

Reforms, resources and recovery

INTERVIEW WITH HE MANUEL CHANG

MINISTER OF FINANCE, MOZAMBIQUE

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What do you consider to be the key objectives of financial policy in Mozambique?

Financial policy in Mozambique is part of the wider Government medium-term strategy, outlined in both the Five-Year Government Program for the period 2005-2009, and in the Action Plan for Absolute Poverty Reduction (PARPA II) for the period 2006-2009. In that context, we have crafted and are conducting financial policy with a view to contributing to the pursuit of the following key objectives: (i) the reduction of absolute poverty, (ii) the promotion of macroeconomic stability, (iii) improving the business environment to attract domestic and foreign investment, (iv) improving the provision and diversification of financial services throughout the country, particularly aiming at the expansion of credit to the economy, (v) the mobilization of internal and external resources, to meet the Government's financial requirements in the pursuit of its programmes and safeguarding sustainability of the economy, and (vi) by these means improving the living standards and wellbeing of the poor and vulnerable, particularly women and children.

How important is the 'development agenda' with its focus on strengthening governance, improving the distribution of resources, enhancing the investment climate and fighting poverty?

The Government's policy agenda, particularly as outlined in PARPA II, aims at reducing the incidence of absolute poverty from 54 per cent in 2004 to 45 per cent in 2009. To achieve this objective, both the Government Five-Year Program and PARPA II contain commitments for reforms in the public sector and justice administration in order to improve governance, law enforcement and public order and security. These are comprehensive reforms, including improvements in budget management and resource allocation for greater effectiveness in promoting economic growth, poverty reduction and fairness in income distribution. Although access to credit remains limited and costs of finance high, we are working in partnership with the private sector to make our business environment more attractive for investment. We are approaching this as a means of reducing transaction costs for doing business to promote the development of small and medium scale entrepreneurs.

What are the key challenges in establishing high and sustained economic growth rates in Africa, as required by the Millennium Development Goals?

I have read with concern the 2006 Global Monitoring Report, which points out that the African continent is at risk of not achieving the Millennium Development Goals¹. Averting this prospect requires key improvements in governance, economic management as well as investments in key infrastructures to promote intra-African and international trade. The Government of Mozambique as an active member of the African Union has been working hard to address the perceived image of Africa as a continent plagued by corruption and a lack of accountability. Under the NEPAD, we have made governance an important area of action. African Governments have adopted a Peer Review Mechanism, which covers areas of political, economic, financial and corporate governance. To demonstrate our commitment to good governance, Mozambique is one of the 25 countries that have joined the Mechanism. However, these measures alone will not suffice unless key investments are made in the development of human capital and in physical infrastructure to promote regional integration and the development of Africa.

What role can the private sector play in Mozambique's economic development, specifically in infrastructure?

The private sector constitutes the main engine for economic growth in Mozambique, via partnerships with the public sector for development and operation of the economic infrastructure projects. Examples of public-private partnerships in Mozambique include the Maputo-Witbank road corridor, the rehabilitation and management of the ports of Maputo, Beira and Nacala and the reconstruction of the Sena railway. Our development agenda creates ample space for the participation of the private sector, either through the provision of finance, construction and rehabilitation of infra-structure, in partnership agreements with the public sector, or in the areas of management and operation of basic infrastructure. At this crucial stage of development of the sector, Mozambique offers attractive opportunities for companies specialising in equity and project finance as well as for construction companies and financial institutions.

Is the concept of 'equitable and fair' global trade vital to Mozambique's development? What role can organizations such as the World Bank, G8 and NEPAD play in this effort?

