- autonomy in relation to the exterior.

The third and largest section of the survey included a revision of the quantitative survey implemented in Bangladesh, where the various questions were organized in seven themes. These were carefully revised. Some questions were dropped and others consolidated. This resulted in 136 statements organized in the following 18 thematic areas:

- legal and constitutional matters;
- autonomy and public power;
- freedom and political participation;
- state accounts and statistics;
- politics and national identity;
- political violence;
- discrimination and social support network;
- trade unions and strikes;
- public protection;
- land;
- public goods and services;
- formulation and implementation of public policies;

- business environment;
- regulatory quality;
- banking system;
- recruitment and job promotions;
- international collaboration and autonomy;
- foreign aid.

These 18 thematic areas relate to the overall organizing theoretical framework of the Mozambique study that identifies five institutional areas: (i) rule of law and judicial independence; (ii) voice, participation, and political accountability; (iii) political instability, violence, and state legitimacy; (iv) state capacity and autonomy from private interests; and (v) sovereignty and independence.

For each of the 136 statements, respondents were asked to indicate the degree to which they agree with them, using the following Likert scale: 1='Completely disagree', 2='Disagree', 3='Don't agree or disagree', 4='Agree', and 5='Completely agree', or to select the 'I don't know' option, which was also available. Unlike the surveys in previous EDI countries, respondents had to express their degree of agreement with every statement before they could proceed with the survey.

The survey was translated into Portuguese by the Copenhagen research team and the company Ipsos was contracted to implement it. Ipsos received the survey in English and Portuguese, as well as a list of contacts obtained for the individuals identified in the sample. In the first stage, each contact received an individual link to the online survey. In the second stage, Ipsos followed up with face-to-face interviews with some of the contacts who had not completed the survey online but accepted to do it in person. The content of the questionnaire was exactly the same in both stages.

Sample of respondents

The survey was targeted towards key opinion leaders and decision makers in different core sectors, including, for example, academia, business, diplomats, international non-governmental organizations (NGOs), judiciary, media, national NGOs and public administration, and unions. We identified a core group of individuals in each of these sectors and a statistical method known as snowballing was used to establish the group of individuals who were invited to respond to the questionnaire.

In total, we received 149 individual responses, 114 through the online survey and 35 through face-to-face interviews. Table 1 provides some basic information about the respondents. National NGOs represent about 20 per cent of the respondents, and the same goes for academia, the business sector, and public administration, respectively. Thus, civil society, academia, government, and business are predominant. In relatively smaller numbers, the sample also included individuals affiliated with international NGOs, trade unions, and diplomats. Additionally, 38 respondents occupied a position in the government at the level of national director or above (see Table 2).

Table 1: Overview of the sample

Sphere of influence	Affiliation sector	Number of respondents	% of respondents
Economics	Business sector	27	18.1
	Trade unions	8	5.4
Politics	Public administration	26	17.5
Law and order enforcement	Judiciary system	3	2.0
	Legislative system	1	0.7
	Military	0	0
Civil society	Academia	30	20.1
	National NGOs	33	22.2
	Media	3	2.0
	Religious organizations	1	0.7
International stakeholder	Diplomacy	7	4.7
	International NGOs	10	6.7
Total		149	100

Source: authors' calculations based on quantitative survey.

Table 2 provides more detailed information about the characteristics of the sample. Approximately 79 per cent of the sample consisted of male individuals and the average age was 48 years. More than 90 per cent of the respondents were born in Mozambique and have a university degree. Regarding their work situation, 78 per cent of the respondents have more than 10 years of experience and 13 per cent are retired. In terms of their international experience, 63 per cent studied abroad (11 per cent in the United Kingdom) and almost 90 per cent of the respondents speak English.

Table 2: Composition of the sample

Main characteristics	Number of respondents (%)/ number of years (SD)
Male	117 (79)
Average age in years (standard deviation)	48.2 (12.5)
Born in Mozambique	136 (91)
Speaks English	132 (89)
Education: university degree	139 (93)
Studied abroad	94 (63)
Studied in the United Kingdom	16 (11)
Occupied a position in the government	38 (26)
Retired	19 (13)
More than 10 years of professional experience	116 (78)

Source: authors' calculations based on quantitative survey.

The distribution of respondents according to the provinces in Mozambique is represented in Table 3, considering both the location where respondents were born and their main location of work. The great majority of the individuals were born in the province of Maputo (city). Following that, the provinces with the highest numbers of respondents are Inhambane, Maputo, and Sofala. In terms of their main work location, almost all of the respondents work in the provinces of Maputo (city) and Maputo, with a few also in Tete and Nampula.

Table 3: Geographical origin of the respondents

Provinces	Province of birth of respondents born in Mozambique	Province of work of respondents who are not retired
Cabo Delgado	4	2
Gaza	8	1
Inhambane	19	1
Manica	6	0
Maputo (city)	49	81
Maputo	17	31
Nampula	5	4
Niassa	3	1
Sofala	11	1
Tete	5	5
Zambézia	9	3

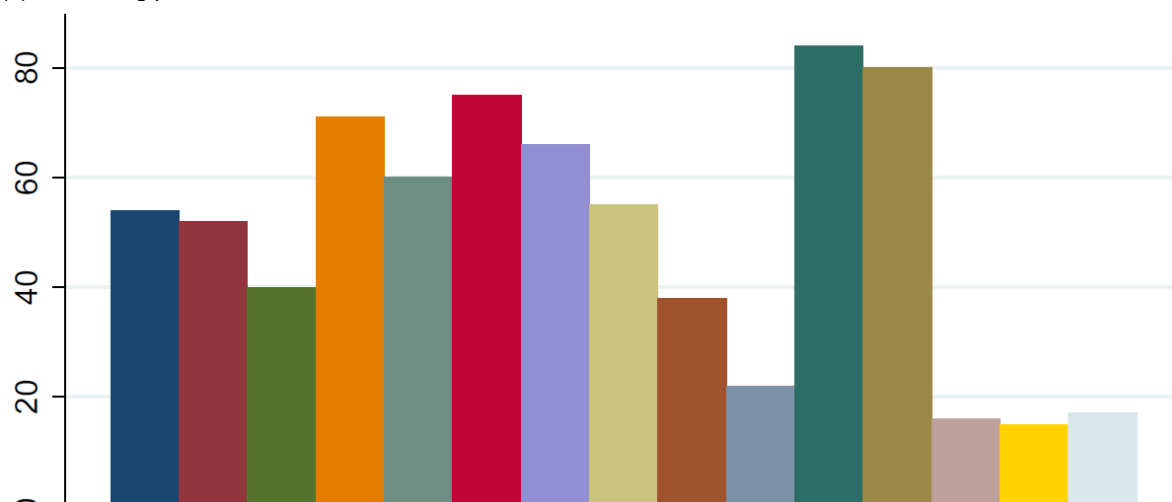Source: authors' calculations based on quantitative survey.

3.2 Results

The most important constraints to economic development

This section describes the results obtained when we asked respondents to select and order the biggest constraints to economic development in Mozambique out of the 15 areas referred in Section 3.1. Figure 8a shows the number of respondents that selected each of the 15 areas, without considering their ordering in terms of perceived importance. The areas that were chosen more often among the respondents are human capital and poverty and inequality, followed by management of public administration and common vision of national strategy. Among the areas that were not identified as predominantly as main constraints, one finds foreign aid, gender equality, and autonomy in relation to the outside, followed by regulatory quality.
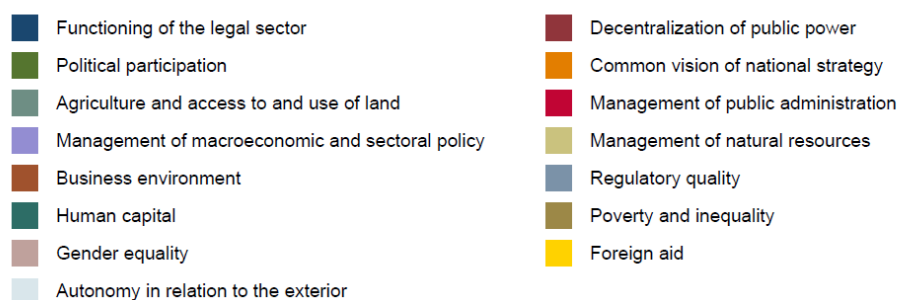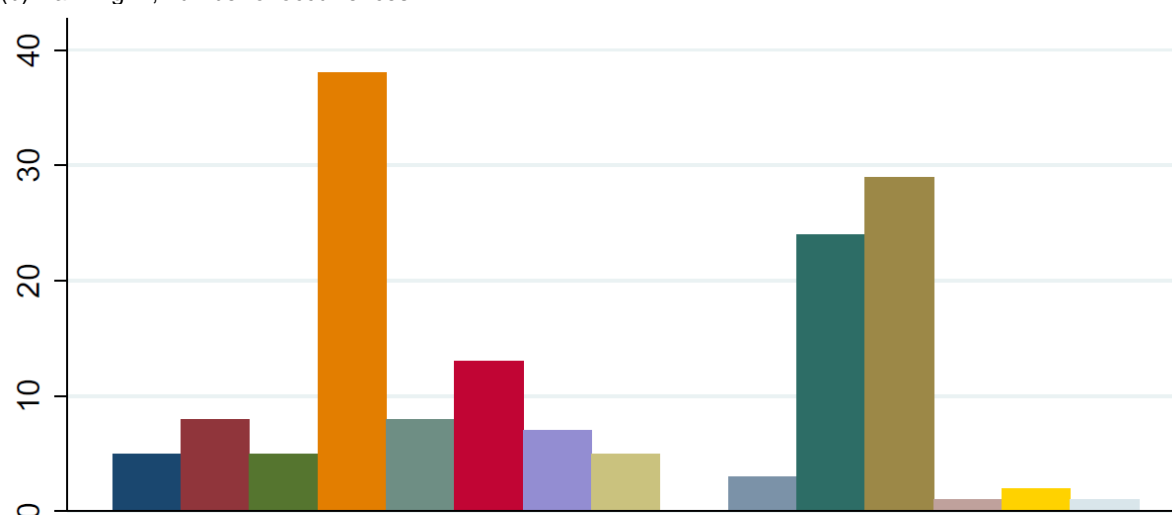
This is confirmed when one looks at the areas that were selected by the respondents as the main constraint to development; that is, areas that received a ranking of 1 more often (Figure 8b). Common vision of national strategy was chosen more often than any of the other areas, in all likelihood reflecting the frequent change of course direction in economic strategy and policy, followed by poverty and inequality and human capital as reasons for the economy and society not working well. Insights from qualitative interviews (described in more detail in Section 4) confirm that Mozambique requires a coherent vision and plan to adapt to globalization and that promoting equality is essential to maintaining a sovereign and united nation. Increasing inequality is likely to undermine social cohesion and stability. In contrast, and maybe somewhat surprisingly, the business environment did not come out at the very top as the main constraint to economic development in Mozambique, and, in line with Figure 8, only a few respondents selected autonomy in relation to the exterior, gender equality, and foreign aid as the main constraint.

Figure 8: Choice of main constraints

(a) All ranking positions, number of occurrences

(b) Ranking=1, number of occurrences

Functioning of the legal sector

Decentralization of public power

Political participation

Common vision of national strategy

Agriculture and access to and use of land

Management of public administration

Management of macroeconomic and sectoral policy

Management of natural resources

Business environment

Regulatory quality

Human capital

Poverty and inequality

Gender equality

Foreign aid

Autonomy in relation to the exterior

Source: authors' calculations based on quantitative survey.

