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Economic Commission for Africa

COUNTRY PROFILE

2016



MOZAMBIQUE



United Nations
Economic Commission for Africa

COUNTRY PROFILE **2016**



MOZAMBIQUE

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Abbreviations and acronyms

COMESA	Common Market for Eastern and Southern Africa
ECA	Economic Commission for Africa
EIU	Economist Intelligence Unit
FDI	Foreign direct investment
GDP	Gross domestic product
IMF	International Monetary Fund
INE	Instituto Nacional de Estatística
IOF	Inquérito ao Orcamento Familiar
PARPA	Action Plan for the Reduction of Absolute Poverty
SADC	Southern Africa Development Community
SME	Small and medium enterprises

Acknowledgements

Country Profiles is a series published annually by the Economic Commission for Africa (ECA). The aim of the series is to disseminate country- and region-specific policy analyses and recommendations for economic transformation, with an emphasis on promoting sustainable growth and social development, strengthening regional integration and facilitating development planning and economic governance. The series is a joint collaboration of the subregional offices of ECA and the African Centre for Statistics. Specific contributions are provided by relevant areas of ECA, in particular, the Macroeconomic Policy Division, the Regional Integration and Trade Division, and the Social Development and Policy Division.

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Mozambique at a glance

General Information		Rankings	Rank	Out of	Year	Source
Subregion	Southern Africa	Human development index	180	188	2014	UNDP
Official language	Portuguese	Gender inequality index	135	155	2014	UNDP
Currency	metical	Ibrahim index of African governance	21	54	2015	Mo Ibrahim Foundation
Capital city	Maputo	Ease of Doing Business	137	190	2016	The World Bank
Regional Economic Community membership (s)	SADC	Corruption Perceptions	112	168	2015	Transparency International



Economic growth

The GDP growth rate in 2015 was 6.6 per cent in 2015, as compared to 7.2 per cent 2014. The decline can largely be attributed to the global economic slowdown, which culminated into reduced demand and prices of primary products. GDP growth is estimated to decline to about 4.5 per cent in 2016, mainly on the back of a weak performance in the extractive industry performance.



Fiscal policy

Total revenue for 2016 is estimated to have increased to 176.4 billion Mozambique metical (US\$2.52 billion), 24.1 per cent of GDP, from MT 160.708 billion in 2015. Total expenditure for 2016 is estimated to have totalled MT246.7 billion (36.2 per cent of GDP), a decline of 1.9 per cent of GDP compared to 2015. A budget deficit of 6.8 per cent of GDP was recorded in 2015, mainly because of reduced tax revenue resulting from lower global prices for exports of commodities, such as gas, aluminium, heavy sand and agricultural products. The 2016 budget was expected to have a 10.2 per cent shortfall of GDP.



Monetary policy

Fiscal, monetary and sectoral policies continue to focus on further tightening monetary policy and containing inflationary pressures. Inflation increased to 11.1 per cent in December 2015, after fluctuating between 2.1 per cent and 4.2 per cent during the period 2012-2014. At the end of the first quarter of 2016 the rate increased to 12.31 per cent due to the growing food supply deficit, shortage of foreign exchange and the depreciation of the metical. The metical depreciated against the United States dollar from 31.60 in December 2014 to 39.03 in June 2015 and then to 44.95 in December 2015 and 73.11 in August 2016. Factors driving the local currency lower were the overall strengthening of the United States dollar, shortage of foreign exchange on the back of declining foreign direct investment (FDI) inflows, lower foreign aid disbursements, reduced export revenues and higher external debt servicing costs.



Current account

The current account deficit expanded from \$5.7 billion in 2014 to \$6.1 billion (40.5 per cent of GDP) in 2015, as international prices for some of the country's exports declined.



Capital and financial accounts

The capital account deficit balance declined to \$287.8 million in 2015 from \$374.9 million in 2014, with the financial account deficit narrowing slightly from \$5.3 billion in 2014 to \$5.1 billion in 2015 due to reduced FDI inflows. Net international reserves stood at \$1.99 billion at the end of 2015. This equates to 3.7 months import cover, down from than 4.7 months at end of 2014. The decrease in foreign reserves can be attributed to net sales of foreign currency, external debt service payments, net foreign exchange losses, government expenditure and net outflows.



Demography

The population of Mozambique was estimated to be 26.4 million in 2016. It is projected to reach 41.6 million by 2035. Some 68 per cent of the total population in 2016 resided in rural areas. The country has a high dependency ratio of 92.1 per cent, as it is a relatively young population with 55.7 of the people aged below 19 years.



Poverty

Poverty levels remain high, even though the country recorded lower poverty levels between 2008 and 2014. During that time period, the proportion of the population that fell below the poverty line declined from 54.7 per cent to 49.2 per cent. Evidence of poverty is shown with respect to gender and in urban and rural contexts. Income distribution appears to be stagnating. The Gini coefficient trend was 0.42 in 2009 as compared to 0.47 in 2014..



Employment

In 2014/2015, unemployment stood at 20.7 per cent for the general population. However, the rates were higher for females and youth. The female unemployment rate was 21.8 per cent and the rates for the age groups 15-19 years, 20-24 years, 25-29 years, and 30-34 years were 62.3, 46.3, 32.0 and 21.1 per cent, respectively.



Health

Life expectancy at birth was 53.8 years in 2015 (55.9 years for females and 51.7 years for males). The most recent data show that the HIV prevalence rate for adults aged 15-45 increased to 11.5 per cent, from 9.7 per cent reported in 2003. Infant mortality rates declined to 80.9 deaths per 1,000 live births in 2014 from 88 deaths per 1,000 live births in 2010



Education

The literacy rate for the age group 15-20 years was 70.8 per cent in 2015. Net enrolment rates for primary school have improved from 66.8 per cent in 2002 to 98.2 per cent in 2015. Primary school enrolment rates for males were 100.5 in 2015 compared to females at 95.9. In 2014, pupil-teacher ratios were higher at the junior primary level (62) and junior secondary level (38) compared to the senior primary level (32) and senior secondary level (25) for 2014.



Gender equality

The proportion of women (90 per cent) in wage employment in the non-agricultural sector exceeds that of men (81.8 per cent). There is perfect equality between men and women in terms of literacy rates for 15-24 year olds. The secondary school enrolment ratio for women (55 per cent) is greater than that for men (46 per cent). Inequality is apparent regarding women in politics and decision-making. Women account for only 13.6 per cent of the representatives in Parliament and hold 36.7 per cent of the ministerial positions.

Overview

The economy of Mozambique has experienced strong growth over the last decade, averaging slightly more than 7 per cent annually. However, because of the global economic slowdown, which has culminated into reduced demand for and prices of primary products, economic growth is projected to slow from 6.6 per cent in 2015 to 4.5 per cent in 2016. The reduced growth is expected to be led by weak performances in the following areas: extractive industry; electricity and gas; agriculture; trade; transport; financial services; and public administration (Ministério de Economia e Finanças, 2016c).

Although Mozambique has made impressive gains in liberalizing the economy, which has enabled the country to record high growth after it was plagued by years of war, it continues to face challenges in both economic and social spheres, such as susceptibility to commodity price movements on international markets, unemployment, poverty, disparities in education outcomes and lack of a diversified and competitive agriculture sector. On the social front, even though poverty rates eased gradually over the past decade, they continue to remain high. Between 2008 and 2014, the country's poverty rate declined from 54.7 per cent to 49.2 per cent, with the rate being greater in rural areas at 56.9 per cent as compared to urban areas at 49.6 per cent. Poverty levels are also higher for female-headed households in comparison to male-headed ones; in the 2008/09, the incidence of poverty in female-headed households was 57.8 per cent compared to male-headed ones at 53.9 per cent.

Unemployment continues to pose a major social challenge. In the 2014/15, the unemployment rate stood at 20.7 per cent, 19.5 per cent for males and 21.8 per cent for females. Over the same period, the unemployment rate in the urban areas was 29.4 per cent rate as compared to 16.8 per cent in rural areas. Also in 2014/15, unemployment rates ranged from 15.7 per cent for the 30-34 years age group to 43.8 per cent for the 15-19 age group.

While health and education outcomes have improved, there are still some disparities in some areas. Primary school enrolment rates for males were 100.5 in 2015 compared to females at 95.9. Maternal mortality rates have dropped from 692 live births in 1997 to 500 per 100,000 live births in 2008; the under-five mortality rate declined from 153

deaths per 1,000 live births in 2001 to 97 deaths per 1,000 live births 2011; and the net enrolment rates for primary school have improved from 66.8 per cent in 2002 to 98.2 per cent in 2015.

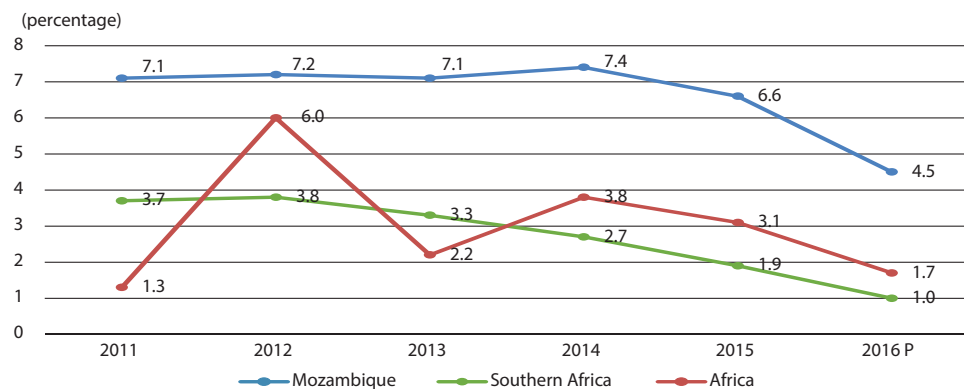
To mitigate some of the disparities in the social sectors, the authorities have been increasing budgetary allocations to key areas with aim to alleviate poverty. In the 2016 budget, 66.6 per cent of the total expenditure was allocated to areas with multiplier effects and that potentially would enhance social inclusiveness and promote sustainable inclusive economic growth in the short and medium term. Of this amount, the allocations to the education and health sectors were 22.1 per cent and 10.4 per cent, respectively (Ministério de Economia e Finanças, 2016d & Ministério da Educação e Desenvolvimento Humano, 2016). The authorities also continue to implement interventions aimed at maintaining macroeconomic stability and creating internal funding sources in pursuit of sustainable and inclusive economic development. There is need to intensify measures being taken to improve the productivity and competitiveness of the agriculture sector, which would potentially enhance food security, increase the share of products from this sector and boost incomes.

National and subregional context

Over the past ten years, the economy of Mozambique has been growing at a high rate, exceeding 7 per cent annually, except for in 2015, when the rate eased to 6.4 per cent on the back of increasing domestic and international economic challenges. As shown in figure 1, the economy has been faring well in comparison with the regional and continental averages. Between 2010 and 2015, the growth rate averaged 7.1 per cent, with the rate peaking at 7.4 per cent in 2013. In the following year, it eased to 7.2 per cent and then eased further to 6.6 per cent in 2015 and was projected to have eased to 4.5 per cent in 2016.

