

# A new and prosperous era

Mozambique's natural resource endowment provides the foundation for an exciting future

After 15 years of economic reforms, recent discoveries of gas, along with a huge coal sector, will provide much-needed finance

If ever a country deserved its good fortune, then Mozambique is that country. For the first 20 years of the independence it won in 1975, it was wracked by a war whose scars are still visible today. After 15 years of economic reforms, recent discoveries of gas, along with a huge coal sector, will provide much-needed finance for the Government in its mission to eradicate poverty and create jobs.

The Portuguese began colonising what is today Mozambique in the early 16th century, soon establishing this stretch of the East African coastline as a trade centre with India. After the end of World War II, as in most of Africa, an independence movement emerged, led by FRELIMO, which fought the Portuguese military regime of Antonio Salazar. For a decade FRELIMO was locked in conflict with the Portuguese military, which was backed by mercenaries sent in by the neighbouring apartheid regimes of South Africa and Rhodesia.

The war looked set to end in 1974, when a bloodless revolution in Portugal led by junior military officers overthrew the military regime: the following year Mozambique declared its independence. But Mozambique's problems were only just beginning.

FRELIMO took complete control of the former colony after a transition period, as agreed in the Lusaka Accord which recognised Mozambique's right to independence and the terms of the transfer of power. Within a year of the Portuguese coup, almost all the 300,000 Portuguese population had departed. This hasty exodus left the Mozambican economy in chaos. Two years later, in 1977, civil war erupted, destroying what little wealth and physical infrastructure the Portuguese had left behind.

For 13 years, Mozambique was a Cold War battleground, as the Soviet-backed FRELIMO army fought the US and South African-backed RENAMO rebels. By 1990, the world outside Mozambique was changing fast: the Soviet Union was collapsing, apartheid was crumbling in South Africa, and support for RENAMO drying up in Washington. That year, the first direct talks between the FRELIMO government and RENAMO were held. In November 1990 a new constitution was adopted. Mozambique was now a multiparty state, with periodic elections, and guaranteed democratic rights.

Two years later, on 4th October 1992, the UN-backed Rome General Peace Accords were signed



President Armando Guebuza of the Republic of Mozambique

between President Joaquim Chissano and RENAMO leader Afonso Dhlakama. A UN Peacekeeping Force oversaw a two-year transition to democracy, with the last ONUMOZ contingents departing in early 1995.

Which is when Mozambique's new day finally dawned. As part of the peace process, free and fair elections had already been held in 1994, and which were won by FRELIMO's Joaquim Chissano. In 1995, the country joined the Commonwealth, reflecting the country's common cause with its English-speaking neighbours in contributing to the struggle against white rule in neighbouring Rhodesia / Zimbabwe and South Africa. Mozambique faced tremendous challenges in rebuilding the country.

From the mid-1980s the FRELIMO government decided to replace its Marxist political, social and economic system with a Western-oriented system. On 30th November 1990 Mozambique adopted a new constitution that provided for a multiparty political system and exchanged its centrally controlled political economy for a market-oriented one.

By mid-1995, more than 1.7 million refugees who had sought asylum in neighbouring countries had returned to Mozambique, one of the largest repatriations in sub-Saharan Africa; a further four million internally displaced persons were also returning to their homes. In December 1999, Mozambique held its second elections since the end of the civil war, again won by FRELIMO. Two years later, in a move seen as a criticism of other African leaders' refusal to relinquish power and allow for a pluralistic democracy to develop, President Chissano said that he would not run for a third term.