Table 4 shows the number of occurrences for each area in each position of the ranking. Management of public administration, management of macroeconomic and sectoral policy, and human capital received the highest number of rankings of the second and third most important constraints. In fourth position, most of the respondents selected agriculture and access and use of land, management of public administration once more, and functioning of the legal sector. The last was also one of the most frequently chosen areas in fifth position of the ranking, together with business environment and management of natural resources. This likely reflects that the management of natural resources is understood as a public management/macroeconomic issue and that the constraints associated with the business environment are perceived as less important than agricultural development at this stage and often seen as reflecting the existing lack of human resources.

Table 4: Overview of ranking distribution

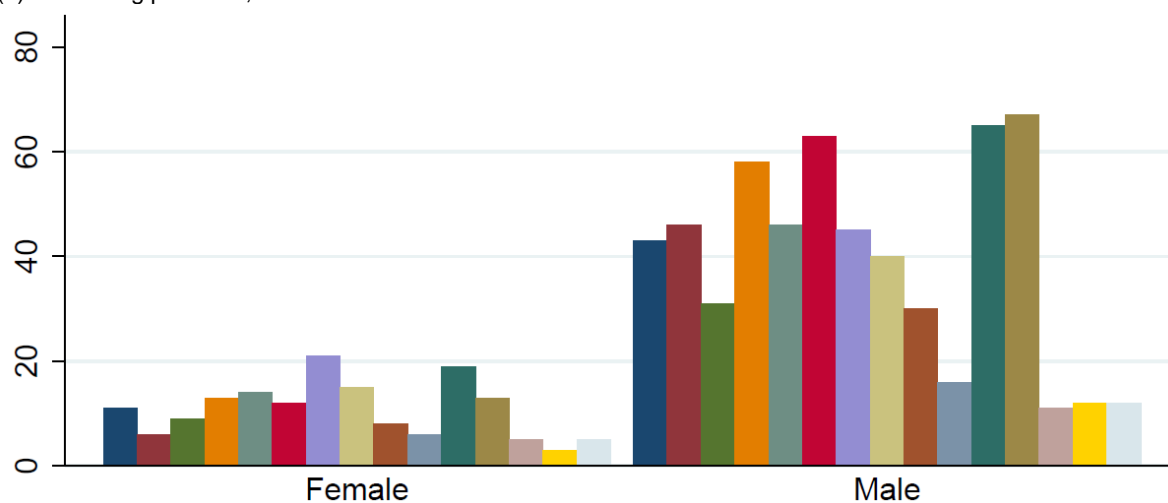| Areas	Number of occurrences					
	1st	2nd	3rd	4th	5th	Total
Functioning of the legal sector	5	8	8	**18**	**15**	54
Decentralization of public power	8	16	10	8	10	52
Political participation	5	5	10	13	7	40
Common vision of national strategy	**38**	12	6	8	7	71
Agriculture and access to and use of land	8	6	13	**20**	13	60
Management of public administration	13	**22**	15	**14**	11	75
Management of macroeconomic and sectoral policy	7	**18**	**18**	13	10	66
Management of natural resources	5	10	12	13	**15**	55
Business environment	0	6	9	7	**16**	38
Regulatory quality	3	2	8	5	4	22
Human capital	**24**	**22**	**18**	13	7	84
Poverty and inequality	**29**	14	13	11	13	80
Gender equality	1	4	2	2	7	16
Foreign aid	2	1	3	2	7	15
Autonomy in relation to the exterior	1	3	4	2	7	17

Note: the three highest numbers of occurrences in each ranking position are highlighted in bold.

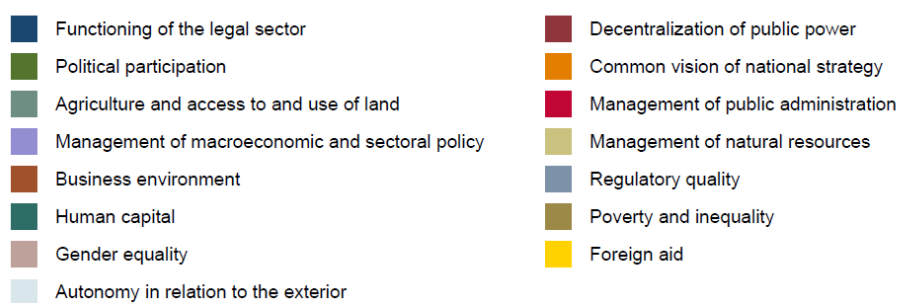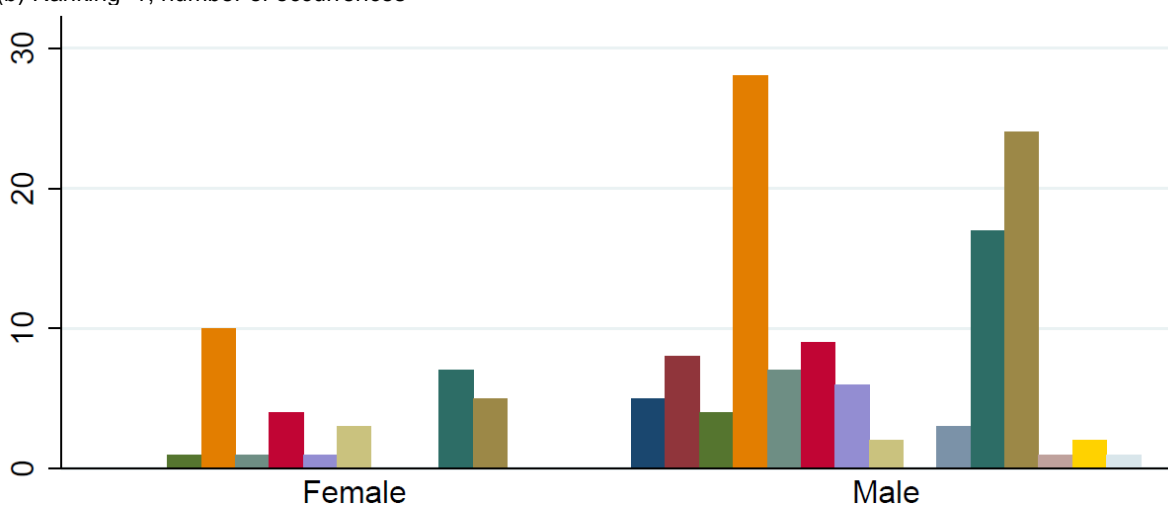Source: authors' calculations based on quantitative survey.

When considering the difference in the choices by gender (Figure 9), one observes that female respondents (32 respondents) have selected the management of macroeconomic and sectoral policy as one of the five main constraints more often than any of the other areas (Figure 9a). Still, in line with the male respondents, human capital and poverty and inequality were selected very often. In terms of the area selected as the main constraint (Figure 9b), the opinions are similar between male and female respondents, with the lack of a common vision of national strategy being identified as the main constraint more often than the other areas.

Figure 9: Choice of main constraints by gender

(a) All ranking positions, number of occurrences

(b) Ranking=1, number of occurrences

Legend:
- Functioning of the legal sector
- Political participation
- Agriculture and access to and use of land
- Management of macroeconomic and sectoral policy
- Business environment
- Human capital
- Gender equality
- Autonomy in relation to the exterior
- Decentralization of public power
- Common vision of national strategy
- Management of public administration
- Management of natural resources
- Regulatory quality
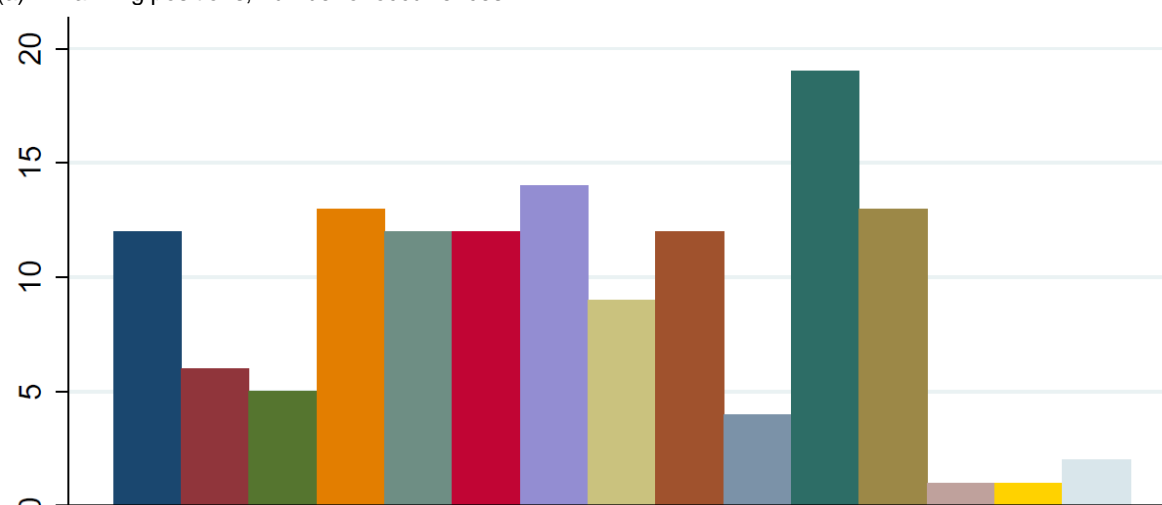- Poverty and inequality
- Foreign aid

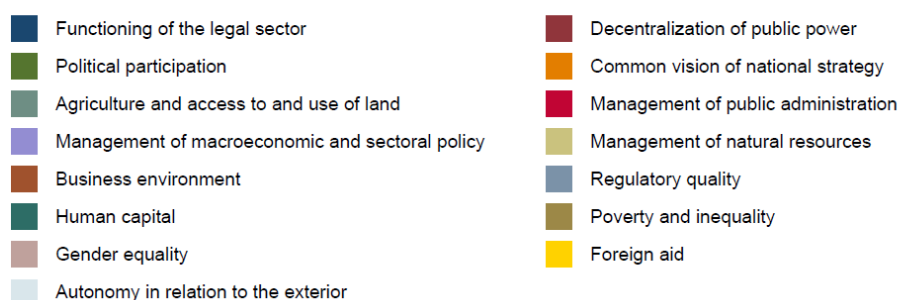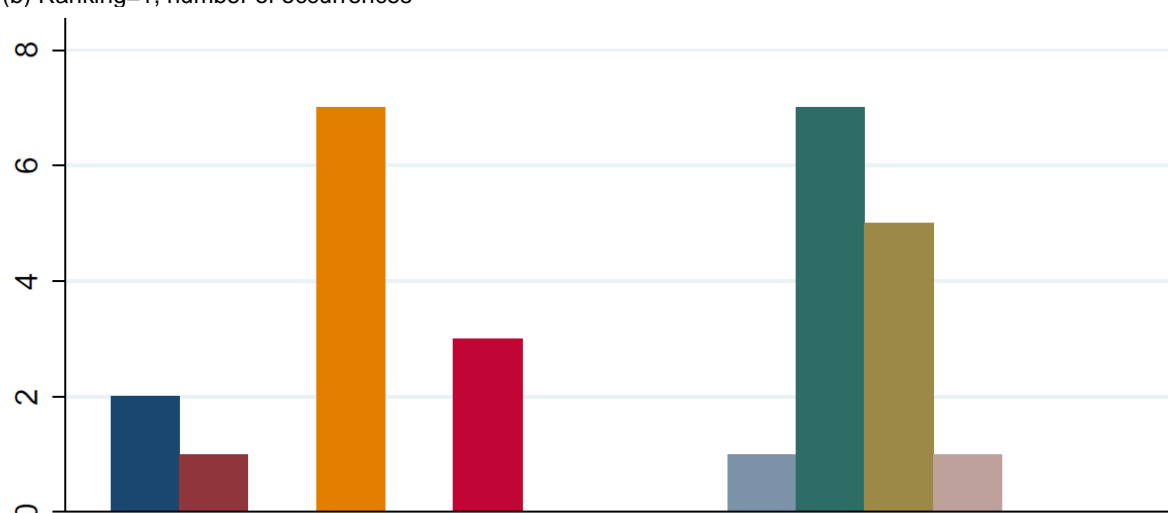Source: authors' calculations based on quantitative survey.