Mozambique is a member of the Southern African Development Community (SADC). Growth among the community members as a whole was 2.8 per cent. This figure is way below the 7 per cent target set by SADC, and below the rate of the 3.4 per cent recorded in 2014. In 2015, when the regional average growth rate for SADC member States was 2.8 per cent, Mozambique, as stated earlier, posted a growth rate of 6.6 per cent – a rate surpassed by only three of the 14 other SADC member countries (SADC, 2015). The SADC region continues to experience slowing growth because of a downturn in international commodity prices resulting from the deceleration of the Chinese economy

Figure 1: Average annual gross domestic product growth in Mozambique, percentage, 2011-2016



Source: INE (2016d), Ministério de Economia e Finanças 2016, United Nations (2017)

Note: P denotes a projection.

in 2014 and 2015. Despite the slowdown in the general economic performance of the SADC member States, the 15 countries registered positive growth rates in 2014. This positive scenario continued to hold for most of these countries in 2015 (SADC Committee of Central Bank Governors, 2015).

Box 1 gives some indication of the performance of the economy of Mozambique in selected dimensions of the Africa Regional Integration Index.

Box 1: Africa Regional Integration Index - Mozambique

The Africa Regional Integration Index is designed to measure how well each country in Africa is meeting its commitments under pan-African integration frameworks, such as Agenda 2063 and the Abuja Treaty.

The index is a joint project of the African Development, the African Union Commission and ECA. The index covers the following dimensions: free movement of persons; trade integration; productive integration (development of regional value chains); regional interconnections and infrastructure; and macroeconomic policy convergence. The following section gives highlights of selected indicators in the index.

Summary of Mozambique’s performance in selected dimensions of the Africa Regional Integration Index

Overall rank:

Seventh in SADC (score – 0.48). Best performer in SADC is South Africa (score – 0.74)*.

Free movement of persons	Trade integration	Productive integration	Infrastructure	Financial integration and macroeconomic policy convergence
Eleventh in SADC (score 0.59). Best performers in SADC are Swaziland and Seychelles (score 0.70).	Seventh in SADC (score 0.53). Best performer in SADC is South Africa (score 1).	Fourth in SADC (score 0.47). Best performer in SADC is Zimbabwe (score 0.74).	Sixth in SADC (score 0.5). Best performer in SADC is Botswana (score 0.82).	Ninth in SADC (score 0.33). Best performer in SADC is South Africa (score 0.91).

Mozambique ranks moderately to poorly within SADC in the overall index, attaining seventh place out of fifteen countries in the bloc.

Free movement of persons: poor score (eleventh in SADC): Mozambique allows nationals from some SADC countries to enter visa-free. Mozambique has also ratified the relevant SADC instruments concerning free movement of persons, rights of establishment and free movement of workers. Nationals from more than eight other SADC member States may enter Mozambique visa-free, nationals from six member States may enter with a visa on arrival, and nationals from the remaining member State need a visa to enter Mozambique.

Trade integration: Moderate score (seventh in SADC). Mozambique has an average applied tariff of about 1.6 per cent on imports from SADC (based on data for 2014). This was the sixth-highest import tariff rate in the bloc.

* A continent-wide ranking, in which all African countries from all regional economic communities will be compared with one another, is currently under development for the Africa Regional Integration Index, and will be added to subsequent updates of the ECA Country Profiles.

Over the period, 2010 to 2013, imports from the rest of the SADC member States accounted for only 17 per cent of the GDP of Mozambique, which was the eighth-highest equivalent statistic for SADC members States. Exports from Mozambique to other SADC countries as a share of GDP averaged 8.3 per cent over the same period (the sixth-highest level among SADC member countries for which data were available).

Productive integration: good score (fourth in SADC): The country's integration into regional value chains appears to be mixed. Its trade is moderately complementary with that of its partners. It has a merchandise complementarity index of 0.20 (based on data for 2013), which indicate that linkage between the exports of Mozambique and the SADC import structure was encouraging. The share of intermediates in the country's imports from the regional economic communities was 24.7 per cent (the second-highest level within SADC), while the share of intermediates in total exports averaged 33.8 per cent, which was the third highest level among the SADC member countries. The data on the share of intermediates in intra-regional trade relate to the average for 2010 to 2013.

Infrastructure: moderate score (sixth in SADC). The country ranked thirteenth among SADC members in its average performance in the AfDB infrastructure development index between 2010 and 2012. About 94 per cent of international flights to and from Mozambique are intra-SADC, placing it fourth in percentage terms among SADC members. Intra-African mobile phone roaming is relatively expensive in Mozambique (the fifth-highest roaming rate among SADC members for which data were available).

Financial integration and macroeconomic policy: moderate score (ninth in SADC). The average inflation rate in the SADC bloc was 6.56 per cent. Inflation in Mozambique was 4.2 per cent (the fourth-lowest inflation rate in the bloc based on 2013 data).

Overall, Mozambique performed moderately to poorly, with a good to moderate performance in the area of productive integration but a moderate to weak performance was registered in the area of free movement of persons, trade integration, infrastructure and financial integration and macroeconomic policy. In cases in which specific policy measures could boost the country's economic performance are concerned, Mozambique may consider to further reduce tariffs on intraregional imports, and consider other measures to boost intraregional trade of goods and services.

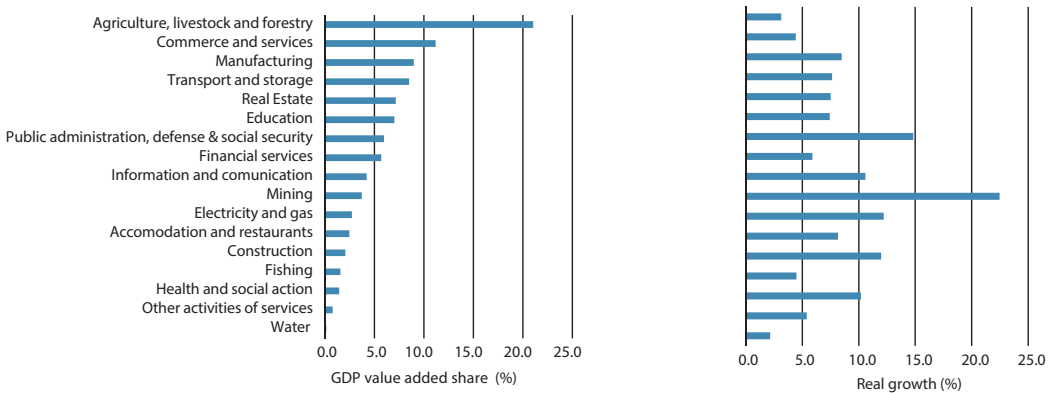
3

Economic performance

The country's National Development Strategy (Estratégia Nacional de Desenvolvimento 2015-2035, 2014) has projected GDP growth of 7.9 per cent over the period 2016-2020. As discussed in the overview, Mozambique has recorded a strong economic performance over the last decade. The GDP growth rate since 2010 has been, on average, more than 7 per cent. The lowest growth rate recorded in that time period was 6.6 per cent, in 2015, mainly because of the economic slowdown in the global economy, in particular in China, which culminated into reduced demand and projected lower prices for primary products. GDP growth is declined to 4.5 per cent in 2016, mainly because of the expected weak performance in the following areas; extractive industry; electricity and gas; agriculture; trade; transport; and financial services and public administration. (Ministério de Economia e Finanças, 2016c).

3.1 Economic growth and sectoral performance

In 2015, GDP growth was mainly supported by the transport and communication sectors, which registered growth rates of 8.6 per cent, up from 5.1 per cent, respectively, in 2014, the State administration, which grew from 10.6 per cent in 2014 to 14.8 per cent and manufacturing, which expanded by 8.5 per cent after growing by 2.6 per cent in 2014, on the back of the sustained expansion of the extractive industry, which expanded by 22.5 per cent in 2015 after increasing by 24.6 per cent in 2014, and the construction sector, which grew by 12.1 per cent in 2014 and 12 per cent in 2015 (Banco de Moçambique, 2016b). Figures 2 shows sector shares, and growth rates for 2015.

Figure 2: Sector share and growth, percentage, Mozambique, 2015

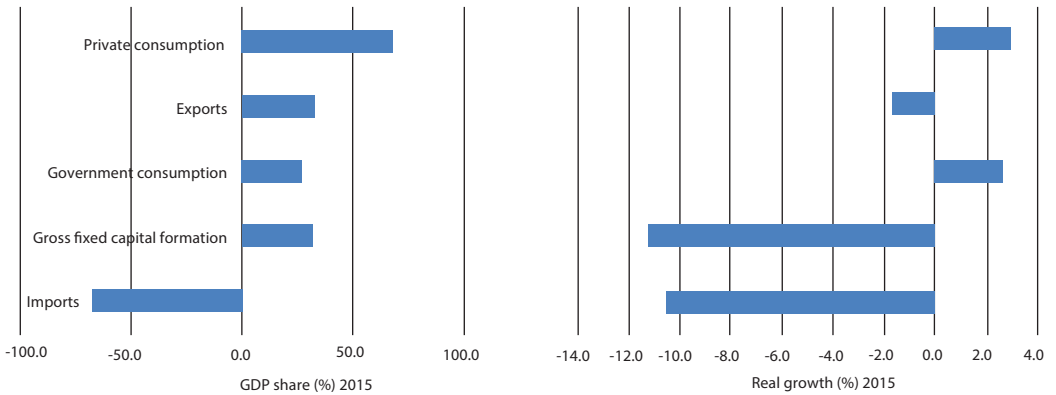
Source: Ministério de Economia e Finanças (2016c).

The transport and communications sectors benefited from an increase in road transportation of passengers and cargo arising from greater access to outlying districts, and maintenance and expansion of telecommunications services. Manufacturing growth emanated from the recovery in the production of food, clothing and textiles, non-metallic minerals, metal products and equipment, and furniture. Growth in the mining sector resulted from the acceleration in efforts to extract gas, the operation of newly established power plants and increased use of gas in some industries. The State administration sector recorded growth, supported by the expansion of services provided by the central government.

Other sectors, such as construction, electricity and water, and tourism, contributed to the growth of GDP in 2015. The building of highways, bridges, airports and railways supported the expansion of the construction sector. The electricity and water sector was boosted by the operation of thermal power stations and increased capacity to transmit electrical energy transmission while the tourism sector rose in line with an increase in accommodations for visitors.

The largest contributors to GDP in 2015 continued to be agriculture, livestock and forestry, commerce and services, manufacturing, transport and storage and real estate, which in total accounted for 56.9 per cent of GDP, with agriculture maintaining the largest share at 21.1 per cent. Of note, however, the agriculture sector, recorded slower growth of 3.1 per cent in 2015 compared to 3.8 per cent in 2015. The decline can be attributed to floods in the north and central regions and the prolonged drought in the south and central regions of the country, which adversely affected the production and yields of a number of crops, including, among them, soybeans, cotton, tobacco, fruits and vegetables (Banco de Moçambique, 2016a).

Figure 3: Demand shares and growth, percentage, Mozambique 2015



Source: INE (2016a).

As shown in figure 3, private consumption and imports comprised the largest demand share in 2015. The share of imports was largely driven by activities in construction and the related imports of construction equipment and materials, mineral, metal and chemical products. Food items also contributed to the large demand share of private consumption and imports.

Box 2 provides a comparison of forecasts of economic growth for Mozambique given by renowned international organizations.

Box 2: Comparing economic forecasts for Mozambique

Economic forecasts provide essential information for decision-makers in the public and private sectors. Reliable economic forecasts inform and support a country's decision-making process. A number of organizations produce forecasts on economic growth for Mozambique. Among them are the African Development Bank; Economist Intelligence Unit (EIU); International Monetary Fund (IMF); and World Bank. The forecasts produced by these organizations at times have been very similar to each other and at other times, have varied greatly, by as much as 3.1 percentage points over the period 2008-2016 (figure A). The World Bank provided the most optimistic forecasts of growth, averaging 7.3 per cent per year over the period 2008-2016. Looking forward, the most optimistic growth rate forecasts for 2016 have been from IMF and the African Development Bank (8.1 per cent), followed by EIU (7.7 per cent) and the World Bank (6.5 per cent).

