



FOR STRUCTURAL TRANSFORMATION OF AFRICAN ECONOMIES

CDD promotes Africa Policy Dialogues in Mozambique



Credits: Adapted from Africa Democratic Institute

1. Background

International experience, in general, and Africa, in particular, reveals that the abundance of natural resources in a country or region does not automatically imply economic growth and an improvement in the people's living conditions. Depending on policy op-

tions and installed macro-economic management capacity, the abundance of natural resources can be either a blessing or a curse for that country or region¹.

In fact, one of the main determinants for the transformation of the abundance of na-

¹ <https://www.jstor.org/stable/23071620?seq=1>



Credits: www.abc.net.au

tural resources into wealth for a country or region is the establishment of an inclusive governance model² (especially ensuring that all interested people have a voice and participate in decision-making³) that allows the participation of all citizens in a transparent decision-making process concerning the management of those resources that are a public good.

This is one of the main factors that explain success (Botswana, Canada, Australia, and Norway)⁴ and failure (Nigeria, Zambia, Sierra Leone, Angola, Saudi Arabia, and Venezuela) of some countries with abundant natural resources⁵.

Mozambique is also a nation blessed with a diverse abundance of natural resources that include immense fertile land for agriculture, vast water resources inland and on the coast, and, more recently, mineral and hydrocarbon resources. Despite this economic potential in terms of natural resources, the country remains underdeveloped, being currently one

of the 10 poorest countries in the world⁶, according to the United Nations (UN) classification of the Human Development Index (HDI).

Even after 45 years of independence, and despite the abundance of natural resources aforementioned, Mozambique remains an economy mainly based on an inefficient agricultural sector. The manufacturing industry is practically non-existent, and the services are, for the most part, dedicated to the commercialization of imported products with little added value in the country's Gross Domestic Product (GDP)⁷. Therefore, the country has not yet experienced a structural transformation of the economy that would allow an efficient reallocation of existing natural resources to maximize gains for the population and, thus, promote the country's economic growth and development.

Despite its enormous agricultural potential and 80% of the labor force is allocated to this sector of production, the country has not yet managed to transform this into food

² https://mpr.ub.uni-muenchen.de/58598/1/MPRA_paper_58598.pdf

³ <https://includeplatform.net/publications/inclusive-governance-for-economic-structural-transformation-in-mozambique/>

⁴ <https://onlinelibrary.wiley.com/doi/full/10.1111/j.1468-0297.2006.01045.x>

⁵ <https://www.e-education.psu.edu/ebf200/node/222>

⁶ <https://worldpopulationreview.com/country-rankings/poorest-countries-in-the-world>

⁷ <https://cddmoz.org/wp-content/uploads/2020/05/%C3%89-hora-de-acordar-e-reinventar-se-Mo%C3%A7ambique.pdf>



Credits: MVO Noticias

and wealth for Mozambicans. Indeed, the majority (66.8%)⁸ of the Mozambican population still live in rural areas with difficulties in accessing basic services, such as education, health, and water⁹. Even worse, more than 50% of the population live in extreme poverty and with considerably high levels of food insecurity and malnutrition, with the central and northern regions being the most affected¹⁰. The abundance of natural resources has not been transformed into wealth for most Mozambicans. Failures in the country's economic governance are one of the main factors leading to this situation¹¹.

These failures include the lack of mechanisms for inclusive and participatory governance (decision-making at the central, provincial, and district levels) that can guarantee a structural transformation that leads to inclusive economic growth and leading to improved living conditions for the people. However, it is still possible to achieve structural transforma-

tion of the national economy. For this to happen, the country must establish an inclusive governance model that allows all Mozambicans to have a voice in defining their wealth management model.

It is in this context that, on July 14, the Center for Democracy and Development (CDD), in partnership with the Center for African Studies from the Leiden University¹², started implementing Mozambique Policy Dialogue (APD Mozambique 2020)¹³ for the inclusive discussion of ideas regarding opportunities for structural transformation of the Mozambican economy, in particular, and African economies, in general. This program is implemented within the scope of the INCLUDE Platform¹⁴, which is a platform for production, knowledge sharing, and engagement between academic and civil society organizations and inclusive policymakers. INCLUDE is supported by the Government of the Netherlands.