In Figures 10–12, we consider the responses given by respondents affiliated with business, academia, and public administration separately.

Figure 10: Choice of main constraints from respondents affiliated with the business sector

(a) All ranking positions, number of occurrences

(b) Ranking=1, number of occurrences

- Functioning of the legal sector
- Political participation
- Agriculture and access to and use of land
- Management of macroeconomic and sectoral policy
- Business environment
- Human capital
- Gender equality
- Autonomy in relation to the exterior

- Decentralization of public power
- Common vision of national strategy
- Management of public administration
- Management of natural resources
- Regulatory quality
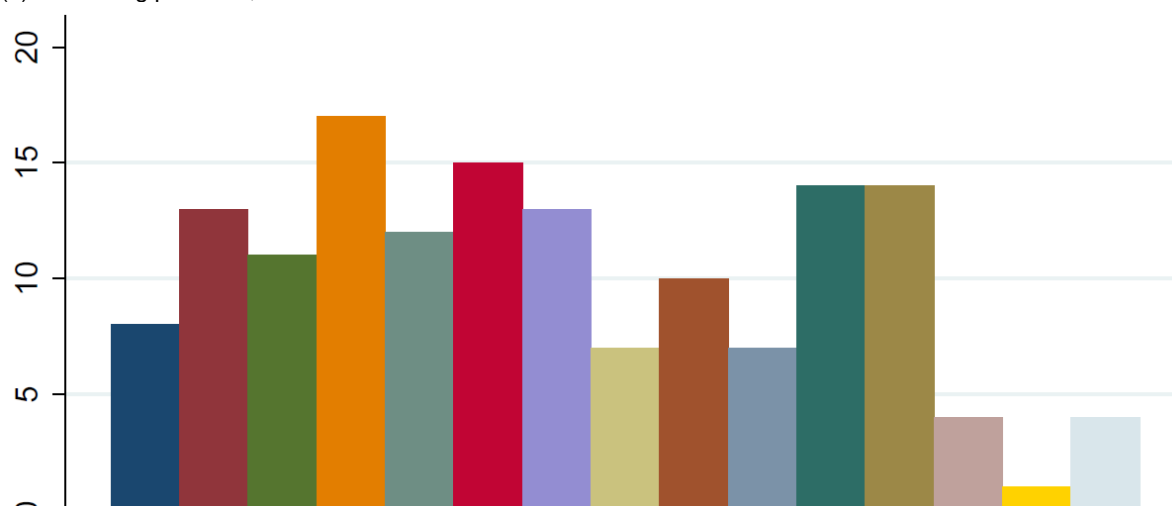- Poverty and inequality
- Foreign aid

Source: authors' calculations based on quantitative survey.

Human capital is the constraint that was chosen more often among respondents linked to the business sector, followed by management of macroeconomic and sectoral policy (Figure 10a). When looking at the areas ranked as number one in terms of their importance, both common vision of national strategy and human capital were identified more frequently as the most important constraints (Figure 10b).
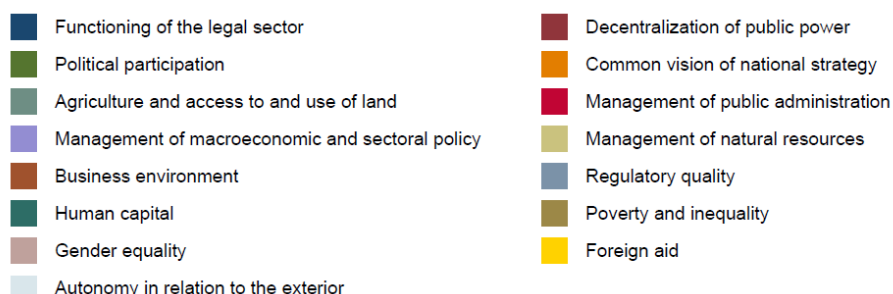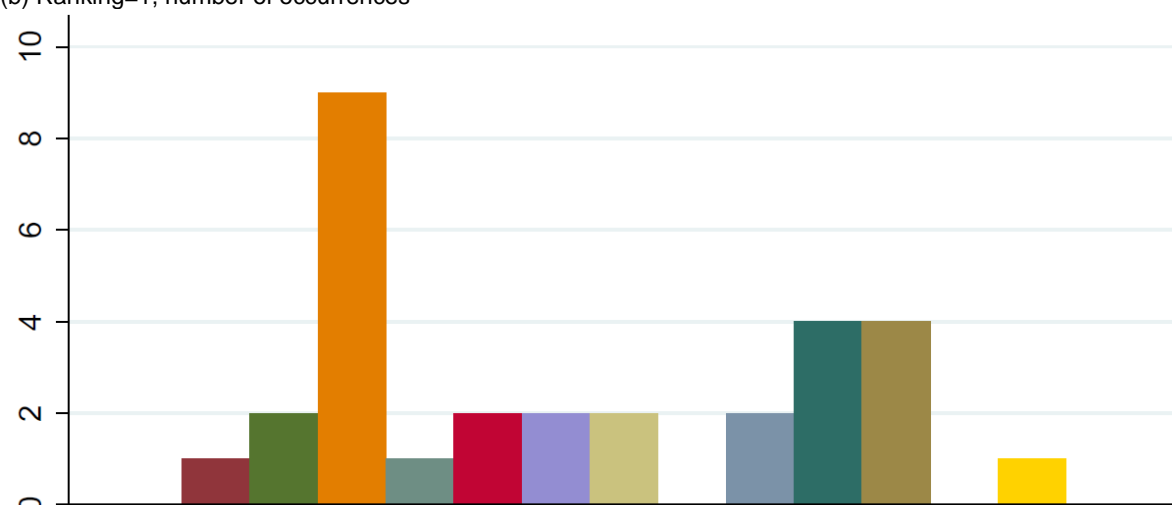
Common vision of national strategy is again one of the most selected constraints when we look at the answers from respondents affiliated with academia, followed by management of public administration, human capital, and poverty and inequality (Figure 11a). The last two categories together with common vision of national strategy are also the most commonly ranked as number one in terms of their importance (Figure 11b).

Figure 11: Choice of main constraints from respondents affiliated with academia

(a) All ranking positions, number of occurrences

(b) Ranking=1, number of occurrences

- ■ Functioning of the legal sector
- ■ Political participation
- ■ Agriculture and access to and use of land
- ■ Management of macroeconomic and sectoral policy
- ■ Business environment
- ■ Human capital
- ■ Gender equality
- ■ Autonomy in relation to the exterior

- ■ Decentralization of public power
- ■ Common vision of national strategy
- ■ Management of public administration
- ■ Management of natural resources
- ■ Regulatory quality
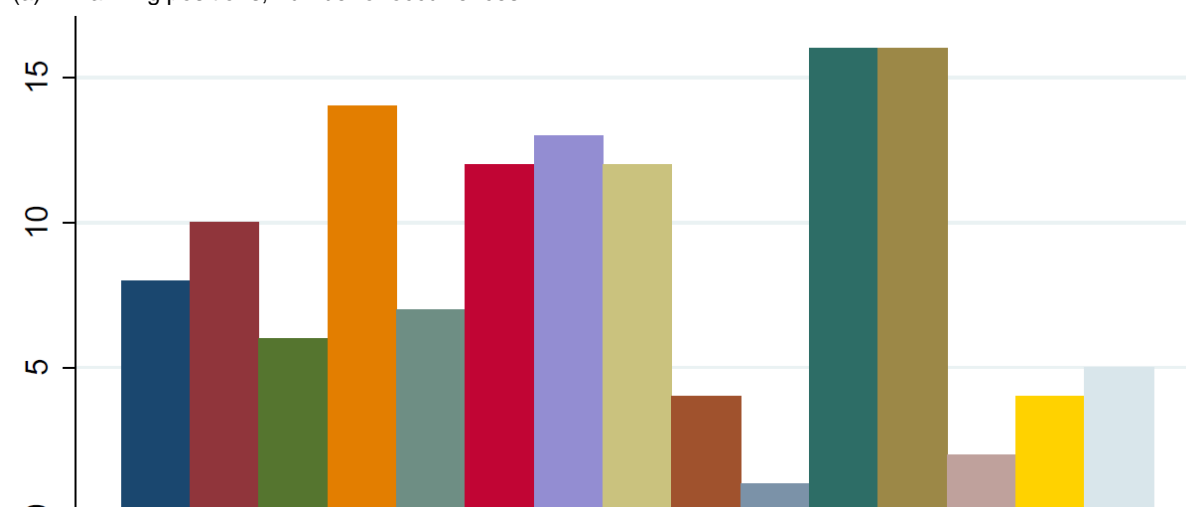- ■ Poverty and inequality
- ■ Foreign aid

Source: authors' calculations based on quantitative survey.

These same three dimensions—common vision of national strategy, human capital, and poverty and inequality—were chosen as important constraints by respondents affiliated with public
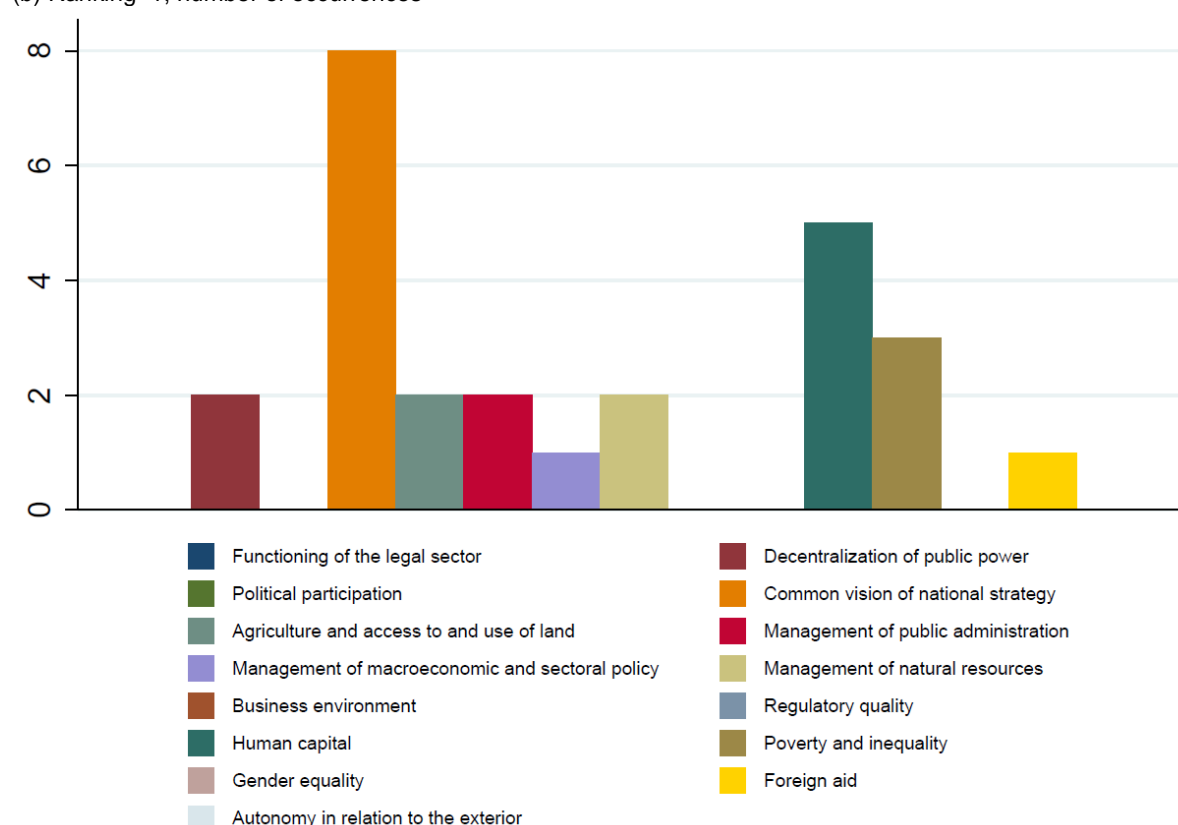
administration, in both the overall number of occurrences (Figure 12a) and the number of times they were selected as the main constraint (Figure 12b).