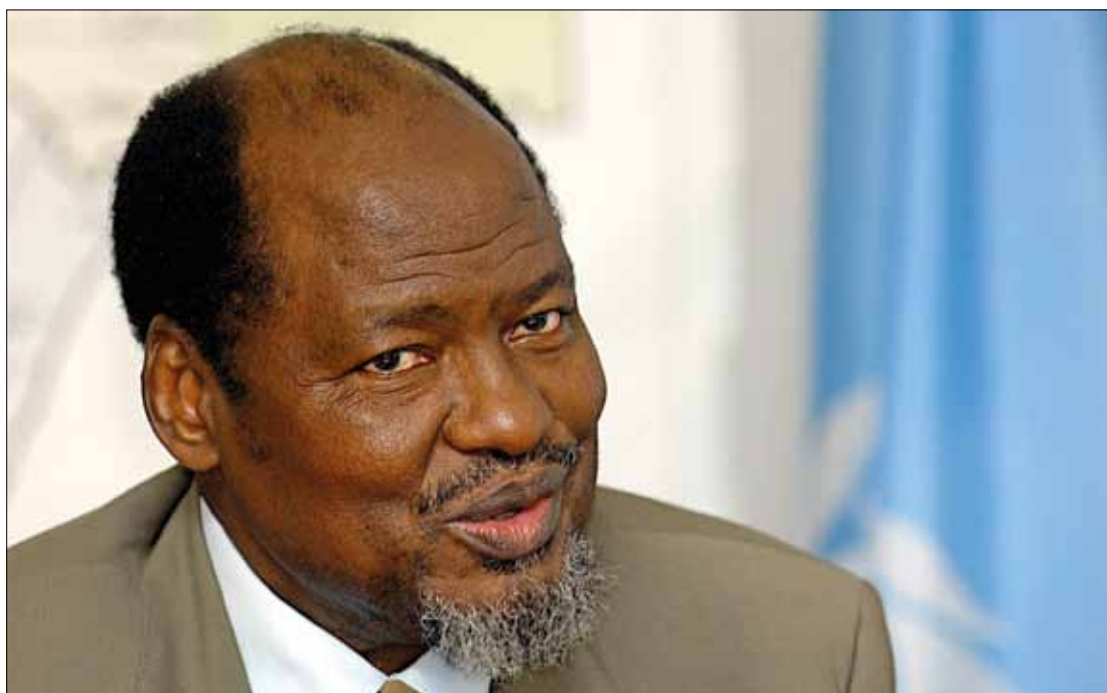
National Assembly elections took place at the end of 2004, with Armando Guebuza winning 64 per cent of the popular vote. His opponent, Afonso Dhlakama of RENAMO, received 32 per cent. FRELIMO won 160 seats in Parliament, and a coalition of RENAMO and several small parties took the 90 remaining seats. Armando Guebuza was inaugurated as the President of Mozambique on 2nd February 2005. The elections represented less change and more continuity in Mozambique's political life.

In 2009, President Guebuza stood for a second, and final term, winning 75 per cent of the vote, giving FRELIMO 191 seats in Parliament, enough to change the Constitution. He has chosen to respect the current law, and said that he will step down in 2014. Over his two terms in office, Mr Guebuza has faced the challenge of accommodating a new generation that was not born in the liberation struggle and that remembers little or nothing about the 16-year civil war against Renamo.

Mozambique's past macroeconomic reforms and success in attracting large investment projects have given the country an average annual GDP growth rate of eight per cent over the last decade, the highest in Africa over this time period. Foreign direct investment, exports, and revenue collection all have increased significantly. Since the late 1990s most state companies have been privatised, with only about one dozen left in government hands.

President Guebuza has welcomed investment in so-called mega projects such as the gas pipeline to South Africa or huge coal mines, but has also expressed concern that Mozambique needs to rapidly develop

**The Government has been very responsive to large-scale investors**



Former President of the Republic of Mozambique, Joaquim Alberto Chissano

## The challenge for the next generation of leaders is meeting the expectations of the people

small and medium-size businesses, both for jobs and to foster the growth of a native managerial class. Over the past decade the government has followed IMF and World Bank guidelines on economic issues. The government has until now depended on foreign donors to finance about 45 per cent of its budget, a dependency that is likely to decrease as the economy continues to grow.

