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Growth Diagnostic for Mozambique
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Key Findings

Based on a wide range of evidence, the key constraints to growth in the Mozambique economy are the following:

1 **Difficult business conditions: The World Bank's Cost of Doing Business Indicators placed Mozambique 140 out of 175 countries in 2006.** As disturbing, Mozambique's ranking fell by three points since 2005. There are numerous constraints to the ease of doing business including the starting a business, dismissing workers, and enforcing contracts, suggesting that the policy and institutional framework represent fundamental disincentives to private investment.

2 **Insufficient infrastructure. Roads do not service the entire country well and lack of proper water and sanitation wastes time and promotes disease.** Although direct lateral routes from countries such as Malawi and Zimbabwe to the ports of Beira and Maputo are in place, north-south links within Mozambique are weak. In 2004, only 43 percent of the population had access to improved water sources and 30 percent had access to improved sanitation. Deficient provision of core public goods and services effectively raises the cost of commerce in Mozambique, lowering profitability in the private sector and discouraging investment.

3 **Poor health status: The Mozambique health care system is not meeting the challenge of health risks.** Life expectancy, estimated at 45 years in 2003, is expected to drop to around 38 years by 2010 due to the prevalence of HIV/AIDs. Diarrhea and malaria are prime cause of child mortality. Disease and mortality not only reflect serious and important quality of life problems, they also represent a heavy drag on economic growth. Disease leads to lost days of work and poor worker productivity, while high mortality rates seriously erode the current stock of human resources and act as an obstacle to household human-capital investments in the future.

4 **Low educational attainment. Half of the Mozambique population has no education or only basic literacy.** Girls have significantly lower completion rates than boys. Unequal access to education means that students in rural areas have less opportunity to go beyond primary school. There is also evidence that specific skills that would normally emerge through vocational training are in short supply. These signs of unevenness in the labor force (under-education of girls and rural children, more generally, and under-provision of vocational skills) may represent significant threats to medium-term growth as other constraints are eased.

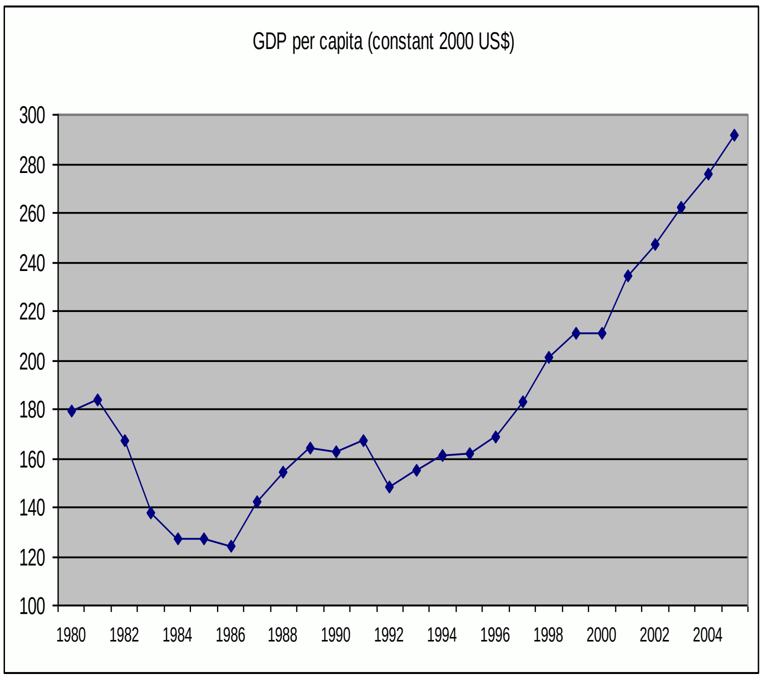
5 **Endemic natural disasters.** The recent flood and cyclone in 2007 were just two more in a long line of natural disasters. The risk of communicable disease transmission after disasters is associated the proximity of safe water and functioning latrines, the nutritional status of the displaced population, the level of immunity to vaccine-preventable diseases such as measles, and the access to healthcare services. The lack of well-developed systems to respond quickly and effectively to natural disasters increases commercial risks for firms and households and, thus, represents a systemic drag on private investment and economic growth.

Background

After independence from Portugal in 1975, Mozambique faced an increasingly difficult situation with declining GDP, low levels of education and a transportation system that isolated portions of the country. The subsequent 17-year war resulted in at least one million deaths and destroyed a large proportion of Mozambique's infrastructure. Over one third of the population was displaced and 1.7 million Mozambique citizens fled to neighboring countries. Landmines littered the countryside.