Figure 12: Choice of main constraints from respondents affiliated with the public administration

(a) All ranking positions, number of occurrences


(b) Ranking=1, number of occurrences

Legend:
- Functioning of the legal sector
- Political participation
- Agriculture and access to and use of land
- Management of macroeconomic and sectoral policy
- Business environment
- Human capital
- Gender equality
- Autonomy in relation to the exterior
- Decentralization of public power
- Common vision of national strategy
- Management of public administration
- Management of natural resources
- Regulatory quality
- Poverty and inequality
- Foreign aid

Source: authors' calculations based on quantitative survey.

Perceptions of the quality of institutions

We now discuss the perceptions of the quality of institutions according to the answers to the 136 statements referred to in Section 3.1. As mentioned, they were grouped in 18 thematic areas and all respondents expressed their degree of agreement with all of the statements. Figure 13 shows the distribution of statements across these 18 areas.

19

Figure 13: Distribution of statements by institutional area
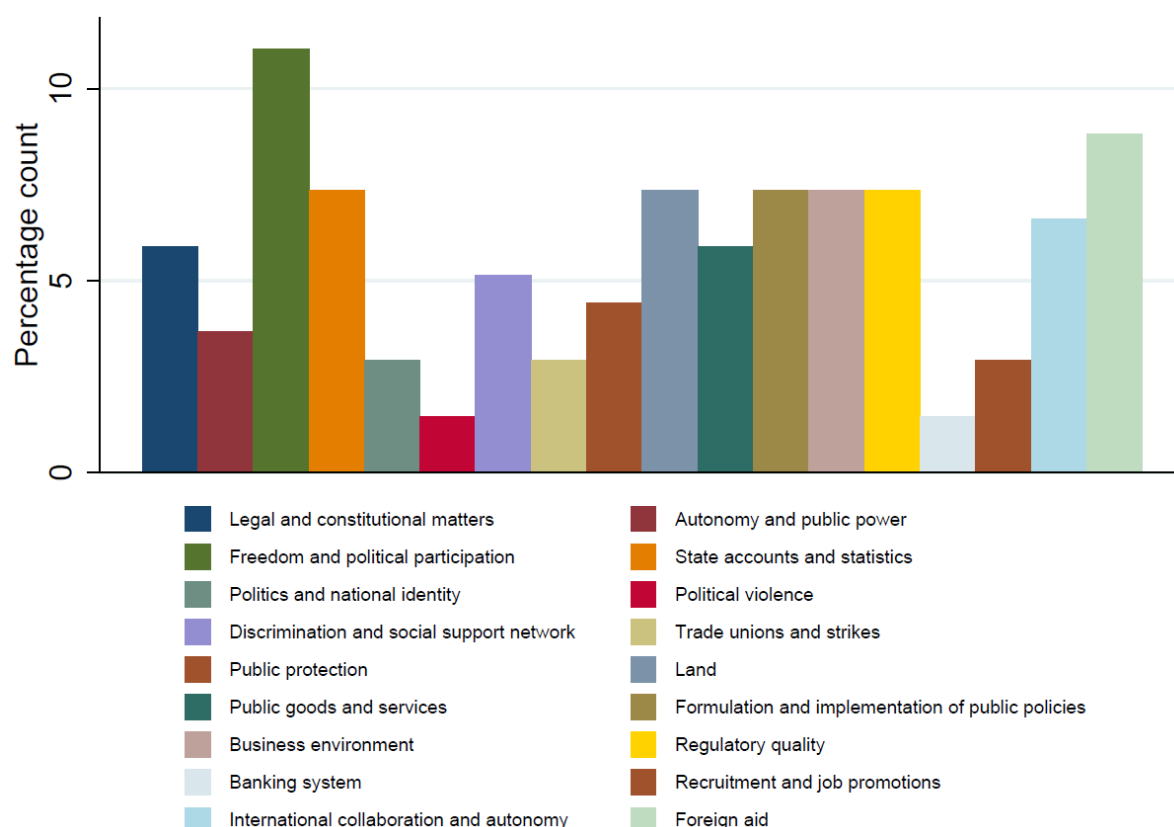
Source: authors' calculations based on quantitative survey.

Before highlighting the main insights from the analysis of the answers, we did a check on the number of respondents that selected 'I don't know' in each statement to identify potential statements that received a lower rate of response. This could be because they were more specific and perhaps required a more in-depth knowledge about the area or because there was some lack of clarity in the formulation. The highest number of 'I don't know' responses (33 responses) referred to the statement 'Auditing of formal firms results in tax adjustments when appropriate'. Three of the other statements with a number of 'I don't know' responses higher than 15 also belonged to the group of questions on regulatory quality, and required a more detailed knowledge of this area. This might be related also to the fact that regulatory quality was among the areas that were not chosen that often as constraints to economic development. The only other statements with a number of 'I don't know' responses greater than 15 (18 and 17 responses, respectively) were 'Foreign companies frequently receive support from the state' and 'The unofficial costs (e.g., bribes) of starting a business are high'.

The overall results show an average response of 2.66 across all the statements. This is below the middle level of the scale of score 3, corresponding to 'Don't agree or disagree', suggesting that respondents tend to disagree with positive statements about Mozambican institutions, in line with insights from the qualitative interviews of key informants (KIs). Figure 14 represents the full distribution of average scores across the statements.

Figure 14: Distribution of average scores across statements, according to the Likert scores
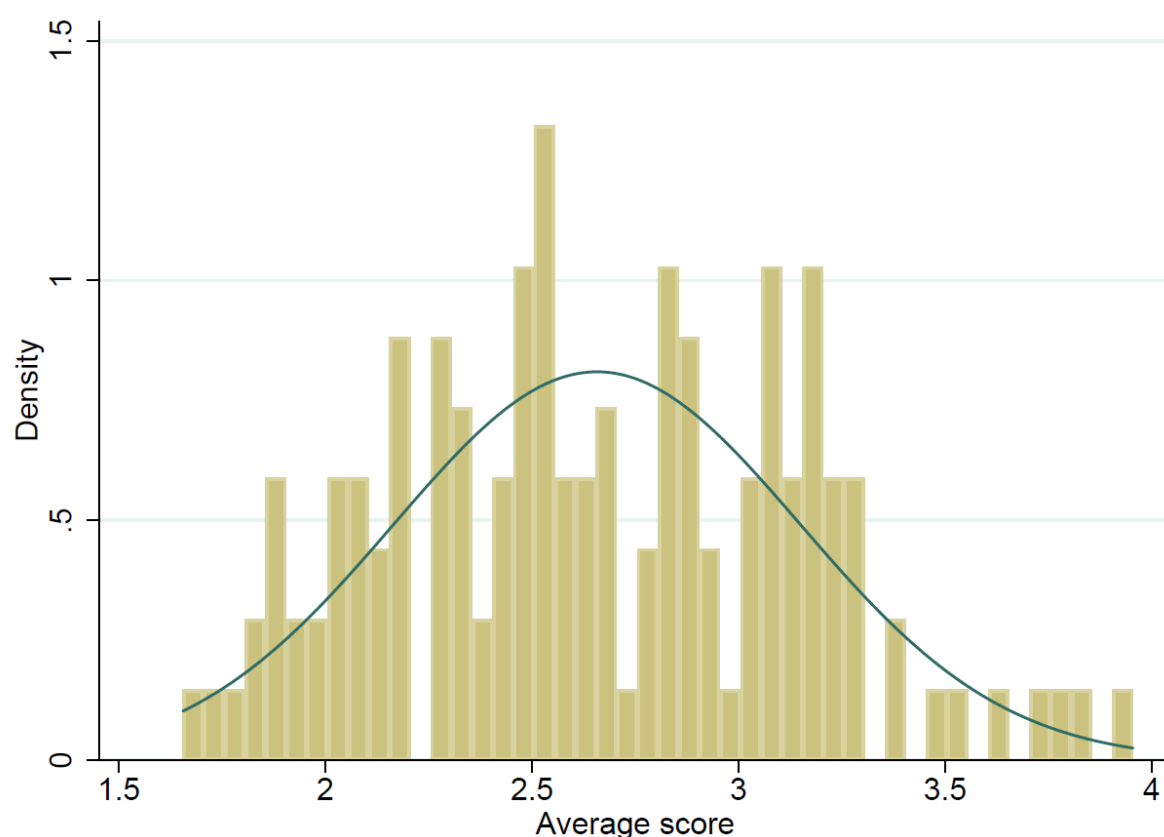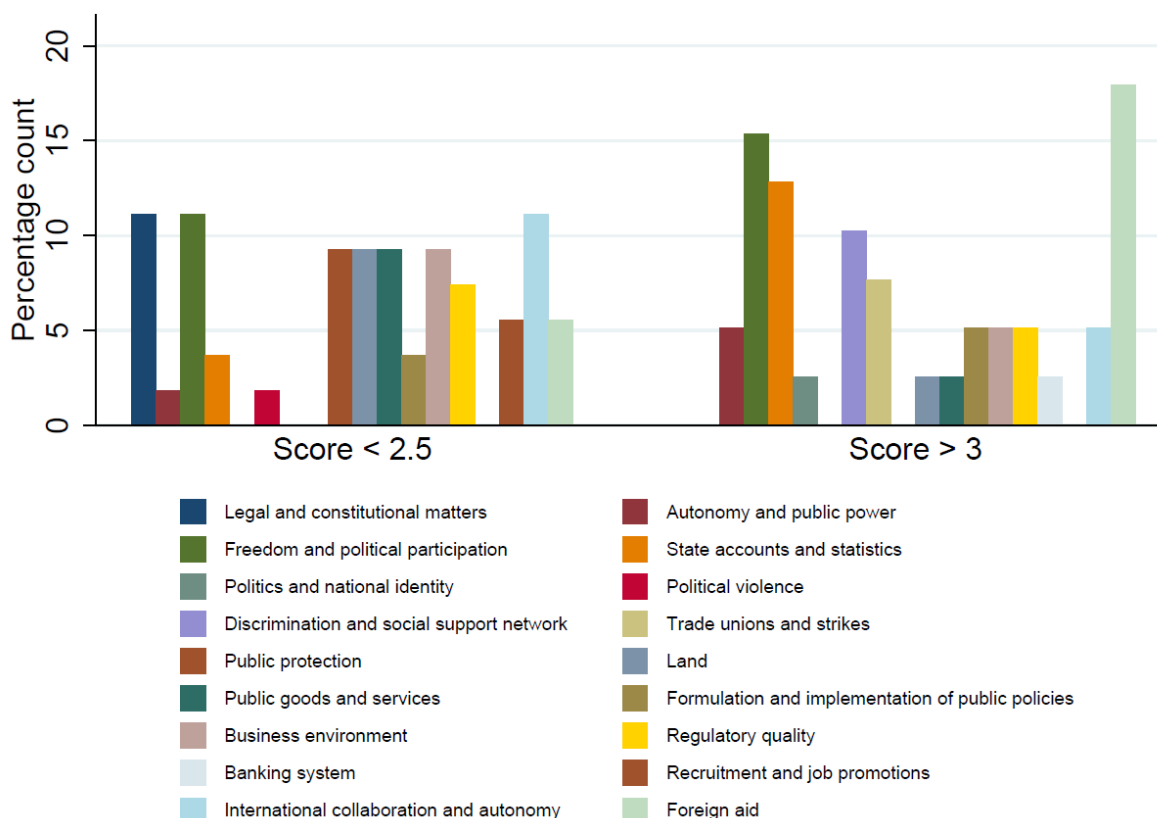

Source: authors' calculations based on quantitative survey.