Under President Guebuza, the Mozambican business climate continues to improve. That said, sound macroeconomic policies and a high-level commitment to attracting business are still held back by a bureaucracy that remains at times unresponsive to the needs of the private sector, especially small-to-medium-sized enterprises, say local operators. Donors are working extensively with the Government to modernise and improve the commercial code, labour law, business registration process, tax system, and land ownership policy. Reform is moving in the right direction.

Since President Guebuza took office, the Ministry of Labour and the Ministry of Industry and Commerce have taken great strides to make it easier for business. Together they have opened one-stop-shops in each of the ten provinces to accelerate the process of registering a company.

Mozambique offers substantial investment and commercial opportunities in energy generation (hydropower, coal, and gas), transportation (road construction, rail and port services, airport construction, and air transport), resource extraction (natural gas, minerals, timber, and fishing), aquaculture, agriculture/horticulture (cereals, cashews, cotton, sugar, premium vegetables, flowers, and citrus; light industry), and tourism. The Government has been very responsive to large-scale investors, and has created several special economic zones and export processing zones, some located in poor and under-developed areas.

At the political level, President Guebuza has spent substantial time rebuilding the FRELIMO party at provincial and local level while decentralising government administration. Local development committees and local officials for the first time have real power over spending local budgets. The revitalised party has become an important channel of two-way communication, information passing up from the bottom, making FRELIMO much more responsive to grass roots concerns.

Reducing poverty remains a priority for President Guebuza. Significant efforts by the Government to address rural poverty have been relatively successful. These efforts received a major boost when President Guebuza came up with the 7 Milhões initiative, which is a fund given to districts and other regions to boost local development through funding and support for small business and entrepreneurship at the district level

as a way of expanding the country's poverty-fighting strategies by empowering individuals and supporting groups, ideas and projects. Meanwhile, urban poverty is being addressed through the extension of the Fundo de Iniciativas Locais to urban districts.

Thanks in part to its Commonwealth connections, the UK has enjoyed close and consistent relations with Mozambique dating back to the Cold War when it encouraged the country to become truly non-aligned. Mozambique's relationship was helped by Samora Machel's support of the Lancaster House talks in 1979 on Rhodesia's UDI that led to Zimbabwean independence in 1980. President Machel visited London twice in the early 1980s and his successor Joaquim Chissano three times as President.

The UK also provided military training for Mozambique in the late 1980s as assistance for its military actions against RENAMO rebels. It also played an important role in convincing the Reagan administration in the US not to provide covert military support to RENAMO. In addition to the British High Commission and DFID office in Maputo, there is a British Council office – the only one in Lusophone Africa.

An equally impressive high level number of UK officials have visited Mozambique. HM The Queen made a State Visit in 1999 and the Princess Royal visited three times (including an important visit this year). Senior British political figures include Baroness Amos and the Prime Minister in 2002 and Gordon Brown the Chancellor of the Exchequer in 2004 and 2005 and in April 2006. During the 1980s and 1990s there were also senior Conservative government visits including by the then Foreign Secretary Geoffrey Howe, Malcolm Rifkind and Lord Soames.

Looking ahead, the next three years will be marked by several political milestones. The much-anticipated FRELIMO party convention this year has been accompanied by discussions over the future ideological tilt of the party, given the emergence of a new generation of leaders. The 2013 municipal elections will also be highly anticipated and will determine whether the Democratic Movement of Mozambique (MDM), an off-shoot of Renamo, can build on its control of two of the largest municipalities (Beira and Quelimane) and emerge as a serious force in Mozambican politics.

Mozambique remains a country in transition, but one that has made huge strides in overcoming its colonial heritage, authoritarian excesses after independence, and decades of civil strife, managing to remain stable amid political and economic liberalisation. The challenge for the next generation of leaders is meeting the expectations of the people as the economy is boosted with new investment.