⁸ http://www.ine.gov.mz/estatisticas/estatisticas-demograficas-e-indicadores-sociais/projecoes-da-populacao/mocambique_projecoes_2007_2040.xls/view

⁹ https://www.wider.unu.edu/sites/default/files/Final_QUARTA%20AVANIA%C3%87AO%20NACIONAL%20DA%20POBREZA_2016-10-26_2.pdf

¹⁰ <https://www.unicef.org/mozambique/nutri%C3%A7%C3%A3o>

¹¹ <https://cddmoz.org/wp-content/uploads/2020/05/%C3%89-hora-de-acordar-e-reinventar-se-Mo%C3%A7ambique.pdf>

¹² <https://www.ascleiden.nl/>

¹³ <https://includeplatform.net/publications/inclusive-governance-for-economic-structural-transformation-in-mozambique/>

¹⁴ <https://includeplatform.net/theme/african-policy-dialogues/>



2. Brief notes regarding the structural transformation of the Mozambican economy in the last 40 years

The history of structural transformation of the Mozambican economy began with the formation of the first independent Government of Mozambique. The first formal attempt at the structural transformation of the Mozambican economy from the period when the centrally planned economy was in force, when the first independent Mozambican government implemented the Prospective Indicative Plan (PPI), between 1980 and 1990¹⁵.

Subsequently, and due to the failure of the PPI, in 1987, Mozambique introduced the Economic Rehabilitation Plan (PRE)¹⁶ with technical and financial assistance from the Bretton Woods institutions (World Bank and International Monetary Fund). With the end of the civil war and the holding of the first elections, several programs for the reconstruction of the economic infrastructures des-

troyed by the war were implemented, thus promoting the country's economic growth and development.

The common denominator of all the programs aforementioned was the materialization of the precept of the Constitution of the Republic of Mozambique that establishes agriculture as the foundational activity and industry as the driving force for economic activity. As a result of the implementation of these economic programs, between 1991 and 1999, Mozambique's GDP grew at an average annual rate of 7%¹⁷, however, that did not prevent the country from being classified as the fourth poorest country in the world, with an HDI of 0.209¹⁸.

The economic structure of Mozambique underwent profound changes with the arrival of the "age of megaprojects"¹⁹. Between 2000

¹⁵ http://www.arpac.gov.mz/images/livros/livro_40anos.pdf

¹⁶ <https://pt.countryeconomy.com/demografia/idh/mocambique>

¹⁷ <http://www.ine.gov.mz/estatisticas/estatisticas-economicas/contas-nacionais/anuais-1/pib-na-optica-de-producao/pib-na-optica-de-producao-2020/view>

¹⁸ <https://pt.countryeconomy.com/demografia/idh/mocambique>

¹⁹ https://www.iese.ac.mz/https://www.iese.ac.mz/liib/cncb/Mega_projectos_Moz_texto.pdf



Credits: Jornal O País

and 2010, the country witnessed the implementation of major investment projects in the manufacturing (MOZAL) and extractive industries (SASOL and Companhia Vale do Rio Doce Mozambique), whose effects on the country's economic structure reduced the contribution of agriculture to national GDP from 36% to about 28%. Conversely, the manufacturing industry increased its contribution to GDP from 9% to 13%.

In this period, Mozambique's economic growth accelerated to an annual average of 8%²⁰, placing the country among the 10 poorest economies in the world with an HDI of 0.353²¹.

Thus, the recent discoveries of large reserves of natural gas in the Rovuma basin, in Cabo Delgado province, along with other operational gas projects in the province of Inhambane (regions of Pande and Temane), have placed Mozambique in the restricted group of countries rich in hydrocarbons, earning the country the nickname Africa's "new

Qatar"²².

However, after the natural national euphoria over the discovery of yet another source of wealth in native soil, sounding alarms began going off fearing Mozambique would become an extractive and rentier economy²³, i.e. to depend almost entirely on an extractive industry that has no links with the other sectors of the economy (mainly agriculture that employs the majority of the Mozambican population) as has happened with some economies with abundant mineral resources, such as Nigeria, the Democratic Republic of Congo and Venezuela, a situation that does not generate development for the country. Indeed, agriculture has its weight in the country's economic structure reduced to 24% while the extractive industry is contributing more and more to the country's GDP, being currently with a weight of 5%. The manufacturing industry is also losing its importance in the national economic structure with its contribution to GDP estimated to be about 9%.