We now describe in more detail the relative frequency of statements within the institutional areas considering their average score. The first group of bars in Figure 15 shows the percentage of statements with a score below 2.5 that are related to each institutional area out of all the statements with an average score of 2.5. The second group of bars results from applying the same analysis, but to the statements with an average score above 3.[5] In general, one observes that the opinions regarding the different statements across the institutional areas do not tend to be unanimous, with rather low percentage values even in the areas with higher frequencies.

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[5] See Appendix Figure A1 for the same plot but considering the institutional areas used in the study in Bangladesh.

Figure 15: Frequency of statements under the institutional areas by average scores

In terms of the areas where opinions seem to gather one of the more extreme scores, one can mention, for example, legal and constitutional matters, with 11.1 per cent of the 54 questions with a score below 2.5 and none of the 39 statements with a score above 3 being related to this institutional area. In contrast, 17.95 per cent of the statements with a score above 3 are related to foreign aid and only 5.56 per cent of the statements with a score below 2.5 are related to this institutional area.

The institutional areas with a higher frequency of statements with an average score below 2.5 are legal and constitutional matters, freedom and political participation, and international collaboration and autonomy. These are closely followed by public protection, land, public goods and services, and business environment. Freedom and political participation seems to divide the opinion of respondents, given that there is a high frequency of the statements linked to this institutional area that have an average score higher than 3. Also showing high frequencies for statements with average scores higher than 3 are state accounts and statistics, and foreign aid, as already mentioned.

Despite these institutional areas being more disaggregated than the institutional constraints analysed in the previous sections, one notices some consistency in the results. Issues related to public protection and to the provision of public goods and services can be linked to problems of poverty and inequality, and human capital. A link can also be established between a lack of common vision of national strategy and weaknesses related to legal and constitutional matters, as well as international collaboration and autonomy.[6]

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[6] See Appendix Figure A2 for the aggregate average scores by institutional area.

Next, we focus on the statements that have the lowest and the highest average scores in order to identify what are perceived to be the main weaknesses and strengths, respectively. One should bear in mind that when statements were phrased as negative for the economic development of a country, the Likert scale was inverted so that higher scores reflected better functioning institutions.

Box 1 lists the top 15 major institutional weaknesses according to the lowest average scores. They cover a broad range of institutional areas.

Box 1: Top 15 major institutional weaknesses

98. Corruption distorts the business environment. (Yes; 1.66; 99%)
101. Corruption in public administration is prevalent. (Yes; 1.72; 100%)
74. Public services are of an adequate quality. (1.80; 99%)
37. The economic and political influence of the elite class in Mozambique is very strong. (Yes; 1.81; 97%)
76. Coverage of public goods and services is unequal across the country. (Yes; 1.83; 99%)
125. Donors and international organizations are influential with respect to national economic policy. (Yes; 1.86; 99%)
67. Land related conflicts are frequent. (Yes; 1.88; 99%)
3. The judiciary is independent with respect to the state. (1.89; 99%)
1. All citizens are treated equally before the law. (1.90; 99%)
126. Aid is a major contributor to the national budget. (Yes; 1.92; 99%)
2. There is a clear separation of judicial, executive, and legislative powers. (1.95; 99%)
79. Public procurement of goods and services is transparent. (1.96; 98%)
58. Theft is widespread in Mozambique. (Yes; 1.99; 99%)
118. In the past, the country has been affected negatively by political events in neighbouring countries. (Yes; 2.00; 99%)
61. The use of child (below 15 years old) labour is common in rural areas. (Yes; 2.02; 99%)

Note: the parentheses indicate (i) 'Yes' if the scale was inverted because the statement was phrased in the negative; (ii) the average score obtained according to the following Likert scale: 1='Completely disagree', 2='Disagree', 3='Don't agree or disagree', 4='Agree', and 5='Completely agree'; (iii) the share of the sample giving an opinion on the statement (in percentage).

Source: authors' calculations based on quantitative survey.

- Corruption seems to affect both the business environment and public administration.
- Three of the statements relate to legal and constitutional matters, highlighting a lack of judicial independence and no separation of judicial, executive, and legislative powers, as well as inequality in the treatment of citizens before the law.
- On average, the respondents agree that there is a very strong economic and political influence of the elite class in Mozambique.
- The scores also indicate some weakness in the provision of public goods and services, which are not of adequate quality and not equally distributed across the country.
- Additionally, respondents agree, on average, that there are frequent conflicts related to land issues.
- There is some suggestion of weak public protection, with the scores pointing to theft being widespread in Mozambique and child labour being common in rural areas.
- Finally, the scores highlight the negative influence of political events in neighbouring countries in the past as well as aid dependence and influence of donors and international organizations in national economic policy.

We now turn to the major institutional strengths, identified based on the highest average scores, which mean agreement with statements that account for positive aspects and disagreement with statements that refer to negative aspects.

Box 2 represents the 15 statements with the highest average scores. Again, they cover a wide range of aspects.

Box 2: Top 15 major institutional strengths

27. The media is politically pluralist, representing a diversity of viewpoints. (3.25; 98%)
13. The elected political authorities have control over the public bureaucracy. (3.25; 98%)
47. Discrimination and/or segregation by the society on the grounds of religion is prevalent. (Yes; 3.28; 99%)
35. Economic policy is actively debated within civil society. (3.29; 98%)
131. Aid significantly reduces the accountability of government. (Yes; 3.29; 94%)
39. There is a strong sense of national identity in Mozambique. (3.30; 98%)
130. Aid significantly improves the quality of governance institutions. (3.37; 97%)
129. Aid significantly improves the quality of economic policy. (3.38; 98%)
51. Traditional solidarity links (e.g., through family, neighbours, associations, religious groups, etc.) are effective in providing support to those in need in rural areas. (3.47; 94%)
19. Civil society participates in politics, for example, through official commissions, opinion polls, public debates, and op-eds. (3.51; 100%)
88. The state has autonomy in determining and implementing socio-economic policy and reforms independent of religion and traditional norms and values. (3.64; 99%)
120. There is a significant degree of collaboration with neighbouring countries. (3.75; 99%)
25. People are free to form associations to collectively express, promote, pursue, and defend common interests (e.g., religious, ethnic, occupational, political). (3.78; 99%)
127. Aid significantly improves infrastructure development. (3.83; 99%)
128. Aid significantly improves health and education. (3.95; 99%)

Note: the parentheses indicate (i) 'Yes' if the scale was inverted because the statement was phrased in the negative; (ii) the average score obtained according to the following Likert scale: 1='Completely disagree', 2='Disagree', 3='Don't agree or disagree', 4='Agree', and 5='Completely agree'; (iii) the share of the sample giving an opinion on the statement (in percentage).

Source: authors' calculations based on quantitative survey.

- It is striking to observe that there is agreement in the perception of foreign aid as a strength in Mozambique, given that five of the statements refer to it.
- Three of the statements refer to freedom and political participation. They suggest that people are free to form associations, the media is politically pluralist, and the civil society is able to participate in politics. Related to the latter is the fact that economic policy is actively debated within civil society.
- They also highlight that there is no discrimination and/or segregation on the basis of religion and that traditional solidarity links provide effective support in rural areas.
- Two of the statements relate to public power and autonomy, suggesting that there is political control over the public bureaucracy in Mozambique and that the state is autonomous from religion and traditional norms and values in the formulation and implementation of socio-economic policy and reforms.
- Finally, there is agreement with a strong sense of national identity in Mozambique, together with a significant degree of cooperation with neighbouring countries.

Lastly, we explore the heterogeneity in respondents' answers according to their gender by listing, in Table 5, the nine statements with the largest statistical difference (i.e. largest t-statistic derived from two-sample t-tests of mean comparisons) between female and male respondents. The main

differences in the perceptions of the two groups are related to the independence of the Central Bank in managing the monetary policy and the social support network in rural areas. On average, men tend to agree that aid increases corruption to a stronger degree than women do. The remaining differences are not as big in terms of absolute values, despite being statistically significant.

Table 5: Top issues with significant differences between men and women

Statement	Average score female	Average score male	t-statistic	p-value
110. The Central Bank is managing monetary policy independent of government.	3.55	2.96	2.72	0.007
51. Traditional solidarity links (e.g., through family, neighbours, associations, religious groups, etc.) are effective in providing support to those in need in rural areas.	3.87	3.36	2.68	0.008
132. Aid significantly increases corruption.	2.56	3.06	−2.49	0.014
47. Discrimination and/or segregation by the society on the grounds of religion is prevalent.	2.41	2.80	−2.24	0.027
20. Political corruption, such as vote buying, illegal campaign financing, etc., is prevalent.	3.43	3.90	−2.15	0.033
66. Land rights are secure in urban areas.	2.48	2.93	−2.12	0.035
80. Most public policies are guided by a long-term strategic vision.	2.88	2.43	2.07	0.040
79. Public procurement of goods and services is transparent.	2.26	1.88	2.00	0.047
109. Auditing of formal firms results in tax adjustments when appropriate.	2.68	3.10	−1.98	0.050

Note: for all the statements, the Likert scale is 1='Completely disagree', 2='Disagree', 3='Don't agree or disagree', 4='Agree', and 5='Completely agree'.

Source: authors' calculations based on quantitative survey.

We repeated the same analysis considering the affiliation of the respondents (Appendix B). Those affiliated with the business sector tend to agree that poverty reduction is a priority for the government, whereas the average response of the remaining respondents is below score 3 (Appendix Table B1). Additionally, on average, they agree that it is easy for private foreign investors to invest in Mozambique, whereas the average of the remaining responses points to disagreement with this statement (Appendix Table B1). Academics, on average, seem to be more pessimistic than the remaining respondents in terms of the debate of economic policy within government and parliament, the enforcement of judicial decisions, and the security of land rights in urban areas (Appendix Table B2). Finally, we find that respondents affiliated with public administration, on average, are more pessimistic than the rest of the respondents in terms of how reactive the public bureaucracy is to changes in the economic and social context (Appendix Table B3). The same happens for the ability of the opposition to influence political decisions and the predictability of the delivery of government services despite corruption (Appendix Table B3).