The post-war recovery has been substantial. After 1992, basic infrastructure was rebuilt, landmines cleared, and real GDP virtually doubled (Table 1). The poverty headcount fell from 69 percent in 1996/7 to 54 percent in 2002/3. The economy continued to grow between 2002 and 2006 at a robust annual average rate of 7.8 percent. As a result of political stability and economic progress, donor support has been extensive and continuous, with more than 50 percent of public spending and about two thirds of public investment coming from external sources.

Table 1: Mozambique: Real GDP Growth



In terms of sectoral growth, the economy rebounded after the cessation of hostilities with an expansion of agricultural exports, tourism, construction, and certain areas of manufacturing. Mozambique has successfully attracted "mega-projects" in aluminum smelting, natural gas, and titanium mining.[1] Economic growth is concentrated in and around Maputo and to a lesser extent in Beira.

[1] 1Mozambique has currently three mega-projects – the Mozal aluminum smelter, the Cahora Bassa hydroelectric

For Mozambique to achieve its ambitious poverty reduction goals, it must maintain an annual growth rate of 8 percent over the next seven years. While this is within the range of recent performance, sustaining such high growth in the face of potential future declines in aid will be a challenge. It will not be enough to rely on capital-intensive mega-projects. There will need to be broad-based private-sector investments, which, to date, are restricted by the high costs of doing business.

Despite progress in the social sectors since 1992, Mozambique continued to rank poorly according to the United Nation's 2005 Human Development Index – 168 out of 177 countries. Notwithstanding, Mozambique's successes include a doubling of children in primary schools, reductions in infant and maternal mortality, and recent provision of Anti-Retro-Viral (ARV) treatment for HIV infection, partly financed by resources made available by the Highly Indebted Poor County (HIPC) initiative.

Unfortunately, natural disasters, including seasonal floods, cyclones and prolonged droughts are endemic to Mozambique, particularly between January to March, disrupting livelihoods and services, and exacerbating vulnerability. The recent flood and cyclone in 2007 were just one more in a long line of natural disasters. Risk factors for medical emergencies following disasters primarily are associated with population displacement in all countries. The risk of communicable disease transmission after disasters is associated the proximity of safe water and functioning latrines, the nutritional status of the displaced population, the level of immunity to vaccine-preventable diseases such as measles, and the access to healthcare services.

Disaster	**Date**	**Affected**
Drought	1981	4,750,000
Flood	Jan-71	500,000
Drought	Jan-79	6,000,000
Flood	Feb-81	500,000
Drought	Mar-91	3,300,000
Wind Storm	Mar-94	2,502,000
Flood	Jan-00	4,500,000
Flood	Jan-01	549,326
Drought	Mar-02	600,000
Drought	May-05	1,400,000

Conclusions: Mozambique faces a number of short-run and long-run constraints that could be mitigated through appropriate policy initiatives and well-targeted investments. With political willingness, policies that constrain business activity could be relaxed relatively quickly through legislation and regulation, fostering greater foreign investment and improving domestic productivity. These constraints, among others, include the costs of: (i) starting a business, (ii) dismissing redundant workers, and (iii) enforcing business contracts. Infrastructure investments term in water and sanitation and the national road network over the medium would improve labor productivity, close connectivity gaps and reduce transportation costs. In the longer term, a series of planned investments over several decades is essential to improve health outcomes and educational standing, which, if unmitigated, eventually will bring current strong economic growth rate to a standstill.

plant, and Sasol gas and telecommunications. Mozal, represents the single largest investment ever made in Mozambique (about US$ 1.34 billion). The investment consortium is owned by London based Billiton (47%), Mitsubishi of Japan (25%), South Africa's Industrial Development Corporation (24%) and Government of Mozambique (4%). It has recently doubled its capacity by constructing a second phase of the smelter and now expects to produce 506.000 tons of aluminum per year for export.

Elements related to low returns to economic activity

The purpose of a growth diagnostic is to identify areas that are likely to be constraints to economic growth.[2] The analysis is meant to isolate and identify the key cause or causes of low potential economic growth and poverty alleviation. While Mozambique has experienced high growth rates to date, constraint analysis can identify factors that may reduce future growth due to low returns to economic activity and/or the high cost of finance.

In Mozambique human capital is a binding growth constraint both in terms of pervasive illiteracy and poor health status. Infrastructure is a is an important secondary constraint, restricting economic activity and human capital development necessary to alleviate poverty, particularly in rural areas

Elements related to low underlying returns

Low returns to private investors could reflect low fundamental returns in the economy or reduced returns due to other economic constraints including human capital, through education and health status, and infrastructure.