²⁰ <http://www.ine.gov.mz/estatisticas/estatisticas-economicas/contas-nacionais/atuais-1/pib-na-optica-de-producao/pib-na-optica-de-producao-2020/view>

²¹ <https://pt.countryeconomy.com/demografia/dh/mocambique>

²² <https://www.diarioeconomico.co.mz/oilgas/gas-natural-pode-transformar-mocambique-no-qa-tar-de-africa/>

²³ <https://noticias.sapo.mz/economia/artigos/mocambique-esta-a-afundar-se-numa-dependencia-de-recursos-carlos-lopes>



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3. APD Mozambique 2020

Created in 2015 by the INCLUDE Platform, African Policy Dialogues (APD) consist of spaces for interaction between representatives of the Government, the private sector, civil society, academics, and other relevant actors to jointly generate empirical evidence concerning socio-economic problems that affect African countries, and serve as a basis for the design and implementation of socio-economic policies or programs that can lead African nations towards sustainable and inclusive economic growth. Currently, in addition to Mozambique, there are ODAs in eight African countries, namely Ethiopia, Ghana, Uganda, Nigeria, Kenya, Rwanda, Mali, and Niger.

APD Mozambique 2020 is a platform for a participatory discussion with the main objective of disseminating the sharing of knowledge regarding the strategic role of mechanisms of inclusive governance, an essential factor for achieving the objective of structural transformation of the economy through so-

cio-economic empowerment of low-income population, particularly young people and women living in rural areas that, structurally, are most affected by poverty.

For a better understanding of the role of inclusive governance in the structural transformation of the Mozambican economy, APD Mozambique 2020 will conduct a case study²⁴ based on the example of the Food and Nutrition Security Council (CONSAN) to assess the extent to which current governance mechanisms are effectively inclusive and capable of actively involving peasants and small farmers to improve agricultural production and promote food sovereignty/ food security and nutrition in Mozambique. The choice of CONSAN as a priority research object for APD Mozambique is based on the belief that this council structure can be an essential opportunity to link inclusive governance and structural transformation.

The key document to infer the connection

²⁴ The newly created CONSAN builds on the work of the Technical Secretariat for Food Security (SETSAN), which was established at the beginning of the decade to strengthen intersectoral and decentralised efforts in the area of FSN. In recent years, when SETSAN was still operating as part of the Ministry of Agriculture and Food Security (MASA), the assumption that an increase in agricultural production would naturally lead to food sovereignty began to be questioned and, as a result, national agricultural production and SAN strategies were reassessed. In 2020, the new government decided to separate the SAN and Agriculture sectors. As Agriculture and Rural Development were brought together in the new MITADER, SETSAN became part of CONSAN, based in the Prime Minister's office (as a strategy to promote intersectoral and social participation and to contribute to fighting hunger, malnutrition and poverty through the progressive realization of the human right to food).



Credits: Carta de Moçambique

between governance, economic growth, structural transformation, and food and nutritional security will be the National Development Strategy (2015-2035)²⁵. This strategy alludes to the Government's commitment to "inclusion" and "growth". However, the issue of "governance" does not receive enough emphasis. For this reason, APD Mozambique 2020 also aims to highlight the paramount role of governance in the entire content of the National Development Strategy, discussing and disseminating the concept of "inclusive governance" and its application at the national, provincial, and district levels.

In specific terms, APD Mozambique 2020 aims to:

- Encourage intersectoral and participatory debates, with national, African, and international entities, regarding the fundamental role of inclusive governance in achieving inclusive economic growth with structural transformation.
- Create an "Inclusive Governance" indicator - a mechanism to monitor the evolution of inclusive governance in the country.
- Raise awareness among the population regarding the importance of their participation and effective engagement in the decision-making process concerning socio-economic issues in the community.
- Strengthen the presence of inclusive governance in the decision-making mechanisms of these local governance bodies up to the highest levels of executive power.
- Promote great national reflection regarding how to overcome the trend experienced by Mozambique, since the past decade, of high economic growth but with socio-economic exclusion.