3.3 Final remarks

The overall results of the analysis of the quantitative survey point to the importance of the institutional areas linked to management of public administration and of macroeconomic and sectoral policy, as well as a lack of common vision for a national strategy, as important constraints

to economic development. It also seems to be consensual among respondents that problems related to human capital together with poverty and inequality have been impediments to development in Mozambique.

A more detailed analysis of a broad range of institutional areas shows that the answers are spread into different aspects and do not reveal a consensual view on a particular group of constraints. However, there is some indication that there are constraints in the areas of legal and constitutional matters, public protection, and the provision of public goods and services. More specifically, the analysis of the respondents' opinions indicates some weaknesses also in terms of resolution of land issues and of corruption in the business environment and public administration. Some results echo the view that Mozambique has been negatively affected in the past by events in neighbouring countries. However, at the same time, the degree of collaboration with neighbouring countries is highlighted as an institutional strength. Additionally, even though the answers show agreement with a high level of aid dependence, they also suggest that respondents regard development aid as a strength to the economic development process.

4 What do people say? KI interviews

4.1 Introduction

This section summarizes the views of KIs on major institutional constraints for economic development and their thoughts on possible solutions for the following five fundamental themes:

- rule of law and judicial independence;
- voice, participation, and political accountability;
- political instability, violence, and state legitimacy;
- state capacity and autonomy from private interests;
- sovereignty and independence.

Interviews with 22 KIs—consisting of politicians, business people, academics, and liberal professionals—took place from mid-April to mid-June 2019. During more than 50 hours of interviews, KIs were requested to identify important institutional issues and their perceptions were used to verify the relevance of the five themes and as a basis for further analysis.

Within the framework of the EDI project, 'institutions' were broadly defined as the 'formal or informal rules of the game, which political, social and economic actors are expected to follow, individually and collectively' (EDI 2020).

KIs recognized significant advances in institutional development since Mozambique's independence in 1975, although there were phases when the party in power and government made choices that represented an institutional regression. The country went through periods when institutions were considered as improving and other periods when institutional capacity weakened, and their functions were distorted. Some islands of excellence have been created that seem to persevere, but generally KIs argued that during the past decade some institutions degraded, considering the democratic model as reference and recognizing the value of public goods.

As a note on methodology, what is reported in the following sections is a brief set of institutional constraints and proposals for solutions, based on lively KI testimony. Accordingly, this summary is focused more on constraints and less on main institutional advances. Given that many KIs commented on agriculture and education, their views on these sectors are summarized separately.

Finally, the conclusion points to a selection of constraints and proposed solutions, which were common to most KI views and seen as relevant for understanding the connections with the economic development.

4.2   Rule of law and judicial independence

Constraints and causes

One of the main challenges for the public management in Mozambique is to reinforce a democratic culture. In practice, the country operates under a single-party system. Civil society has been active, but Frente de Libertação de Moçambique (Frelimo)—the Mozambique Liberation Front—finds it difficult to accept criticisms.

The judicial system has been under reform since independence. In the first decade after 1975, there was an attempt to combine the formal justice system, including its courts, with the system of resolution of minor conflicts for the majority of the population. However, after multi-party reforms were implemented, the previous experience was lost. Today, 80 per cent of the population do not solve their conflicts via the courts. The courts serve mainly the wealthy strata of urban centres.

The judicial apparatus is heavy, dispersed in the territory and inefficient. The aim is that the map of the judiciary should correspond to the administrative map of the territory. However, this correspondence should not be mandatory. A lot has been invested in the 'palaces of justice', but not in the efficient management of the different entities that operate in these buildings. There is also significant inequality in the resources available to the courts in the national and provincial capitals compared with the resources available at district level.

KIs share the perception that there is no independence of the judiciary from the executive. Some KIs believe that the dependence stems from the fact that the judges who lead the Supreme, Administrative and Constitutional Courts, as well as the Attorney General of the Republic of Mozambique, are appointed by the President of the Republic (PR). This creates an opportunity to demand loyalty, and, therefore, occasionally serious criminal cases are not brought to court.

However, other KIs do not consider this a main factor. They recognize that the appointment systems are quite varied internationally. For example, in the United States of America, the PR appoints the main judges. The important issue is to understand why this system makes the judiciary dependent in Mozambique.

The system of self-governance of the judiciary should be revised. If the Conselho Superior da Magistratura Judicial (CSMJ)—the Superior Council of Judicial Magistrates—has members who accumulate functions of responsibility in the apparatus of the ruling party, this CSMJ is not independent. In the Prosecutor's Office, this failure is even more serious. The Attorney General may instruct a less graduated attorney to act under their command.

There are also instances when judges were attacked or killed, allegedly in connection with cases being investigated, and where the attackers were not penalized. That is, there are cases of magistrates who made a genuine effort to enforce the law and paid dearly for it. The lack of protection against these incidents and the lack of penalties after the attacks created an environment of fear and legal flaws.

Mozambique had a very small number of lawyers at the time of independence, and for more than a decade, the training of lawyers was neglected when the law school at the only public university was closed. This had a long-term effect on the weakening of the rule of law.

In addition to unsolved criminal cases, which are also of media interest, economic agreements and business contracts are not secure because there are no reliable instruments for orderly conflict resolution in Mozambique. Breaches of contracts and other commercial disputes are often not resolved by the courts in a transparent, impartial, and timely manner.

The police is a complex corporation. Although there are many cases of successfully enforcing the law and discouraging crime, corruption within the police is widespread causing costs and pain to individuals, families, enterprises, and other organizations.

In general, legislation is comprehensive and many laws are being updated. However, owing to the low quality of professionals and the distortions already mentioned, many laws are not being enforced.

The rule of law is not solid enough and the judiciary has a high degree of dependency. Such conditions would pose a threat to any democratic system, impose high costs to society, and create a mistrustful environment towards the judiciary and law-enforcing bodies. There is a link between a fragile rule of law and the declining investment and economic growth.

Solutions

Some KIs consider that the independence of the judiciary could be strengthened if the presiding judges and the Attorney General were appointed by their peers. Then, the PR could manage the swearing in process for each of them. The annual budget for the judicial system should be approved by the parliament and not be subject to decisions by the executive branch.

However, among KIs there are those who think that it would be more important to understand why the system in Mozambique rewards fidelity and political loyalty to the installed power and does not reward professional merit. The PR has excessive powers, so a constitutional reform is necessary, in combination with a review of the system of self-governance of the judiciary. However, it would be difficult for this proposal to emerge from the executive branch. Civil society could play a dynamic role in reforming the judicial system and the constitution. Attention is needed so that a possible revision of the constitution is not used to alter the positive components of human rights guarantees.

It is necessary to improve the training and qualification of lawyers with the contribution of public funds, as well as in parliamentary procedures, consultations, timely discussions, and the approval of laws.

Arbitration and mediation centres should be combined with the formal judicial system, the commercial sections of the courts, and the tax and customs courts to increase efficiency and ensure justice on the basis of the law and not of the economic power of companies or entrepreneurs.

Better leadership quality in the police, which includes exemplary behaviour regarding law abidance and ethical standards, should help create a trustworthy law enforcement organization.

4.3 Voice, participation, and political accountability

Constraints and causes

Current electoral legislation, regulations, and electoral institutions are designed in such a way that they result in non-transparent, non-free, and unfair elections. Allegations of fraud in presidential, parliamentary, and local elections are recurrent, indicating that they serve the interests of the party in power.

Only 70 out of 250 members of parliament are active in parliamentary committees. They review laws, visit constituencies, and monitor the executive. The remaining members participate in the plenary sessions, but are not engaged in standing or ad hoc committees. As a result, they do not participate in important parliament activities, undermining their oversight role and failing to represent their constituencies.

Mozambique needs more checks and balances in general and one key issue is the presidential powers. They are broadly defined and overarching.

Although KIs did acknowledge that Mozambique has no political prisoners, some indicated that there is political persecution for those individuals who decide to be members of an opposition party. Such individuals can be sacked from high positions in the state apparatus and can be rejected for job positions in civil society organizations and in donor community entities.

The police is also being used to prevent civil society and the opposition parties to exercise freely their advocacy and electoral rights.

Some people who advocate in favour of legal reforms on constitutional and decentralization matters are intimidated or murdered, and the perpetrators/murderers are never caught or prosecuted.

It was alluded that while both civil society and public institutions have grown in their capacity for action, compared with 1975 or even 1992, in the last decade, the government gradually reduced the space and as a result civil society became weaker. Parliament became less effective, thus weakening the democratic system.

In such a weakened democratic system, individual and family elite interests dominate, including partly capturing the state, which increases the likelihood of distorted economic incentives and slows down poverty reduction. It contributes to low productivity levels in agriculture and related activities, prevents technology advances in smallholder producers, and keeps local and foreign investors demotivated from investing in manufacturing and competitive services.

Solutions

The KIs suggested that the electoral law and institutions need reform to ensure transparent and fair elections and to prevent fraud. Mozambique also needs a constitutional reform that reduces the powers of the presidency. This power reduction should be combined with the diminishing role of the party in power over the state apparatus and with the enforcement of the prohibition law.

The parliament needs reform so its members effectively represent their constituencies, instead of being mostly obliged to follow the top-down party decisions. There is also need for reform in regulations, and parliament members need training, so that all of them participate in standing and ad hoc committees.

Some civil society organizations have good and successful experience in combining advocacy activities with training national public institutions like the police, lawyers, and other judiciary staff members on human rights; gender equality; and the rights of vulnerable and other discriminated citizens.

4.4 Political instability, violence, and state legitimacy

Constraints and causes

Mozambican history is full of instability and violence related to movements and entities questioning the legitimacy of the state. According to the KIs, recent violence breakouts in the north of Mozambique are caused by exclusion of young people, who do not have access to quality education and good job opportunities. Also, fishermen in the north of Mozambique who were moved from coastal fishing areas to zones without fishing or other job opportunities feel excluded. There is a perception that suppression and violent retaliation from the authorities provoke further violence from a mostly young population. In addition, indiscriminate violence exercised by the authorities towards some communities including innocent people makes recruitment easy for the terrorists.

The creation of good job and business opportunities by the natural gas companies benefited only a limited number of people. This is similar for mineral coal and for other high-value minerals companies. This situation exacerbated the feeling of exclusion and unfairness towards state authorities.

The unequal distribution of government resources between north-central and southern parts of the country also affects state legitimacy in the central and northern parts of Mozambique and undermines nation building.

A higher degree of decentralization could have a positive or negative impact depending on the way it is done. It can be positive if public funds are used to achieve planned targets with minimum loss/deviation and to improve decision-making and living conditions of local communities. Decentralization can have negative effects when it is used to channel resources to local elites in the winner parties, buying loyalty and political capital while preventing local communities from benefiting.

Some KIs believe that a deeper political and economic democratic system would allow for an increase in productive investments in Mozambique. A larger aggregate effect on the economic growth would kick in, instead of the current situation where rent-seeking interests seem to dominate the state in a zero-sum game logic. In a free market economy, the strength and potential of a broader democratic system are much larger than a system characterized by abuse of power, inequalities, rent seeking, and corruption.

Resistência Nacional Moçambicana (Renamo)—the Mozambican National Resistance—maintained its army because it did not trust that the ruling party—Frelimo—would allow for an inclusive participation of citizens from all political, social, and territorial groups in public affairs and democratic opportunities. Frelimo would keep control of the defence and security forces (DSF) and use them to marginalize opposition parties. That is, DSF are not non-partisan, failing to observe the constitutional guarantee and key requirements of any modern democratic system.