The degree of accuracy of these forecasts is an important issue. Hence, ECA has carried out an analysis to assess the reliability of forecasts, using the root mean square error and the mean absolute error, which are the most common measures used to evaluate forecasts. Generally, the higher the value of these errors, the less accurate the forecasts.^a ECA analysis of forecasts over the period 2008-2014 indicates that the World Bank has given relatively more accurate forecasts, followed by IMF and African Development Bank, while EIU has tended to have made relatively high forecast errors (figure B).

Figure A: Forecasts of gross domestic product real growth rates, by institution

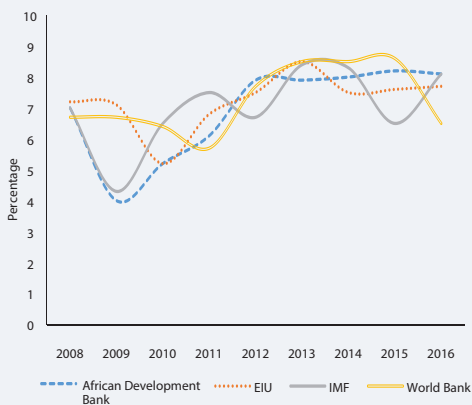
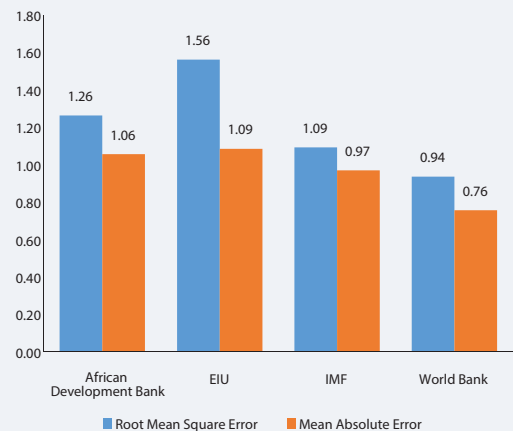


Figure B: Forecast error rate (2008-2014)



^a For more information on these terms and the ECA approach to evaluating the accuracy of forecasts, see ECA (2015).

Source: African Development Bank

3.2 Fiscal policy

Total revenue for 2016 is estimated to increase to MT 176.409 billion (24.1 percent of GDP) from MT 160.709 billion in 2015, of which a major proportion continues to come from tax earnings. In 2015 tax revenues accounted for 82 per cent of total government revenue, down from 86 per cent in 2014. The decline in tax revenues in 2015 was mainly attributable to reductions in value-added tax (VAT) surcharges and charges. The corresponding tax shares of government revenue for 2011, 2012 and 2013 were 84 per cent, 86 per cent and 85 per cent,

respectively. The total expenditure for 2016 is estimated to have been MT 246.070 billion (36.2 per cent of GDP), a reduction of 1.9 percentage points of GDP compared to 2015. The major component of this expenditure remains recurrent expenditure, accounting for 58 per cent of government expenditure in 2015, which declined from 56 per cent in 2014. For 2011, 2012 and 2013, the recurrent expenditure proportions of government expenditure were 56 per cent, 59 per cent and 53 per cent, respectively (Ministério de Economia e Finanças, 2015a).

The Government recorded a budget deficit of 6.8 per cent of GDP in 2015, mainly because of reduced tax revenue in line with lower prices in the international market for commodities that are exported, such as gas, aluminum, heavy sand, and agricultural products, (Banco de Mocambique, 2016a & Ministério de Economia e Finanças 2016b). Fiscal deficits from 2010 to 2015 have ranged from 6.8 to 11.6 per cent of GDP, as shown in table 1. The budget deficit of 2016, which is projected to be MT69.661 billion (10.2 per cent of GDP), will be financed from external and internal loans (Ministério de Economia e Finanças, Orçamento Cidadão 2016).

The government fiscal policy for 2016 continues to be directed towards implementing the objectives of the 2015-2019 five-year government programme to maintain macroeconomic stability and the create internal funding sources in pursuit of sustainable and inclusive economic development (Ministério de Economia e Finanças, 2016d).

Table 1: Mozambique fiscal accounts, millions of meticaís, 2010-2015

	2010	2011	2012	2013	2014	2015
Total revenue and grants	63,566	81,059	98,476	126,319	156,244	149,058
Tax revenue	53,709	68,263	84,456	107,543	135,006	122,816
Non-tax revenue	1,851	2,283	2,772	3,500	4,442	5,436
Grants	26,188.0	28,632.0	34,719.0	23,232.0	21,118.0	25,173.0
Expenditure and net lending	105,423	126,372	142,431	178,521	207,372	214,107
Recurrent expenditure	59,134	70,775	83,515	95,246	116,783	124,984
of which: wages and salaries	29,106	35,807	41,592	49,521	59,831	64,092
of which: interest payments	2,673	3,501	4,125	3,970	5,193	7,577
Development expenditure	223.0	214.0	0.0	408.7	257.9	400,3
Overall balance	-10,317	-22,649	-15,829	-21,968	-30,010	-39,876
Overall balance as a % of GDP	-11.6	-14.4	-9.1	-11.3	-5.7	-6.8

Source: Banco de Mocambique (2016a); INE (2014 ; 2016d).

Public debt in Mozambique has been trending upward in recent years. After reaching a high of \$ 4.829 billion in 2012 and declining to \$2.927 billion in 2013, public debt increased to \$5.798 billion in 2014 and \$7.187 million in 2015. The debt stock for 2015, which represented 45 per cent of GDP, was mainly on the back of funding for investment projects (Banco de Mocambique, 2015b; INE, 2016). SADC records indicate that Mozambique has the sixth highest debt stock in

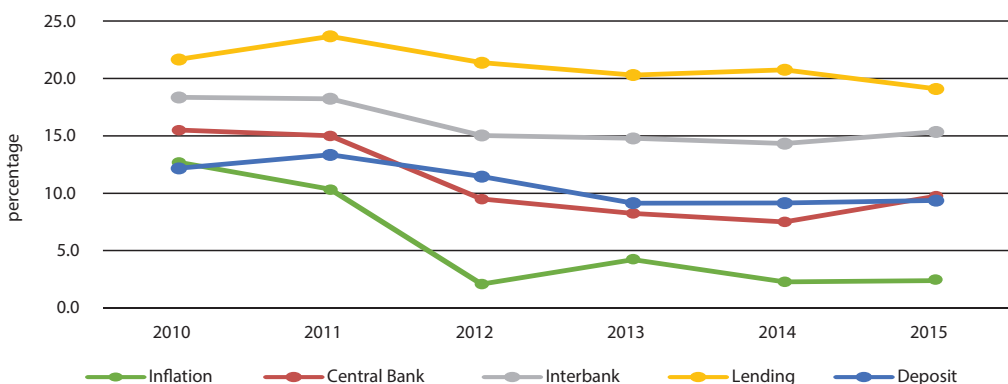
the SADC region; the country debt to GDP ratio rose from 37.5 per cent in 2010 to more than 45 per cent in 2015 (SADC 2016).

3.3 Monetary policy

The 2015-2035 National Development Strategy (Estratégia Nacional De Desenvolvimento 2015-2035) espouses an annual inflation rate falling to a range of 5 to 6 per cent. This strategy focuses on greater coordination among fiscal, monetary and sectoral policies to further tighten monetary policy and contain inflationary pressures. Inflation reached 16.6 per cent in 2010 and then declined to single-digit levels from 2012 to 2014, ranging between 2.1 per cent and 4.2 per cent. The rate increased to 11.1 per cent in December 2015. As at March 2016, the inflation rate stood at 12.31 per cent. This upward trend can be attributed to a growing shortage in food supply, shortage of foreign exchange and the depreciation of the metical. These factors are expected to continue result in inflationary pressures in the short term (Banco de Moçambique, 2016b, República de Moçambique, 2014).

The exchange rate of the metical against the U.S. dollar has depreciated from 31.60 at the end of December 2014 to 39.03 in June 2015 and closed at 44.95 in December 2015. The rate stood at 73.11 at the end of August 2016. The depreciation of the metical against the U.S. dollar can be attributed to the shortage of foreign exchange in the domestic foreign exchange market resulting from a decline in foreign direct investment (FDI) inflows declined, a reduction in foreign aid disbursements for direct government budget support to the balance of payments and a decrease in export revenues in line with significant declines in international commodity prices, and a rise in costs associated with external debt servicing (Banco de Moçambique, 2016a). Figure 4 shows movements in inflation and interest rates from 2010 to 2015.

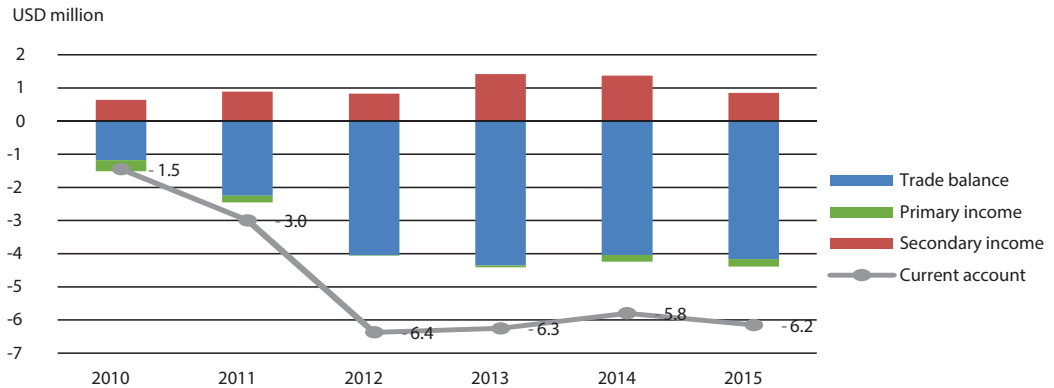
Figure 4: Inflation and interest rates, percentage, Mozambique, 2010-2015



Source: INE (2012c) ; (2013) ; (2014) ; (2015b) ; (2016d);

Banco de Mocambique(2012); (2013) ; (2014b), (2015b); (2016a); (2016b).

Figure 5: Current account balance (US dollar, million), Mozambique, 2010-2015

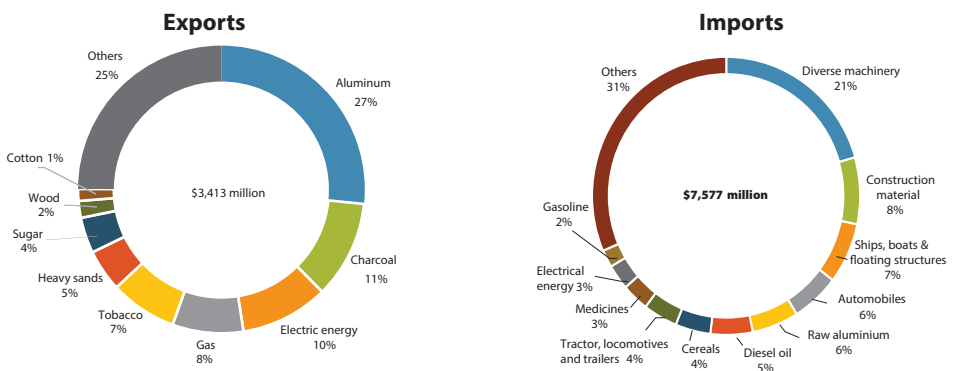


Source: Banco de Mocambique (2013 ; 2014b ; 2015b); INE (2015).