Mozambique as a country, as well as in the context of the African Union, attaches a crucial importance to the necessity of an equitable and fair international trading system. Our development strategies, particularly the promotion of economic growth and reduction of aid dependency require unlimited access to the markets of developed countries for our producers. Hence, in various international fora, we have joined other voices from Africa and from the developing world in general calling for the reduction of tariff and non-tariff barriers to our exports. Africa's position is weakened by the fact that most of our economies specialise in primary commodities which have witnessed a secular decline in the terms of trade with manufactured products, although some mineral products and oil have witnessed a surge in their international prices in recent years. This is why international institutions such as the World Bank and continental mechanisms such as the NEPAD are important in the creation of frameworks for the diversification of our export bases and the decisions of the G8, particularly those taken at the Gleneagles Summit, which, having put Africa on the spotlight, are important vehicles to facilitate our access to developed-country markets.

How is Mozambique's domestic economy performing and what are the prospects for the medium term?

The Mozambican economy continues to demonstrate vitality and solid growth. Over the past 10 years real GDP growth averaged eight per cent, and in the medium term it is expected that the economy will continue to grow at a seven per cent rate per annum. This will be in the framework of macroeconomic stability and efforts towards sustainability in the government budget and the current account of the balance of payments. We are aiming at containing inflation rates and the ratios of budget deficits and the current account, to GDP within single digits. We are paying particular attention to the improvements in economic efficiency of investments in various sectors of the economy and greater contribution and participation from agricultural, manufacturing industry, construction, commerce, tourism, transport and communication, and the exploration of natural resources, including hydro-energy and irrigation schemes. Effectively, in the coming years the economy will benefit as the Moma (in Nampula province) and Chibuto (in Gaza province) heavy sands projects enter their production stage and the hydro-electric dams of Mpanda Nkua and the North Central of Cahora Bassa projects are

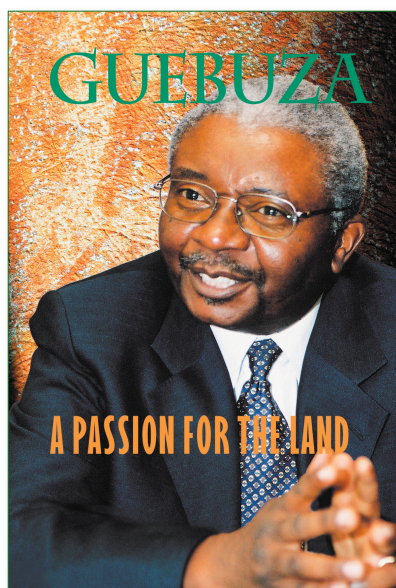
reactivated. We expect a new entrepreneurial dynamics at the levels of small and medium enterprises.

What is your vision for Mozambique's economic development over the next decade?

Because Mozambique is a country of enormous potential, the Government is optimistic about the prospects for its socio-economic development. We expect the annual growth rate of GDP to be around seven per cent in the period 2006-2010 and to be between five per cent and seven per cent in the remaining years of the next decade. Attaining these growth rates would enable us to meet the targets we set in PARPA II and improve our prospects of meeting the Millennium Development Goals. **E**

¹ This Report was jointly prepared by the World Bank and the International Monetary Fund, with inputs from the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, and Inter-American Development Bank.

The Mozambican economy continues to demonstrate vitality and solid growth



Guebuza: a passion for the land traces the life and deeds of a Mozambican, Armando Emilio Guebuza, with humble beginnings in Murrupula, in Mozambique's Northern Province of Nampula Province to become his country's third Head of State and fourth Frelimo President. Guebuza's father, Miguel Guebuza, was a male nurse and his mother, Marta Bocota Guebuza, a housewife.

President Guebuza rose through the ranks of Frelimo from 1963 to become a member of

its Central Committee and of its inner political circle – the Political Commission. He held many ministerial positions after independence. He was also the chief negotiator of the Rome Peace agreement and worked with both Julius Nyerere and Nelson Mandela on the Burundi Peace Process. President Guebuza places his emphasis on the fight against poverty.

The book, to be released in the first trimester of 2007 by Macmillan Publishers, was written by the British Council Scholar Renato Matusse. Currently Dr Matusse is President Guebuza's Political Advisor. With a PhD in Sociolinguistics from the University of Newcastle-upon-Tyne, UK, Matusse has participated in a number of conferences and published, both at home and abroad, material on various themes.