It was stated that Frelimo aims to keep power at all cost in order to advance the national interest agenda. However, private interests are fused into the national/political party agenda and, through the government, the state gets 'captured'. As such, the elite in Frelimo and many

individuals/families affiliated to this political party are profiting from this approach. One direct consequence of this situation and of the widespread corruption around it is the hidden debt equal to 10 per cent of gross domestic product, which was contracted by the government on behalf of a small elite. This provoked an economic and political crisis. The crisis affected the economic growth rate; poverty and inequality increased, whereas social, political, and security conditions deteriorated. Underlying this crisis is a distorted strategy based on the extraction of natural resources—natural gas, oil, coal, and other valuable minerals—which is neglecting mainly smallholder producers in agriculture and related activities as well as youth employment.

KIs perceived that there are Frelimo members who do not agree with the approach above—elite private interests mixed with state interests—and seek alternatives by advocating for a leadership style that will inspire trust from society in the state and the ruling party and will gradually lead to an optimal development of net social welfare.

For a long time, Frelimo has not been receptive to studies and solutions proposed by people who are not party members or who do not enjoy party confidence. There is a strong belief among party members that only those who fought in the liberation war against the colonialists are able to bring change.

Solutions

State legitimacy can be re-established by applying the principles of separation of the three powers, executive, parliamentary, and judiciary; by enforcing free, transparent, and fair elections; by promoting honest, competent, and strategic leaders; by separating party interests from the DSF; and by allowing an effective and sustainable decentralization of powers and resources. Different degrees of power alternation or power sharing would contribute to increasing trust between political parties and to opening opportunities for improving the quality of opposition parties within a peaceful framework.

A democratic system with alternation of political parties in power is possible if elites live based on income earning from labour or capital activities, or on a developed mechanism of social security. It is not the current opposition but rather the healthy alternation of parties in power that represents opportunities for access to economic productive gains, a larger net social benefit, and a more stable and powerful society. The effective democratic mechanisms will allow for sustainable peace and national reconciliation.

4.5   State capacity and autonomy from private interests

Constraints and causes

KIs concur that the number of civil servants and state organizations is too high. There are too many ministries and institutions and too frequent remodelling of government structure. The competences between sector ministries and their subordinating institutions often change for short-term political gains. The lack of clarity on competences blurs responsibility and it implies a heavy burden on the budget. The oversized state apparatus serves the purpose of offering jobs to acquaintances, family members, and the 'comrades', with a view to forming a politically loyal group. The consequence is an ineffective and expensive state, which fails to address the needs of the people for public goods.

For instance, a few KIs indicated that some of these state organizations and positions were not needed, namely, permanent secretaries in the ministries as well as many advisory positions at ministerial cabinets. The positions of the minister and directors would be enough to manage the

state affairs in each area. However, this view was not consensual. Other KIs indicated that good quality and experienced advisers are relevant to the government, including to the PR. In fact, informal and low-profile advisers were viewed as an asset.

The selection of staff and promotions are neither transparent nor based on merit reflecting professional qualifications and results. Many qualified professionals are driven out of state institutions due to low pay or a non-motivating work environment.

Criteria for promotions to the level of national director no longer require experience as provincial director. At the district and local levels, frequently appointed state representatives do not have enough skills to perform their duties. This is so even if this is an essential function. The individual capacity to plan and implement at district level affects the life of many people. Yet, district administrators are nominated based on political loyalty. Most of them are not properly trained and their mission is ambiguous. There is a chronic mismatch between resources and plans and, as district administrators are judged on political affiliation and not on results, the entire planning exercise becomes of secondary importance.

The current proposal to duplicate the role of the provincial governor by appointing a new state secretary may bring additional dysfunction and unnecessary cost at provincial level.

Solutions

The KIs proposed to:

- reduce the size and simplify the structure of the state apparatus;
- keep line ministries for longer periods to ensure institutional stability and quality;
- select and promote staff on professional and merit based criteria; and
- promote personnel training, supervision, and effective management practices to improve quality performance.

Furthermore, they suggested strengthening training and education of leaders at district level as a *sine qua non* for an effective and efficient application of policies and plans. A specialized training curriculum would be useful, and a non-partisan nomination based on professional qualifications would be necessary.

4.6 Sovereignty and independence

Constraints and causes

Mozambique is a relatively young and low-income country born in the middle of the Cold War where neutrality and de facto sovereignty was rare in Africa. The struggle for independence united the country and the new leadership enjoyed phenomenal backing and popularity at first. When it tried to become an economic sovereign state after independence under a centrally planned economy, this system failed as the country was torn apart by an internal war, also supported by foreign interests.

The International Monetary Fund (IMF), the World Bank, and the international community contributed positively to the transition to a market economy and a democratic society, through a series of reforms after the war and multi-party and general elections. In this process, it seemed that Mozambique was losing sovereignty. There were many foreign entities trying to influence developments in Mozambique. International financial institutions, donors, and NGOs all wanted

policy dialogue and insisted on conditionalities to the point where strong contradictions occurred between the government and the international counterparts.

One result of this transition was that the country developed a system of economic efficiency, which is a major feature to attain economic sovereignty. In this system, the value of inputs has to be lower than the value of outputs. Government cannot consistently spend more than it collects.

Some KIs recognized that today there are signs of reversal of this system of economic efficiency. The proposed labour law over-protects workers, such that it may become extremely difficult to lay them off. The official minimum salary is increasing without a link to productivity. According to an unwritten rule, public companies are expected to run losses in order to feed the 'children of the people'. This goes for job creation as well as pricing of services. When Mozambique bought back the Cahora Bassa Dam and the electricity company, people wondered why they would still need to pay for electricity. An inefficient economic environment most likely will jeopardize the economic sovereignty of the country.

Foreign investors and interests, especially in the natural resources sector, are well connected and use their leverage to shape the rules in their favour. Foreign players need the endorsement and help of national elites for their establishment in the country. This is an ongoing process and once it is done, the scene will be set for decades. Moreover, there are foreign interests also acting in the country in illicit businesses.

Today, some people live in the hi-tech world but the majority of people still live in poor conditions. Inequality is high and a problem.

Solutions

KIs argued that a sound economic management is the means to ensure economic sovereignty. The labour market should operate in a competitive way, such that both the private and the public sectors have the opportunity of employing the most efficient labour force. These are conditions for companies to prosper in the domestic market and for some of them to compete in the international market. Public enterprises should, at least, be able to cover the costs of operation and, at best, to re-invest in modernization and expansion.

Mozambique needs a strong leadership with integrity and clear national policies and plans to guide its interaction with foreign interests and to manage globalization. It must go hand in hand with international treaties enacted through national legislation, which is enforced.

Mozambique has a challenge to adapt to globalization and will only survive as a truly sovereign nation if it has a coherent plan of its own and strong leadership to manage it. Here, equality is of great importance to keep the nation sovereign and united.

4.7   Views on agriculture

Constraints and causes

The level of productivity in the main food crops has changed little in the past 50 years. The income of smallholder producers remains at subsistence level. Poverty levels are higher in rural than in urban areas. The dominant technology is still manual. The labour force in agriculture, fisheries, and related activities is still very large, at 70 per cent of total labour force. Large public investments have been directed to various agriculture projects and programmes, national roads, schools and health centres across the entire country, and the electricity national grid. Moreover, agriculture has

been defined in the constitution as the basis for national development. Nevertheless, agriculture is still at a low development level.

After independence, the transition to a socialist system of production, central planning, communal villages, and large public companies operating in agriculture helped very little to create incentive mechanisms for smallholder producers. The network of rural traders—*cantineiros*—disappeared. It was replaced by a public trading company, Agricom. The internal war, also supported by foreign interests, helped destroy trading networks, commercial flows, and infrastructures—roads, bridges, schools, and health centres.

After the war in 1992, there were efforts to re-invest in public infrastructures, on education and health. However, the World Bank and IMF policies prevented the government from defining public policies in support of agricultural production. The argument was that there was a need for reducing the public deficit. As an alternative, there were ad hoc projects like the Mozambique–Nordic Agriculture Programme and donor-funded programmes like ProAgri that were not sustainable and missed the purpose of supporting smallholder producers.

The Ministry of Agriculture went through a period of high instability, frequently changing its denomination: MADER (Ministerio da Agricultura e Desenvolvimento Rural), MINAG (Ministerio da Agricultura), MASA (Ministerio da Agricultura e Seguranca Alimentar). There were excessive changes of ministers and national directors. Many ad hoc document policies were produced, with a low degree of budgetary sustainability. Finally, the '7 million' policy, which was a make-believe agricultural and rural policy, was in fact a mechanism for presidential control and management of local authorities. As a result of this systematic institutional and policy instability and fragility, smallholder producers kept producing at low productivity levels, with mostly manual technology and earning subsistence levels of income.

Smallholder producer organizations were created and dominated by the party in power. Organizations like União Nacional de Camponeses—the Peasants' National Union—were not endogenously created and developed. Therefore, they were not vehicles to defend and promote smallholder producer interests.

KIs recognized that, since independence, efforts were made to train thousands of professionals in agricultural matters. There were also programmes to improve seeds and provide inputs, including machinery and equipment; successful out-grower projects in tobacco[7] and cotton; successful policy in sugar cane plantations; development of financial schemes and institutions dedicated to agriculture activities; various rural development programmes; and new products for exports like soya beans and sesame. In sum, there are also some successes to be told. Unfortunately, the failures outweigh the successes.

Solutions

According to the KIs, land use rights should serve the purpose of providing income sources for smallholder agriculture producers and for the communities. Land use rights should not be monopolized by state bureaucrats for their own appropriation and transactions, as if the land was owned by the state elite and civil servants.

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[7] There were KIs who argued that tobacco production cannot be considered a success due to the negative health effects of tobacco.

Smallholder producer unions, associations, and cooperatives should be endogenously created and developed and not created and dominated by the party in power.

The Ministry of Agriculture needs long-term stability in terms of its basic functions. The same applies to public institutions dealing with land, environment, rural development, food security, and forestry matters. It should focus on elaborating and implementing long-term plans for agriculture, which need to have sustainable budgetary and financing components.

Agricultural policies need to be coordinated at central, provincial, district, and local levels. Vertical coordination is also required between central and provincial, provincial and district, and district and local levels. However, there is an underlying assumption: it is the smallholder producer who should decide what to produce rather than the PR, the minister, the national director, the provincial governor, or the district administrator.

Further development of financial and insurance institutions is needed to support agriculture, fisheries, and related production sectors. It was suggested that these institutions should be co-owned by smallholder producers.

There is a need for sustainable investment in research and development as well as in advances in production technology for agriculture and related sectors.

4.8   Views on education

Constraints and causes

There has been massive investment in education since independence. Mozambique has achieved significant results in the number of people who have been educated. However, quality in education is lacking at all levels: primary, secondary, higher, and technical–professional.

The policy to allow all students to transit to higher education levels without having minimum quality standards represents a major failure of the education system.

Quality of education in technical and professional schools has been low. For instance, frequently laboratories in these schools are not properly equipped. When students graduate, most are not sufficiently qualified for tasks in the job market. Many companies have to invest in additional on-the-job training so that newly hired professionals reach the minimum required standards.

It is estimated that about 300,000 young people enter the job market every year. It represents a very high number of people in need of finding employment. At the same time, there is a need for training and qualifying personnel in new areas like cybernetics security, robotics, and artificial intelligence. Universities should be investing in these areas as well. Unfortunately, mainstream national policies still focus on traditional fields, neglecting the new science and technology areas.

The proliferation and subdivision of universities and other higher education institutions go against the objective of improving education quality and represent expensive clientelism.