3.4 Current account

The current account deficit widened from \$5.797 billion in 2014 to \$6.155 billion (40.5 per cent of GDP) in 2015. A large proportion of the deficit, \$4.163 billion, was on the balance of goods, which was affected by the persistent decline in international prices of goods exported from Mozambique. Total exports steadily increased between 2005 and 2015, from \$1.745 billion to \$3.413 billion (Banco de Mocambique, 2009; 2014a, 2015a, 2016a). Figure 5 and table 2 show current account balances for the period 2010-2015.

Figure 6: Import and export composition, Mozambique, 2015, percentage



Source: Banco de Mocambique (2016).

Table 2: Balance of payments (millions of U S dollars), Mozambique, 2010-2015

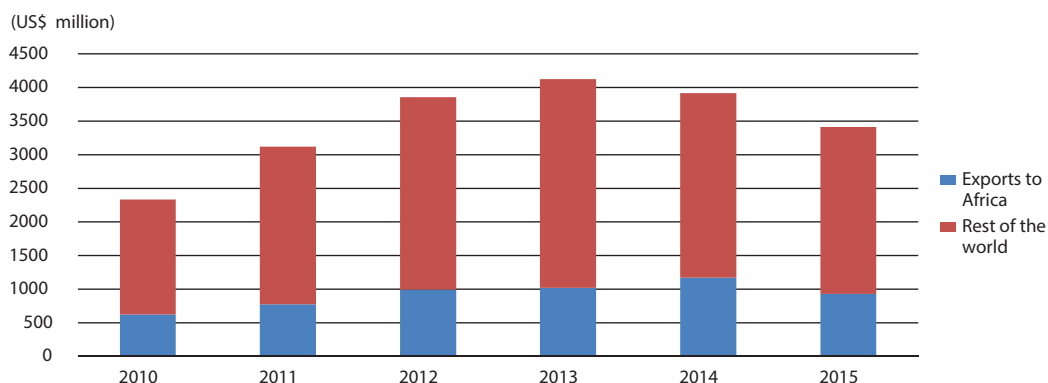
	2010	2011	2012	2013	2014	2015
Trade balance	-1,179.2	-2,249.3	-4,047.5	-4,356.9	-4,035.3	-4,163.3
Services balance	-627.7	-1,435.6	-3 136.1	-3,258,8	-2,932,3	
Current account balance	-1,450.1	-2 997.3	-6,370.9	-6.253,4	-5,797.1	-6,151.4
Current account balance (% of GDP)	-15	-24	-45	-41.9	-34,1	-40,5

Source: Banco de Mocambique (2013 ; 2014b ; 2015b); INE (2015).

The major exports in 2015 were aluminium, electric energy and charcoal. Other exports included gas, tobacco, heavy sands and sugar, as shown in figure 6. The major component of exports originated from the extractive and energy sectors, with agriculture exports comprising a much smaller component of total exports.

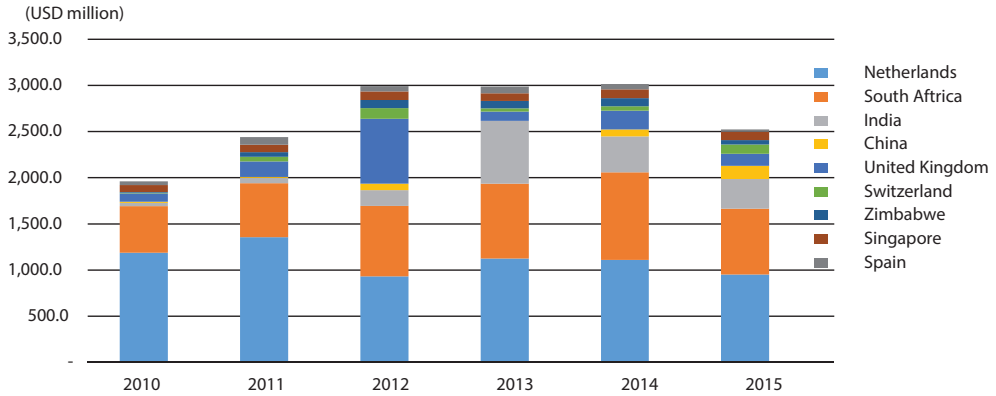
Although trade with other African countries have increased, a greater share of exports are sent to the rest of the world, as indicated in figures 7 and 8. The top two export destinations are Netherlands and South Africa.

The country's imports are equipment and machinery, automobiles, construction materials, fuels and oils. Other imports include cereals, medicines and electrical energy, as shown in figure 6.

Figure 7: Exports, freight on board (millions of US dollars), Mozambique, 2010-2015

Source: Banco de Mocambique (2016).

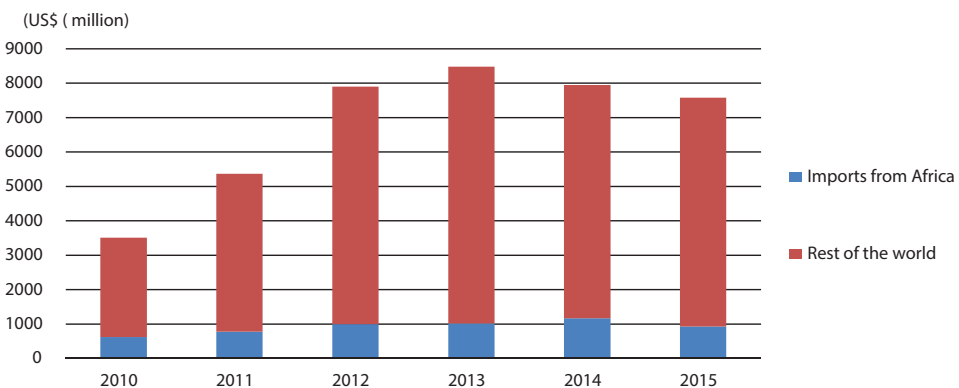
Figure 8: Top export partners of Mozambique (millions of US dollars), 2010-2015



Source: Banco de Mocambique (2016).

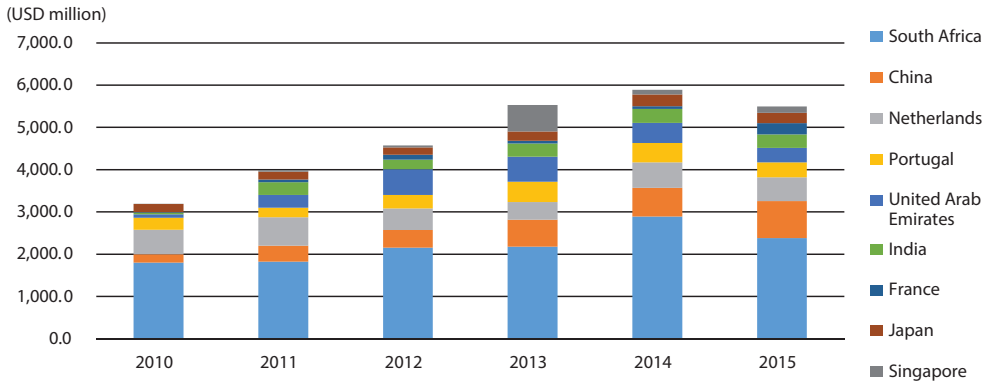
Although imports have also increased in recent years, as shown in Figure 9, the value of exports declined in 2014 and 2015. China, the Netherlands and South Africa are among the main countries of origin of imports (figure 11).

Figure 9: Mozambican imports, freight on board (millions of US dollars), 2005-2015



Source: Banco de Mocambique (2016).

Figure 10: Main countries of origin of imports by Mozambique (millions of US dollars), 2010-2015



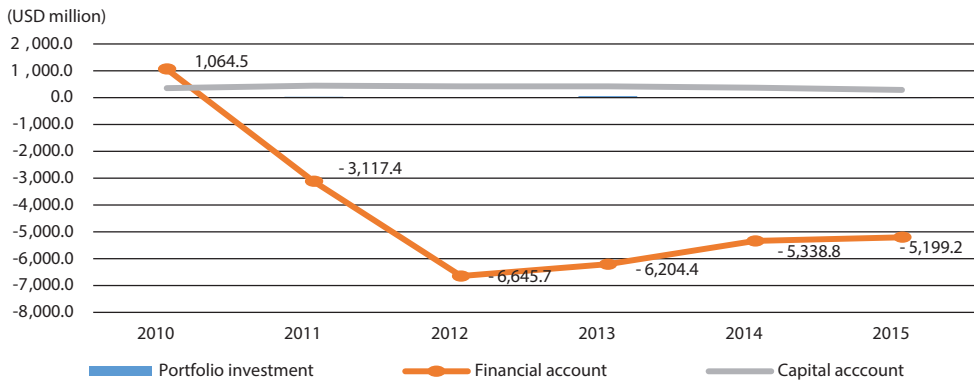
Source: Banco de Mocambique (2016).

3.5 Capital and financial accounts

The capital account balance declined to \$287.8 million in 2015 from the \$ 374.9 million in 2014. The financial account deficit narrowed slightly to \$5.1 billion in 2015 compared to \$5.3 billion in 2014 due to reduced FDI inflows, which declined by \$1.191 billion in 2015 from the previous year (Banco de Mocambique 2016) (figure 11). FDI inflows have been declining since 2013. In 2015, total FDI inflows fell by about 24 per cent to \$3.711 billion, equivalent to 21.8 per cent of GDP, because of a reduction in funds directed to major projects and the fall in international merchandise prices. The extractive industry was largest recipient of FDI, with a 50 per cent share, followed by a 24-per cent share for transportation and communications, and a 10-per cent share for real estate.

Other areas that received FDI included financial activities with a 5-per cent share, manufacturing, a 4-per cent share and agriculture, wholesale and retail trade, and lodging and catering, each comprising a 1-per cent share. In 2015, the five major areas of FDI concentration were the extractive industry, transport and communications sectors, mainly railway construction projects, electricity generation projects and financial activities. The five largest FDI sources in 2015 were: the United Arab Emirates (40 per cent), the United States of America (20 per cent), Mauritius (12 per cent); South Africa (6 per cent) and India (4 per cent) (Banco de Mozambique 2016a). Concerns raised by donors on debt procurement and utilization are adversely affecting the amount of FDI inflows into Mozambique.

Net international reserves of Mozambique totalled \$1.994 billion at the end of 2015, representing 3.7 months of import cover, down from 4.7 months cover recorded at the end of 2014. The amount of reserves declined to \$2.882 billion in 2014 from \$2.996 million in 2013. International reserves in 2012 amounted to \$2.605 billion and \$2.240 billion in

Figure 11: Financial Account Balance (millions of US dollars) Mozambique, 2010-2014

Source: Banco de Mocambique (2016).

2011. The reduction in international foreign reserves in 2012, equivalent to \$888.4 million was attributable to net sales of foreign currency by the Banco de Mocambique of \$1.010 billion, external debt service payments of \$274.3 million, net foreign exchange losses of \$ 214 million, government expenditure of \$170.1 million and net outflows of \$50.3 million. The loss was, however, dampened by the receipt of \$298.2 million of external direct balance of payments support, financing for public investment projects of \$345.6 million, miscellaneous purchases amounting to \$107 million, remittance of miners' income of \$55.2 million, net provision by banks of \$39.2 million and interest on foreign investments of \$ 32.3 million (Banco de Moçambique, 2012; 2013; 2014b; 2015; 2016b).