²⁵ http://www.setsan.gov.mz/wp-content/uploads/2016/12/ESTRATEGIA-NACIONAL-DE-DESENVOLVIMENTO_2015-2035.pdf

The activities and actions planned under the scope of APD Mozambique 2020 are described in the table below:

#	Activities	Schedule
1	Meetings with relevant entities (Government, private sector, civil society and development partners) for the formal presentation of the APD Mozambique 2020 program	July, 2020
2	Production of consolidated conceptual note of the program	August, 2020
3	APD Mozambique 2020 public launch seminar	October, 2020
4	Conducting the Case Study	October-December, 2020
5	International conference to share information concerning Mozambique and other African contexts on inclusive governance and structural transformation	January, 2021
6	Three provincial dialogues to disseminate the results of the international conference (south, center, and north)	February, 2021

As it can be understood from the description above, APD Mozambique 2020 is a multidisciplinary and multisectoral program and, therefore, will involve:

- *Government entities:* National Council for Food and Nutritional Security (CONSAN)²⁶, Ministry of Agriculture and Rural Development²⁷ and government representatives from other relevant sectors, such as natural resources, energy, environment, social work, youth, and work);
- *Private Sector:* representatives of the Confederation of Economic Associations (CTA)²⁸, Mozambican Association of Banks (AMB)²⁹, Provincial Trade Forums, Provincial Small Farmers Associations, among others;
- *Civil Society Organizations:* Network of Organizations for Nutritional Sovereignty (ROSA)³⁰, Budget Monitoring Forum (FMO) and Platform on Natural Resources and Extractive Industry (PIE);
- *Multilateral Development Agencies:* European Union (EU)³¹, World Bank, African Development Bank (BAD)³², United Nations Food Fund (FAO)³³, United Nations Development Program (PNUD)³⁴, United Nations Industrial Development Organization (UNIDO)³⁵, among others.

4. Main issues to be discussed at the APD Mozambique

Inspired by the constant search for strengthening democratic governance mechanisms, CDD decided to include governance in the APD Mozambique to address the issue of economic growth and structural transformation of the economy with improvements in food and nutritional security in Mozambique.

²⁶ <http://extwprlegs1.fao.org/docs/pdf/moz173957.pdf>

²⁷ <https://www.agricultura.gov.mz/>

²⁸ <https://cta.org.mz/>

²⁹ <http://www.amb.co.mz/>

³⁰ <https://rosa.org.mz/>

³¹ https://eeas.europa.eu/delegations/mozambique_pt

³² <https://www.afdb.org/en/countries/southern-africa/mozambique>

³³ <http://www.fao.org/mozambique/en/>

³⁴ <https://www.mz.undp.org/>

³⁵ <https://www.unido.org/>

The main research questions to be explored during the implementation of ODA Mozambique 2020 include:

- How does inclusive governance contribute to achieving economic growth with structural transformation across agricultural production sectors?
- Are the existing economic governance mechanisms effectively inclusive? What are the strengths and challenges?
- What is the level of achievement of inclusive governance indicators that lead to structural transformation at the local, provincial, and national levels?
- Can inclusive governance mechanisms function as catalysts to guarantee economic growth through structural transformation and socio-economic inclusion?
- How can inclusive governance contribute to achieving economic growth with structural transformation in the agricultural sector so that it can guarantee food and nutritional security for the Mozambican population?
- What are the essential indicators for monitoring inclusive governance?
- What are the governance functions at the central, provincial, and local levels? And what are its opportunities and challenges? How does inclusive food security governance take place in the context of Mozambique? What are the actors involved in each level of governance, and what is its level of effective participation in decision-making?
- What is the role of agricultural cooperatives in mechanisms of inclusive governance, intending to improve structural transformation through agricultural production and the creation of food sovereignty?

For CDD, the implementation of APD Mozambique 2020 is yet another instrument to materialize its vision of promoting an inclusive, democratic, and developmental Mozambican society, with respect for Human Rights. Likewise, this program contributes to fulfilling CDD's mission of catalyzing capacity development, focusing on youth, mobilizing public opinion, and providing an independent space for critical reflection regarding the challenges to democratization and socio-economic development in Mozambique and the region.

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