Solutions

There is a need to introduce quality standards in education, both for teachers and for students. It is important to ensure that students learn how to read and write in primary school. For other education levels, it is also required to ensure minimum qualification standards.

Education policies should be separated from political interests. These interests represent an attempt to obtain parents' votes by allowing students to graduate to higher levels without satisfying minimum required standards.

There is a need to invest sustainably and consistently in fields that the Mozambican economy requires, like agriculture, fisheries, and tourism.

4.9   Summary of KI observations

The KIs highlighted the following:

- The judicial system remains weak and not independent of the executive power.
- The rule of law needs reinforcement to prevent/discourage crime and enforce contracts.
- Democratic institutions and regulations need reform to ensure a more inclusive society and bolster it against elite capture and—ultimately—foreign dominance.
- The state apparatus requires better qualified personnel, downsizing, and a more stable structure, manned by professionals selected and promoted using objective and merit criteria.
- Legislation and institutions should be adapted to further general economic efficiency in the markets, including in public enterprises.
- Decentralization, including of the public finance system, and a serious reform in agricultural and fisheries policies are required for increased productivity and income levels mostly for smallholder producers.
- There is a need for investment in education quality at all levels, and improvement of technical and professional education.
- Mozambique is a low-income country, and it could make better and more careful use of foreign investments and aid. It is under foreign pressure for its riches, natural resources, and strategic location. It should have its own coherent plan and good quality leadership with integrity, working towards an inclusive Mozambican society to stay independent and peaceful.

5   Conclusion

In concluding this chapter, we briefly put together the results from the analysis of existing institutional indicators, the quantitative survey, and the KI interviews, recognizing that these methodological approaches are complementary and not necessarily aligned with each other.

The description of the different institutional indicators points to an overall deterioration of the performance of Mozambique when comparing the early 2000s to the present day. The following institutional constraints were identified as important in both the quantitative survey and the KI interviews:

- agricultural issues and the need for inclusive development;
- human capital/education;
- provision of public goods and services;
- management of public administration and decentralization;
- legal and constitutional matters and public protection;
- natural resources and corruption.

Finally, the common vision for a national strategy was referred as important in the quantitative survey and this need appeared as central in the KI interviews in relation to a long-term plan for the agriculture sector. This also relates to the critical importance of donor relations and sovereignty issues. The thematic studies that follow in Chapters 4–12 develop many of these areas.

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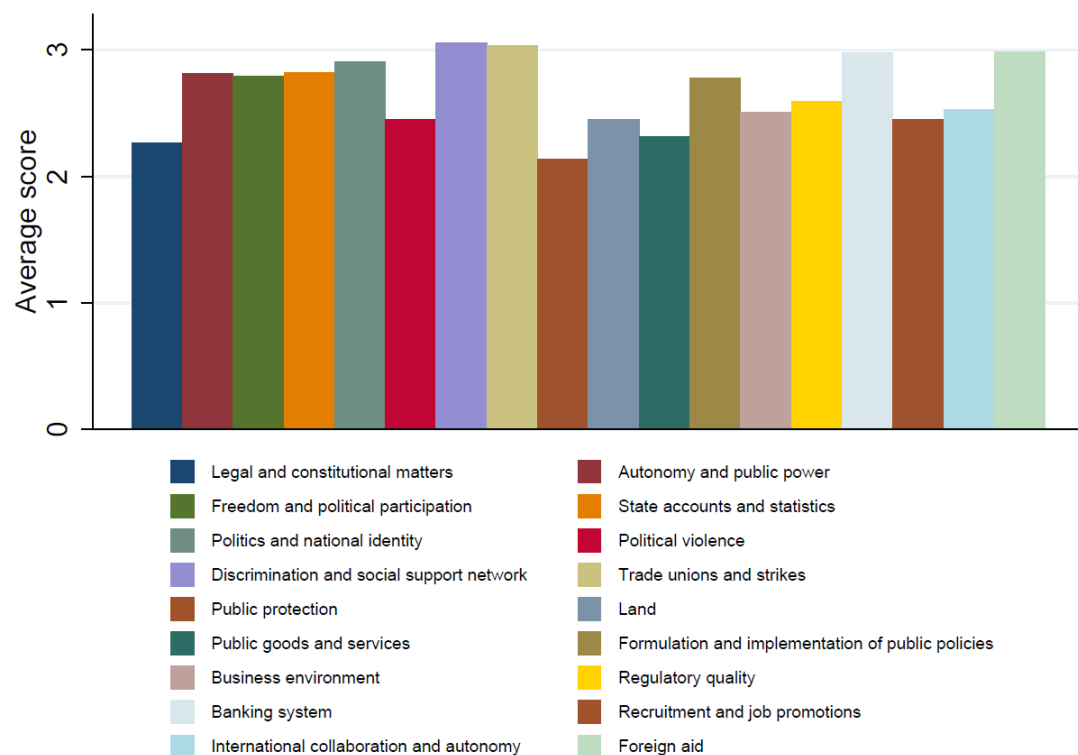
Appendix A

Figure A1: Frequency of statements under the institutional areas in the Bangladesh Institutional Diagnostic by average scores
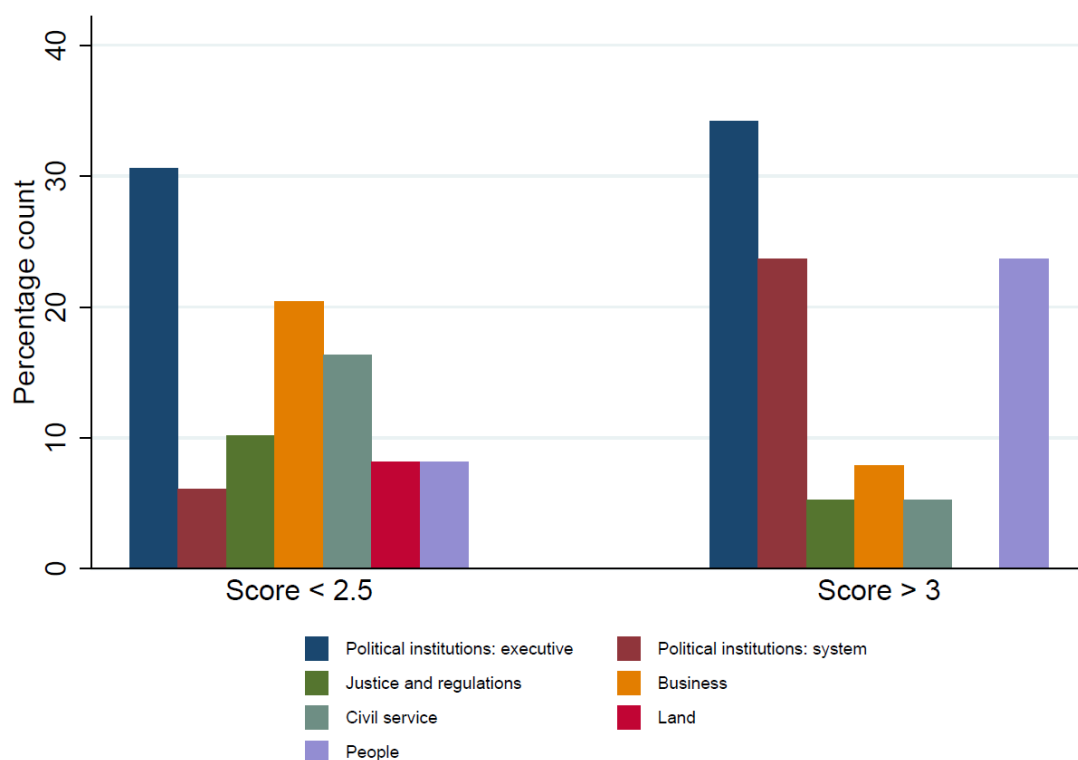
Source: authors' calculations based on quantitative survey.

Figure A2: Average scores under the institutional areas

Source: authors' calculations based on quantitative survey.

Appendix B

Table B1: Top issues with significant differences between respondents affiliated with the business sector and the other respondents

Statement	Average score business	Average score non-business	t-statistic	p-value
120. There is a significant degree of collaboration with neighbouring countries.	3.85	3.30	3.36	0.001
81. Poverty reduction is a priority for the government.	3.19	2.37	3.27	0.001
34. Economic policy is actively debated within government and parliament.	3.01	2.41	2.69	0.008
80. Most public policies are guided by a long-term strategic vision.	2.62	2.08	2.37	0.019
97. Firms abide by the minimum wage laws.	2.98	3.48	−2.19	0.030
102. Despite corruption, government services are delivered in a predictable manner.	2.78	2.30	2.16	0.032
60. The use of child (below 15-years-old) labour is common in urban areas.	3.92	3.50	2.14	0.034
108. It is easy for private foreign investors to invest in Mozambique.	3.19	2.70	2.13	0.035
90. The business environment is an impediment to private sector development.	3.62	4.04	−2.07	0.041

Note: for all the statements, the Likert scale is 1='Completely disagree', 2='Disagree', 3='Don't agree or disagree', 4='Agree', and 5='Completely agree'.

Source: authors' calculations based on quantitative survey.

Table B2: Top issues with significant differences between respondents affiliated with academia and the other respondents

Statement	Average score academia	Average score non-academia	t-statistic	p-value
18. The electoral process is fair.	2.20	2.83	−2.63	0.010
34. Economic policy is actively debated within government and parliament.	2.79	3.34	−2.55	0.012
2. There is a clear separation of judicial, executive, and legislative powers.	1.84	2.38	−2.50	0.014
16. The way in which the executive governs is an impediment to development.	3.63	3.03	2.49	0.014
30. Official statistics on poverty and inequality are produced regularly.	3.00	3.50	−2.37	0.019
7. Judicial decisions are taken in a timely manner once the matter gets to the court.	1.96	2.39	−2.35	0.020
54. Collective bargaining is prevalent.	3.08	3.52	−2.18	0.031
8. Judicial decisions are enforced.	2.77	3.20	−2.16	0.033
66. Land rights are secure in urban areas.	2.74	3.20	−2.14	0.034

Note: for all the statements, the Likert scale is 1='Completely disagree', 2='Disagree', 3='Don't agree or disagree', 4='Agree', and 5='Completely agree'.

Source: authors' calculations based on quantitative survey.

Table B3: Top issues with significant differences between respondents affiliated with the public administration and the other respondents

Statement	Average score public administration	Average score non-public administration	*t*-statistic	*p*-value
72. The public bureaucracy is reactive to changes in the economic and social context.	2.69	3.32	−3.00	0.003
20. Political corruption, such as vote buying, illegal campaign financing, etc., is prevalent.	3.91	3.29	2.61	0.010
10. Elected provincial and local authorities have autonomy with respect to the central government regarding local politics.	2.43	3.00	−2.57	0.011
22. Opposition to the ruling government, from both political parties and civil society, is able to influence political decisions.	3.15	2.64	2.57	0.011
119. Today the country is negatively affected by political events in neighbouring countries.	3.24	2.67	2.54	0.012
102. Despite corruption, government services are delivered in a predictable manner.	2.60	3.12	−2.24	0.026
43. The use of violence by political organizations is prevalent.	3.55	3.08	2.11	0.036
35. Economic policy is actively debated within civil society.	3.20	3.72	−2.11	0.037
61. The use of child (below 15 years old) labour is common in rural areas.	4.05	3.65	2.03	0.044

Note: for all the statements, the Likert scale is 1='Completely disagree', 2='Disagree', 3='Don't agree or disagree', 4='Agree', and 5='Completely agree'.

Source: authors' calculations based on quantitative survey.