Social developments

The African Social Development Index (box 3) was developed by the Social Development Policy Division of ECA in response to a call from African member States for an African-specific indicator of exclusion. The index is built on the premise that economic growth should result in the improvement of human conditions for all. Using a life-cycle approach, the index focuses on six key dimensions of well-being: survival; health; education; employment; means of subsistence; and a decent life. Using available national data, this tool provides assistance in mapping and assessing the effectiveness of social policies in reducing human exclusion at the national and subnational levels. The index is also useful for data collection and strengthens countries' capacities to monitor progress on poverty and exclusion. As a policy tool, the African Social Development Index complements member States' efforts in formulating more inclusive social policies and facilitating the implementation of Agenda 2063 and the 2030 Agenda for Sustainable Development, which place a high premium on inclusiveness as a key aspect in sustainable and equitable development.

Box 3: African social development index - Mozambique

Despite registering a reduction of 15 per cent in measuring human exclusion between 2000 and 2015 (figure A), the extent of human exclusion remains relatively high in Mozambique. When disaggregated by gender, results show that human exclusion had declined by 28 per cent for females and 15 per cent for males (figure B). Women remain predominantly excluded in key dimensions of life. Female exclusion is mostly the result of low literacy rates and a high rate of child stunting relative to the rates for males. However, human exclusion by gender is estimated using only five indicators, as poverty data are not available by gender.

Figure A: African Social Development Index in Mozambique

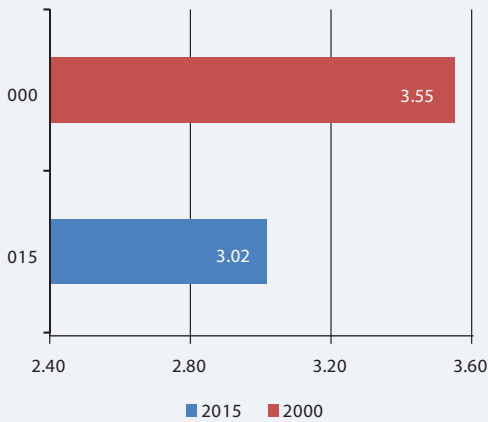
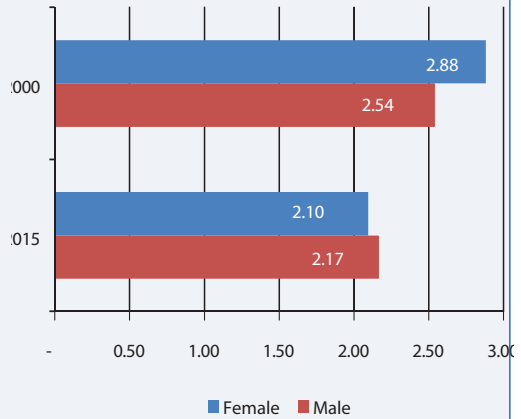
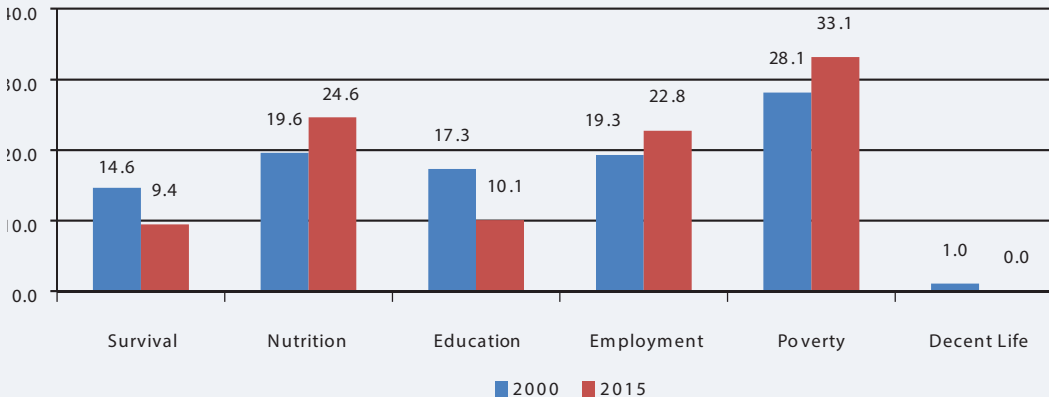


Figure B: Human exclusion by gender (African Social Development Index estimated using only five indicators)



Source: ECA computations based on national data

Figure C: Drivers of human exclusion (contribution measured in per cent)



Source: ECA computations based on national data.

Note: The value for decent life is zero as it exceeds the low-income country reference value.

Between 2000 and 2015, the share of child stunting to overall human exclusion rose by 25.5 per cent while the respective shares of poverty and youth unemployment increased by 18 per cent each (figure C). While poverty and youth unemployment affect people differently, the pervasive effects of malnutrition on a child are cumulative and irreversible and, as such, requires urgent policy attention. Despite these challenges, the country has made gains in the survival and education indicators. Notably, the indicator for decent life was above other countries used for comparison in the low-income group, implying an increasing number of the people of Mozambique are living beyond 60 years.

Policy options

Recognizing that poverty remains a daunting challenge, the Government has been trying to diversify sources of growth to accelerate the pace and implementation of poverty reduction strategies. Special attention has been placed on empowerment of women, while, at the same time enhancing social service delivery. Between 2011 and 2014, the Government focused on three main pillars: (a) increasing production and productivity for the agricultural and fisheries sectors; (bi) promoting employment; and (c) fostering human and social development. Regarding child stunting, there is need to take a multi-pronged approach that entails focusing on nutrition, mothers' education, hygiene, water and sanitation, as these aspects are mutually reinforcing. The Government, in collaboration with various stakeholders, is strengthening its capacity to scale up food and nutrition interventions. In addition, health systems are being strengthened, particularly in rural areas, while health and care for children and mothers remain a top national priority.

References: ECA (2016)

4.1 Demography

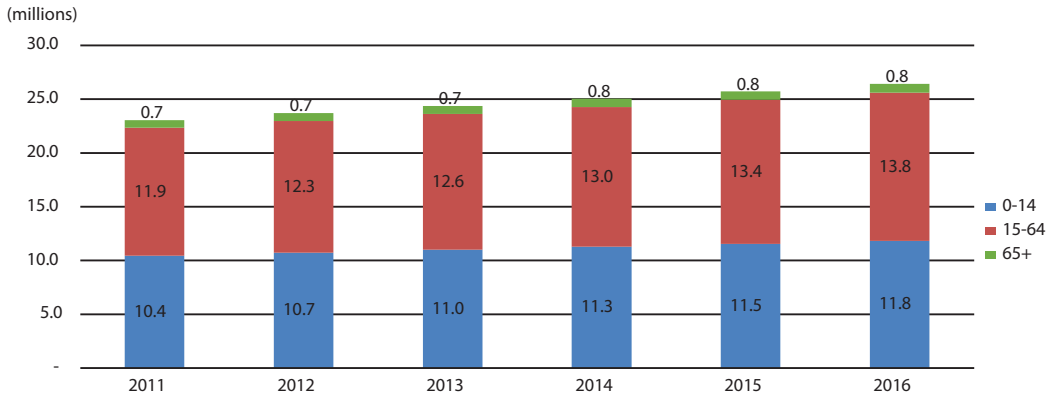
The Mozambique population was estimated at 26.4 million in 2016, compared to 20.6 million when the last census was taken in 2007. (INE 2012c ; 2013 ; 2014 ; 2015b ; 2016; 2016e), as shown in table 3.

Table 3: Demographic trends, Mozambique, 2011-2016

	2011	2012	2013	2014	2015	2016
Total population (millions)	23.05	23.70	24.37	25.04	25.73	26.42
Urban population (% total population)	31.0	31.2	31.4	31.6	31.8	32.1
Rural population (% total population)	69.0	68.8	68.6	68.4	68.2	67.9
Children (0-14, % total population)	45.3	45.2	45.1	45.0	44.9	44.7
Youth (15-24, % total population)	19.5	19.5	19.6	19.6	19.7	19.8
Dependency ratio	94	93	93	92.6	92.1	91.5
Population growth rate (%)	2.8	2.8	2.8	2.8	2.7	2.7
Total	23.05	23.70	24.37	25.04	25.73	26.42
Urban (millions)	7.14	7.39	7.64	7.91	8.18	8.47
Rural (millions)	15.91	16.31	16.73	16.13	17.55	17.95

Source: INE (2016e).

Figure 12: Population distribution by age, millions, Mozambique, 2011-2015



Source: Instituto Nacional de Estatística (2015).

About 68 per cent of the total population in 2015 resided in rural areas. The youth 15-24 years and 15-34 years cohorts constitute 19.7 per cent and 33.4 per cent of the total population, respectively. The dependency ratio is high, at 92.1 per cent, as shown in table 3. Figure 12 indicates that the country has a relatively young population, with 44.9 per cent of the population less than 14 years old. The members of the population aged below 19 years constitute the highest proportion, at 55.7 per cent, of the population. (INE, 2016e.).

It is projected that the population of Mozambique will reach 41.6 million by 2035 because of the high fertility rates, in particular in the rural areas. From 2007 to 2015, the fertility rate stabilized, at 3.0 per cent, and is projected to have declined to 2.7 per cent in 2016.

Table 4 shows some of the key demographic indicators.

Table 4: Key demographic indicators, Mozambique, 1990, 2014 and projected for 2035

	1990	2015	2035
Population (millions)	13.4	25.7	41.6
Urban (%)	25.0	31.8	38.8
Child (0-14 years) (million)	6.334	11.549	15.618
Adult (15-64 years) (million)	6.614	13.392	24.464
Aged (65+ years) (thousands)	424	139	1,471
Average annual growth rate	3.5	2.7	2.2
Crude birth rate	46.0	39.3	29.0
Crude death rate	20.1	12.4	7.3
Total fertility rate	6.1	5.2	3.5
Life Expectancy at birth	44.3	53.8	64.6

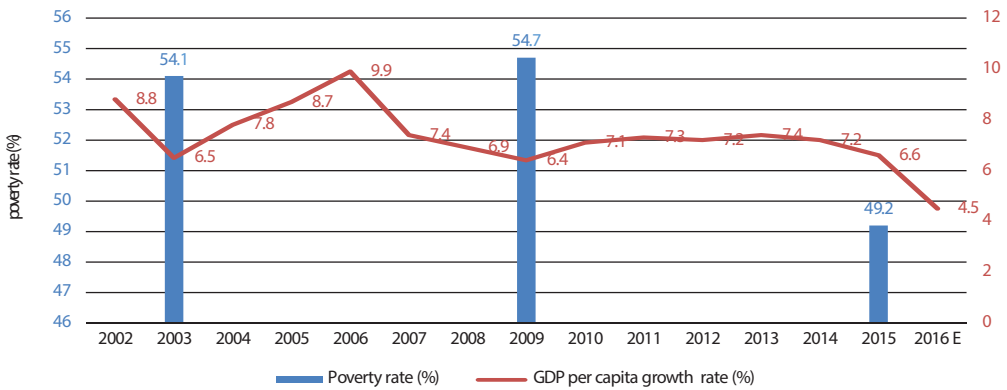
Source: INE (2015; 2016).

