

Reforms, resources and recovery

INTERVIEW WITH HE MANUEL CHANG

MINISTER OF FINANCE, MOZAMBIQUE

The Government's policy agenda aims at reducing the incidence of absolute poverty from 54 per cent in 2004 to 45 per cent in 2009

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.