4.2 Poverty and employment

The proportion of people of Mozambique living in extreme poverty has declined gradually in the past decade. Extreme poverty levels declined marginally to 11.8 million people in 2015 from 12 million in the 1996/97 despite a slight improvement in the extreme poverty level to 9.7 per cent in 2002/03. Poverty continues to be higher in rural areas than in urban areas, and among female-headed household as compared to male-headed ones. In 2014 and 2015, the general poverty level in rural areas was 53.1 per cent as compared to the 40.1-per cent level recorded in urban areas. The corresponding figures for 2008 and 2009 were 56.9 per cent and 49.6 per cent, respectively, while the incidence of poverty in female-headed households was 57.8 per cent compared to 53.9 per cent for male-headed households. As indicated in figure 13, poverty levels remain high, even though the proportion of the population falling below the poverty line contracted from 54.7 per cent in 2008 to 49.2 per cent in 2015 (Ministério De Economia E Finanças, 2016e; Ministério da Planificação e Desenvolvimento, 2010a; 2010b). Income inequality in Mozambique continues to remain at moderately high levels. The latest survey data show an almost stagnating Gini coefficient trend from 0.42 in 2009 to 0.47 in 2014 (República de Moçambique, 2014; Ministério De Economia E Finanças, 2016e).

To reduce rural and urban poverty, the Government has prioritized the implementation of economic policies involving social investments that promote sustainable and inclusive economic growth in the short- and medium-term. For this purpose, it has strategically allocated 66.6 per cent of the budgetary resources in 2016, particularly to activities seen to have multiplier effects and will contribute towards making the country socially inclusive. In a similar endeavour, to cushion those below the poverty line, the Government allocated MT 3.088 billion in the 2016 national budget for the implementation of social protection programmes under the Basic Social Strategy, which comprises the following programmes:

Figure 13: Poverty and gross domestic product per capita growth, percentage, Mozambique, 2002-2016



Source: INE (2015; 2016), Ministério De Economia E Finanças (2016b).

Basic Social Subsidy Program; Direct Social Support Program; and Productive Social Action Program. These programmes are expected to benefit 507,902 people (Ministério da Economia e Finanças, 2016b). Figure 13 shows the progression of poverty and GDP per capita growth rates from 1996 to 2016.

Regarding labour, the percentage of the economically active members of the population is 84.9 per cent. In the rural areas, some 90.3 per cent of the people are economically active as compared with 74.9 per cent in urban areas. The higher percentage in the rural areas can be attributed to subsistence agriculture. In terms of the gender, the members of the population that are economically active is almost the same for females and males, at 84.9 per cent and 84.8 per cent, respectively. Most of those employed (81.0 per cent), work in the agriculture sector (INE, 2016c).

In 2014 and 2015 period, the unemployment rate in Mozambique stood at 20.7 per cent, specifically 16.8 per cent in rural areas and 29.4 per cent in urban areas. The female unemployment rate of 21.8 per cent was slightly higher than the male unemployment rate of 19.5 per cent. The data also showed that unemployment was greater among youth. For the age groups 15-19 years, 20-24 years, 25-29 years and 30-34 years, the unemployment rates were 62.3 per cent, 46.3 per cent, 32.0 per cent and 21.1 per cent, respectively. On the other hand, for the older age groups, the unemployment rates ranged from 12 per cent to 18 per cent. (INE, 2016b). Policies that aim to train youth with employable skills and create employment opportunities would go a long way in helping the younger members of the population. The Government, in the 2016 budget, allocated 66.6 per cent of the total expenditure to activities that have multiplier effects and will enhance social inclusiveness with the objective to reduce rural and urban poverty and promote sustainable inclusive economic growth in the short and medium term.

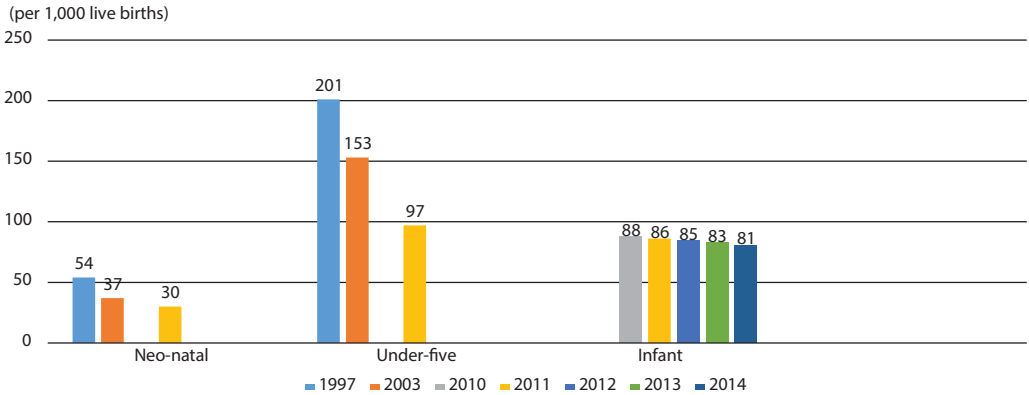
4.3 Health

Life expectancy in Mozambique was 53.8 years in 2015, up from 52.1 years in 2010, 50.3 years in 2007 and 44.3 years in 1997. The 2015 figures for females and males were 55.9 years and 51.7 years, respectively. Births attended by skilled personnel fluctuated in a range of 56.6 per cent in 2010 to 75 per cent in 2015. (INE, 2015). The most recent data on HIV, which is as of 2009, show that the prevalence rate for adults aged 15-45 years increased to 11.5 per cent in 2009, from 9.7 per cent reported in 2003. At the national level, 13.1 per cent of women and 9.2 per cent of men aged 15-49 years are HIV-positive, with a higher prevalence rate, 15.9 per cent, found in urban areas, compared to 9.2 per cent in rural areas. The general antiretroviral coverage in Mozambique has increased from less than 5 per cent in 2005 to 85 per cent in 2015.

Based on the above, it seems likely the target of 87 per cent coverage for 2016 has been exceeded. These figures indicate that measures to combat HIV, such as promoting voluntary medical male circumcision, voluntary counselling and testing comprehensive awareness-raising about HIV and AIDS among young people, are having a positive impact on the HIV prevalence rates (Instituto Nacional de Saúde, 2009, Ministério de Economia e Finanças, 2016f & Ministério da Saúde, 2016). Malaria is among the reported leading causes of morbidity and mortality in Mozambique; the number of reported cases of malaria rose from 3.3 million in 2010 to 5.4 million in 2015, while the reported number of deaths because of malaria increased from 1,859 in 2010 to 1,923 in 2015. Measures being implemented to combat malaria include use of treated mosquito bed nets, indoor residual fumigation and preventive and prompt treatment (Instituto Nacional de Estatística, Ministério da Saúde and ICF International, 2012; 2014).

Neo-natal and under- five mortality rates have been declining since 1997. As shown in figure 14, the neo-natal mortality rate was 30 deaths per 1,000 live births in 2011, compared to 37 deaths per 1,000 live births in 2003. During the same period, the under-five mortality rate declined to 97 deaths per 1,000 live births, from 153 deaths per 1,000 live births. Infant mortality rates declined to 80.9 deaths per 1,000 live births in 2014 from 88 deaths per 1,000 live births in 2010. These improvements appear to be in line with greater access to health facilities and assisted deliveries at the same facilities (Instituto Nacional de Estatística, 2015).

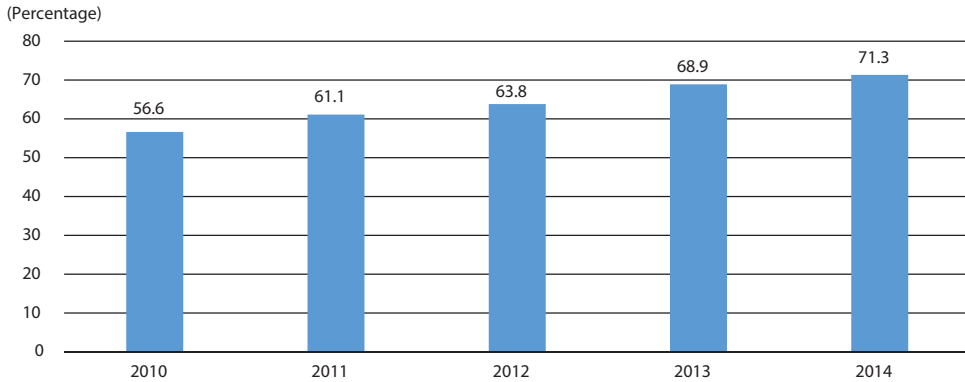
Figure 14: Child mortality rates in Mozambique, deaths per 1,000 live births, 1997-2014



Source: INE (2015; 2016).

Although the rate of underweight children in Mozambique fell from 6.8 per cent to 3.8 per cent in the period 2012- 2015, there is still need to do more in this area, including scaling up programmes and interventions to improve the nutritional status of children.

Deliveries made at health facilities has been steadily increasing. In recent years, it has climbed from 56.6 per cent in 2010 to 75 per cent in 2015. This positive trend seems to be in line with the reduction in maternal mortality rates from 692 per 100,000 live births in 1997 to 500 in 2008. This indicator is projected to have declined further to 490 in 2015, as shown in figure 15. A provision in the 2016 budget of MT 7.574 billion was allocated to activities aimed at, among other things, increasing institutional deliveries to 73 per cent, a target which seems to have been exceeded by 2015. These resources specifically are to be used for the construction, completion and rehabilitation of health facilities throughout the country with the objective to increase access to health facilities and reduce child and maternal mortality (Ministério de Economia e Finanças, 2016b; República de Moçambique, 2010).

Figure 15: Deliveries at health facilities, percentage, Mozambique, 2010-2014

Source: INE (2015b).

The total fertility rate rose from 5.9 children per woman in 1997 to 6.5 in 2007. It held steady at that rate until 2013 and then declined marginally to 6.2 in 2014.

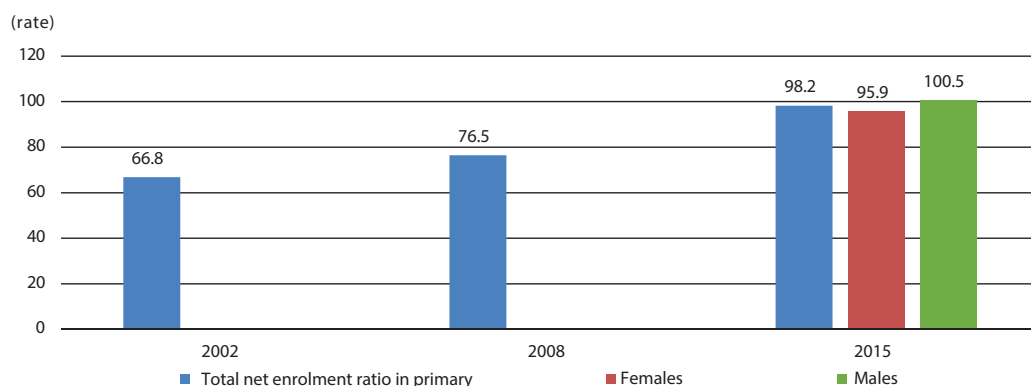
In 2014, the number of doctors and nurses per 10,000 people was 7.23 and 43.74, respectively, compared to 13.2 doctors and 26.3 nurses per 10,000 people in 2013 (Instituto Nacional de Estatística, 2012b; 2015a). In 2015, 3,169 health professionals were recruited, a measure that has helped reduce the maternal mortality at health facilities where, in total, 75 per cent of the country's births were delivered at health facilities. Notable, the Government had targeted to increase institutional deliveries to 73 per cent set over a five-year period from 2015 to 2019 (Economia e Finanças, 2016a).

There have been notable improvement in the country's health sector even though budget allocations to the sector are below the 2001 Abuja Declaration in which African Heads of State pledged allocations of not less than 15 per cent of their national budgets to the health sector. Although in 2015 and 2016, the Government allocated 10.2 per cent and 10.4 per cent of the national budget, respectively, to the health sector, this fell short of meeting the Abuja Declaration target. (Ministério de Economia e Finanças, 2016b).

4.4 Education

While Mozambique has recorded improvements in the various education access-related indicators, differences remain in several relevant indicators, notably in the lower numbers for females compared to their male counterparts. For example, enrolment rates for females are still lower than their male counterparts.

With regard to literacy, the literacy rate for the 15-20 age group is fairly high at 70.8 per cent. In 2014 and 2015, national illiteracy rate for the 15-19 age group was 29.3 per cent and 23.2

Figure 16: Net enrolment rates for primary school by gender, percentage, Mozambique, 2002-2015

Source: Ministério da Educação e Desenvolvimento Humano (2016); Ministério da Economia e Finanças (2016c).

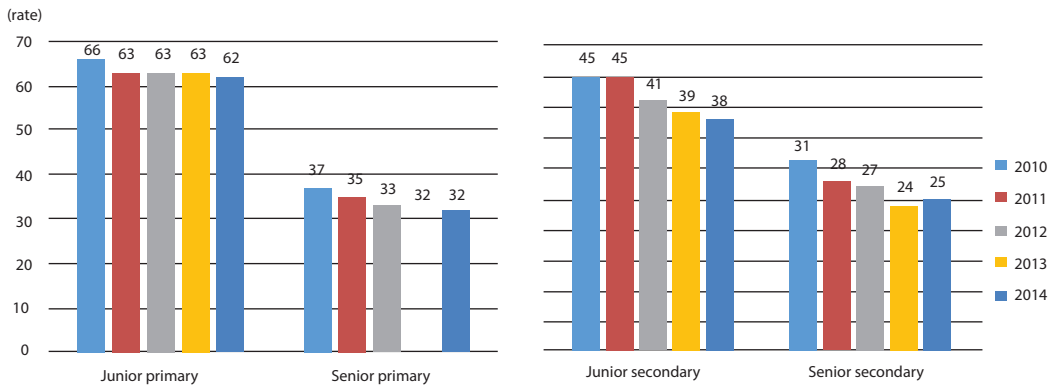
per cent for males and 35.9 per cent for females. Primary school enrolment rates at national level are very high, with males posting a rate of 100.5 compared to 95.9 for females in 2015. Net enrolment rates for primary school have improved significantly from 66.8 per cent in 2002 to 98.2 per cent in 2015, as shown in figure 16.

Table 5 shows some education indicators for Mozambique.

Table 5: Education status in Mozambique, 2009-2015

Education indicators	2015
Literacy rate (15-20)	70.8(2009)
Illiteracy rates(15-19)	29.3
Illiteracy rates males (15-19)	23.2
Illiteracy rates females (15-19)	35.6
Gross enrolment rates (total, primary)	115.9
Gross enrolment rates (primary, male)	120.7
Gross enrolment rates (primary, female)	111.0
Net enrolment rate (total, primary)	98.2
Net enrolment rate (primary, male)	100.5
Net enrolment rate (primary female)	95.9
Pupil-teacher ratio (junior primary)	62(2014)
Pupil-teacher ratio (senior primary)	32(2014)
Pupil-teacher ratio (junior secondary)	38(2014)
Pupil-teacher ratio (senior secondary)	25(2014)
Government expenditure on education (% of GDP)	7.1 (2015)

Source: INE (2012a); (2012b); Ministério da Educação e Desenvolvimento Humano (2016); Ministério da Economia e Finanças (2016d).

Figure 17: Pupil-teacher ratios in Mozambique, Number per teacher, 2010-2014

Source: INE (2012), Ministério da Educação e Desenvolvimento Humano (2016); Ministério da Economia e Finanças (2016d)

Gender equality in education has yet to be achieved in Mozambique; gross and net enrolment rates are lower for females in comparison to males, as shown in table 5. Government policy can be designed to help facilitate the narrowing of the gender gap.

The pupil-teacher ratios are higher at the junior primary and junior secondary levels, as shown in figure 17. To reduce the pupil-teacher ratios, the Government planned to recruit 8,500 teachers in 2016 to be equitably allocated across the country, giving priority to districts with high pupil teacher ratios.

Regarding enrolment rates, the Government, in its quest to increase net enrolment rates, has allocated funds in the 2016 national budget for the following: the acquisition and distribution of about 14 million school books and the construction; and the renovation of schools and classrooms. The Government's commitment to improve the education system is indicated by the allocation of the largest share (22.1 per cent) of the funds for the economic and social sector to education in the 2016 budget (Ministério de Economia e Finanças, 2016d; Ministério da Educação e Desenvolvimento Humano, 2016). The completion rates in primary education increased from 22 per cent in 1997 to 38.7 per cent in 2003 and then to 77.1 per cent in 2008. The literacy rate at the national level also increased from 39.5 per cent in 1997 to 49.7 in 2008 (República de Moçambique, 2010).

The allocation of resources to education resonates well with the Action Plan for the Reduction of Absolute Poverty (PARPA II), which focused on reducing the poverty level from 10 to 15 per cent by 2010. Under the plan, it was envisaged that increases in investment in human capital development, especially education, would benefit individual and society in general. Also under the plan and in line with Poverty Reduction Strategy Papers for Mozambique, the planned resources for education were to be in the order of 20 per cent of the national budget,

including higher education, an element which allows education to positively impact national economic growth (Ministério da Educação e Desenvolvimento Humano, 2016).

4.5 Gender equality and women's empowerment

The status of gender equality and women's empowerment is measured in terms of the key areas, including employment, education, health, business, access to credit and access to land, as indicated in box 4. These areas are important for assessing progress in improving women's lives and their contribution towards achieving sustainable and inclusive growth in Africa.

To assess the extent of gender inequality and achieve the goal of measuring gender equality and women's empowerment in Africa, ECA has developed a monitoring tool, the African Gender Development Index. The index helps policymakers in their efforts to assess their own performance in implementing policies and programmes geared towards ending the marginalization of women.

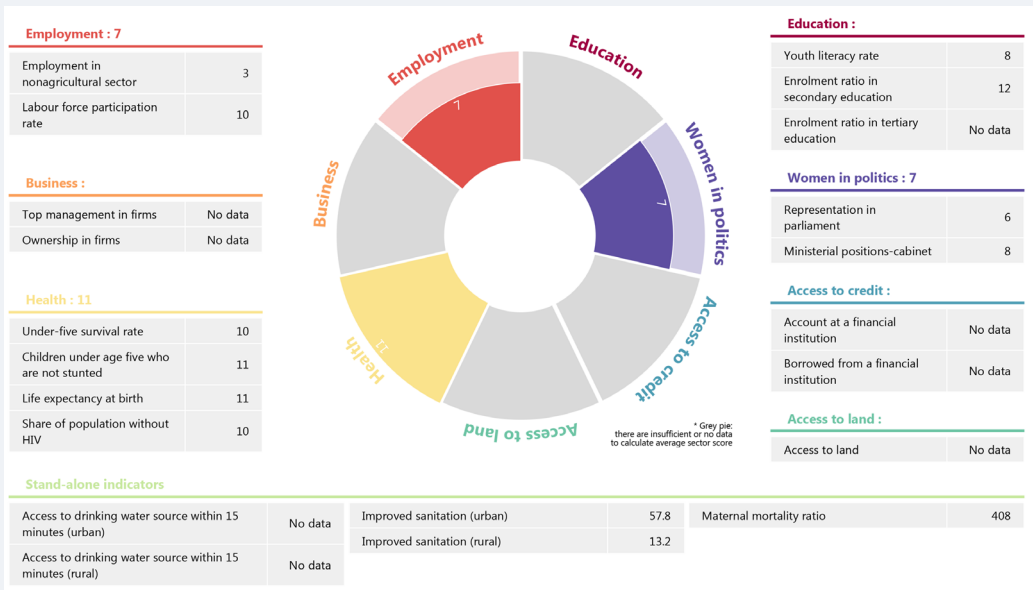
The calculation for the scoring is based on data used to compile the Gender Status Index), one of the components of the African Gender Development Index. For each key indicator, the score is calculated as an unweighted arithmetic average by taking the female to male ratio of the indicator values, multiplying it by 10 and rounding the result off to the nearest whole number. A score of zero represents the highest level of inequality, 5 represents the middle parity level and 10 equates to perfect parity. Parity levels exceeding 10 represent situations in which women have outperformed men, irrespective of the level of development of the area being assessed.

Most of the data used to calculate the scoring are drawn from the latest nationally available data sources. However, for a few indicators in which no national disaggregated data exist, international data sources are used. These include the following: Projeções anuais da população total, urbano-rural 2007-40; Ronda 209 (Projectada para 2015); Inquérito Demográfico e de Saúde (IDS) 2011; Inquérito ao Orçamento Familiar (IOF) 2014/15; and Inter Parliamentary Union 2016.

Box 4: Gender equality and women's empowerment – Mozambique

Data for Mozambique indicate that gender equality exists with regards to health issues and labour-force participation. The Ministry of Education and Human Development (MINEDH) 2015 survey in Mozambique indicated that the percentage of women enrolled in secondary school (13.7 per cent) was slightly higher than that of men (11.8 per cent). Gender equality is observed between females and males (with a parity score of 10) for children under-5 in terms of survival rate and the share of population without HIV (15-24 years old), and in the labour force participation rate. The labour force participation rates for women and men were 84.9 per cent and 84.8 per cent, respectively. Also of note, from a total of 20 ministerial positions, nine are held by women.

Despite significant progress made in the above-stated sectors, there are areas of concern. Regarding women representation in Parliament, out of 250 members in the Government body, women currently hold 97 seats. In the educational sector, the status of gender equality is above middle parity, scoring 8 in relation to the literacy rate of 15-24 years old. According to IOF 2014/15, the literacy rate of 15-24 years old for women was 61.9 per cent compared with 78.7 per cent for men. Gender inequality is observed in the employment in the non-agricultural sector, with only 7 per cent of women having wage employment compared with 24.6 per cent for men. Finally, the demographic and health survey (2011) reveals that the maternal mortality ratio for Mozambique was 408 from 100,000 live births.



Sources: Instituto Nacional de Estatística, Ministério da Saúde (2011); Inter-parliamentary Union (2016); computations provided by Instituto Nacional de Estatística and Ministerio de Educación.

5

Major policy challenges

5.1 Agricultural production and productivity for economic transformation

Over the last 10 years, Mozambique has made impressive gains in liberalizing the economy, which has enabled the country to achieve high growth rates after being plagued for years by war. These rates exceeded the subregional and continental averages. Nevertheless, the country continues to face challenges in both economic and social spheres, such as susceptibility to commodity price movements on international markets, unemployment, poverty, disparities in education outcomes and lack of a diversified and competitive agriculture sector.

Prior to independence, the agriculture sector in Mozambique had no significant linkages with the local economy and was structured to produce agricultural output destined for the economy of Portugal. In the 1990s macroeconomic policies focused mainly on financial and monetary issues without corresponding support policies at the microeconomic level for the productive sectors, including agriculture. This situation culminated in the growth of the commercial sector at the expense of the industrial sector, and a decline in the relative weight of agricultural production and the shutting of main factories and small and medium enterprises (SMEs). Later in the post-independence period, the authorities designed economic policies which gave the agriculture sector an important role in the economy, enabling it to contribute to food security and export earnings. The sector's share of GDP currently exceeds 21 per cent.

The agriculture sector in Mozambique is endowed with good agricultural and agro-industrial potential but since attaining political independence, it has been mostly centred on small-scale family activities with no regular markets and focused on meeting subsistence needs. The sector has also experienced inadequate utilization of improved technologies, intensive use of labour and lack of financial capital (Committee of Counsellors, 2003). On the positive side, there appears to be demand in the internal and external markets for goods produced in Mozambique.

Despite contributing the largest share to GDP, the full potential and benefits of the agriculture sector have not been fully realized, as it continues to face the following

challenges: inadequate infrastructure for road transport; electricity access and storage; absence of alternative sources of power; lack of small-scale irrigation and water management facilities; insufficient rural credit facilities and lack of tailor-made solutions for small-scale producers; distant markets and absence of agro-processing facilities for value-addition to agricultural produce; weak marketing channels for rural production and challenges in accessing markets; vulnerability to climatic conditions; and price volatility. The Government also recognizes the vast potential of the primary sector, which includes agriculture, but notes that the main challenge continues to be to develop industries that can contribute to a sustainable processing and value-addition of the output from this sector (República de Moçambique, 2014).

5.2 Policies and other interventions to address challenges in agriculture

The Government of Mozambique has placed agriculture among the priority sectors in the economy and through various plans, such as the annual Social and Economic Plans and PARPA, has outlined actions targeted to develop the sector (Committee of Counsellors, 2003). Box 5 shows some of the actions and interventions by the Government for the agriculture sector.

Box 5: Government actions to support agriculture

1. Supporting expansion of volumes and reduction of costs of agricultural production to increase incomes of entrepreneurs and farm workers.
2. Supporting the use of machines, agricultural tools and inputs such as seeds, fertilizers and pesticides.
3. Construction of electricity infrastructure in rural areas and development of alternative sources of power generation.
4. The provision of small-scale irrigation and water management infrastructure.
5. Expansion of the rural credit with tailor-made conditions for small-scale producers.
6. Expansion of roads infrastructure and storage facilities in rural districts.
7. Support to the processing of agricultural production at places of origin for value addition.
8. Support for the establishment of marketing channels for rural production and access to market information for agriculture products.
9. Establishment of mitigation mechanisms, such as credit guarantees, crop insurance, minimum price policy and the establishment of buffer stocks, for high risk agricultural and livestock activities susceptible to climatic conditions and price volatility.
10. Setting up the Special Economic Zones for Agricultural Integration and Fisheries in selected locations to coordinate investments and provide services for the processing of agricultural and livestock activities.
11. Executing agro-livestock research in suitable agricultural techniques and technologies, soil and climatic conditions.

Source: República de Moçambique (2014).

As a result of the above-mentioned actions, agriculture production has increased and the sector has become more competitive. Some examples of this recorded in 2015 are as follows: the fish harvesting capacity of 120 fishermen from Gaza, Inhambane, Sofala, Zambezia, Nampula, Cabo Delgado and Niassa increased through the provision of 41 motorized vessels; more irrigated land became available for agricultural activities from the construction and rehabilitation of 1,208 hectares of land in Gaza province; the completion of construction of five silos and a warehouse in Tete province; and the implementation of 47 scientific research projects contributed to the development of the sector; and technical assistance extended to 6,691 SMEs to help increase their business capacity (Ministério de Economia e Finanças, 2016a).

The Government has shown it remains committed to enhancing the agriculture sector. In the 2016 national budget, agricultural production and productivity was prioritized with the allocation of MT 12,429 million (9.6 per cent of the national budget) for agriculture and rural development. These resources are targeted for the acquisition and distribution of seeds, activities that support agricultural and livestock production, the revitalization of the cotton value chain, the rehabilitation and construction of irrigation schemes, the promotion of food and nutrition security; and the promotion of fishing and technical assistance to climate change (Ministério de Economia e Finanças, 2016a).

To further underscore its resolve to value-addition in the economy, the Government, in the *Estratégia Nacional de Desenvolvimento*, has committed to the diversification of the industrial sector, which should be in line with the stages of development espoused in the long-term forecast to concentrate less on primary products and accelerate industrialization and the production of final products (República de Moçambique, 2014).

The funds allocated in the 2016 budget are projected to lead to an increase in the growth of the agriculture sector by 6.5 per cent. For the 2016/17 agricultural season, production volumes are expected to reach 2.8 million tonnes for cereals; 730,000 tonnes for pulses; 11 million tonnes for roots and tubers; and 1.8 million tonnes for horticulture. The increased production and productivity levels are expected to be the result of an increase in the cultivated areas, agricultural mechanization, use of animal traction, improved seeds and the use of fertilizers and pesticides in combination with good practices and improved technologies (Ministério de Economia e Finanças, 2016c).

Within the context of the National Development Strategy, it is envisaged that the agriculture and livestock sectors will be transformed, supported by the introduction of efficient and competitive agricultural and livestock processing activities. This will entail implementation of changes in agro activities to facilitate inclusive socioeconomic policies induced by demand from the industrial sector. The implementation of agro-industry policies supported by the modernization of agro-livestock activities will complement the above-mentioned measures.

The transformation of the agriculture and manufacturing sectors are expected to be achieved through accelerated growth in manufacturing and complementary services, which will lead to a greater contribution of manufacturing to GDP from 12 per cent to 20 per cent (República de Moçambique, 2014).

6. National data quality evaluation

Methodological note: The quality of national data sources for key indicators in the country profiles was evaluated. The results are presented in colour codes, with green indicating that the data source is “good”; yellow, “satisfactory”; and red, “needs improvement”.

The evaluation focused on the transparency and accessibility of the national data sources, while taking into account the periodicity of the published data based on the timeliness and frequency of the data updates in accordance with international standards. It measured the comparability of the data series based on length, definition and standard units of measurement. Also reviewed were the accessibility of the data to the general public, the format of the data and the ease with which the data can be downloaded and shared. In addition, data citations, together with references to primary or secondary sources, were assessed. Finally, the completeness of metadata for data release and the clarity of documentation and notes were evaluated.

Demography	Value	Evaluation
Population ('000)	26,424	1
Child (0-14 years)	11,817	1
Adult (15-64 years)	13,800	1
Aged (65+ years)	807	1
Urban population (%)	32.1	1
Growth rate (%)	2.7	1
Total fertility rate	5.2	1
Life expectancy at birth (years)	53.8	1
Crude death rate (deaths per 1000 population)	39.3	
Crude birth rate (births per 1000 population)	12.4	

Key macroeconomic and sectoral performance	Value	Evaluation
Real GDP growth rate (%)	6.6	2
GDP, current prices (billion meticais)	592,024	2
Inflation rate (%)	11.1	4
Current account balance (billions of US dollars)	-6.151.4	4

Economic trends and performance indicators	Value	Evaluation
Inward flows of foreign direct investment (billions of US dollars)	n/a	
Total exports (billions of US dollars)	3.413	4
Total imports (millions of US dollars)	7,576.6	4

Education and employment	Value	Evaluation
Literacy rate (15-24) (%)		
Net enrolment rate in Primary (%)	98.2	3
Proportion of pupils starting grade 1 who reach last grade of primary	n/a	
Ratios of girls to boys in primary	n/a	
Ratios of girls to boys in secondary	n/a	
Employment to population ratio total (%)	n/a	
Unemployment rate (%)	20.7	3
Youth unemployment rate (%)	10.5	1
Population below national poverty line (%)	n/a	

Health	Value	Evaluation
Under five mortality rate (per 1,000 live births)	97	1
Infant mortality rate (per 1,000 live births)	83.8	1
Neo-natal mortality rate (per 1,000 live births)	30	1
Maternal mortality ratio (per 100,000 live births)	408	1
Proportion of births attended by skilled health personnel	71.3	1
Contraceptive prevalence rate	n/a	
HIV prevalence among population aged 15-24 years	6.1	1

Data Sources Code Index

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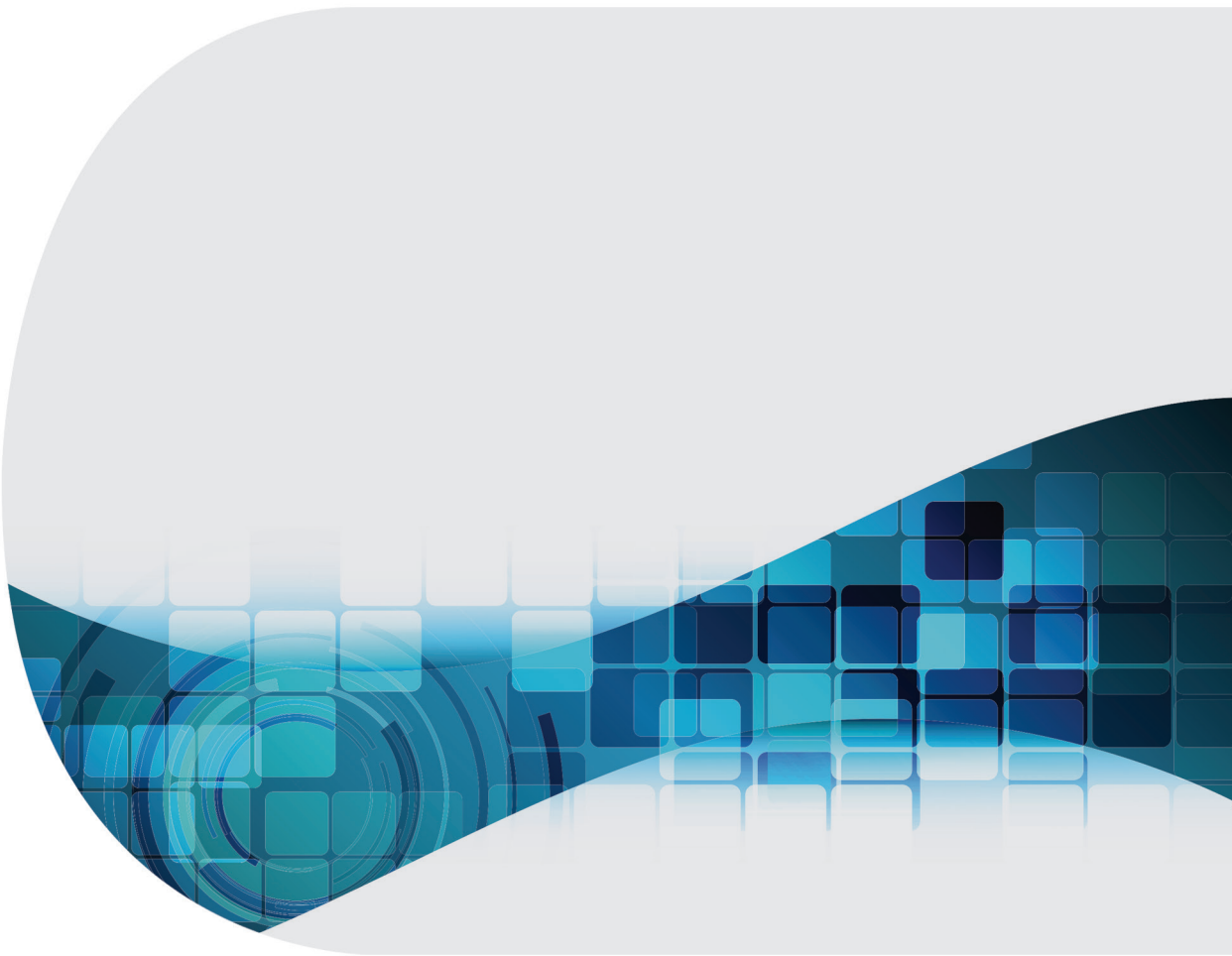
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