Human capital. Half of the Mozambique population has no education or only basic literacy. Although access to primary education has increased substantially in the last decade, reaching near universal levels, less than one third of any age group reaches Grade 7, less than 10 percent progress to Grade 10, and less than three percent complete 12 years of education. In other words, not more than two to three percent of an age group completes 12 years of education. Girls have a significantly lower completion rates than boys. This is one of the MCC indicators that Mozambique has failed. Only 23 percent of girls complete primary education compared to an average across all countries of two-thirds. Just 7.5 percent of girls achieve a secondary or tertiary education and only one half of one percent receive any post-secondary degree. Unequal access to education also means that students in rural areas have less opportunity to go beyond primary school.

Table 3: Mozambique: Educational Attainment

	Total	Male	Female	Urban	Rural
None	50.1	42.6	57.8	34.7	71.4
Literacy training	0.5	0.4	0.5	0.4	0.6
Primary 1	27.8	29.2	26.3	33.1	20.5
Primary 2	12.9	16.5	10.1	18.4	5.7
General Secondary 1	4.1	5.8	2.4	6.2	1.3
General Secondary 2	2.9	4.0	1.8	4.9	0.2
Technical Elementary	0.1	0.1	0.0	0.1	0.0
Technical basic	0.5	0.7	0.2	0.8	0.0
Technical Intermediate	0.5	0.8	0.2	0.8	0.0

[2] This desk review is based on key documents and a compendium of data.

Teach Training	0.2	0.3	0.2	0.2	0.3
Higher Education	0.5	0.6	0.4	0.8	0.0
Total	100.0	100.0	100.0	100.0	100.0

National Household Survey 2002, World Bank

Although the labor market in Mozambique is characterized by a small formal sector, employing about 10 percent of the economically active population, employment is growing and more skilled labor is needed. Employment opportunities in the formal sector and salaries increase with the level of education. Poverty and educational attainment are correlated.

With high mortality rates and low life expectancy, health conditions in Mozambique constrain labor force activity as mothers care for sick children, adults do not work because of illness, and death comes to the population in their most productive working years (Table 2). The HIV/AIDS epidemic is expanding with an estimated prevalence of 13 percent. The majority of new infections occur among persons under 29 years of age. As a consequence, life expectancy, estimated at 45 years in 2003, is expected to drop to around 38 years by 2010. In 2006, the number of children orphaned by HIV/AIDS was an estimated 380,000. This figure is expected to increase to 630,000 by the year 2010. Mozambique is on the list of countries for treatment scale-up under the World Health Organization (WHO) initiatives.

Table 2: Comparative Health Indicators

	Mozambique	Sub-Saharan Africa	Low income
Prevalence of HIV, total (% of population ages 15-49)	460.2	363.1	224.2
Life expectancy at birth, total (years)	43.8	46.9	57.7
Death rate, crude (per 1,000 people)	19.4	17.2	11.5

Vulnerable populations face a constant threat of cholera due to a lack of clean water and sanitation – especially in areas most hit by ongoing drought. Diarrhea resulting from water-borne diseases is a major child killer, with a reported prevalence of 14 percent among under-five children. Poor access to clean water particularly affects women and girls who are responsible for collecting domestic water at the household level – leaving less time for school attendance and childcare. Malaria is the primary cause of child mortality, officially accountable for 15 to 30 percent of all reported under-five deaths. Mozambique ranks 11th on the WHO's list of high tuberculosis burden countries. Malnutrition is high with 41 percent of children less than five years old stunted and 24 percent underweight.

The Mozambique health care system is not meeting the challenge of these health risks. Based on MCC immunization indicator, Mozambique has only a 74.5 percent rate of childhood immunization compared to 81 percent for other potentially MCC eligible countries. These ratings are from the World Health Organization data for DPT3[3] immunization and measles immunization among children that have survived their first birthday.

Infrastructure. Mozambique's transport infrastructure was designed to serve the colonial economy, providing access to sea ports. Although direct lateral routes from countries such as Malawi and Zimbabwe to the ports of Beira and Maputo were in place, north-south links within Mozambique are weak. Mozambique's road network was damaged and neglected during the civil war. In 1992, less than an estimated 10 percent of the network was in good condition and over one third of all roads were not passable on a regular basis. Poor rural roads posed constraints to the marketing of farm produce and economic growth. While considerable improvements have been made since 1992, connectivity is considered an impediment to growth.

In 2004, only 43 percent of the population had access to improved water sources and 30 percent had access to improved sanitation (Table 3). Many studies report that improvements in drinking water, sanitation facilities, and hygiene practices reduce disease. A variety of interventions analyzed in a recent study[4] were found to significantly reduce the risks of diarrhea. Most interventions had a similar impact in terms of the reduction of diarrhea, with relative risk-reduction estimates between 0.63 and 0.75. These results are in concert with earlier meta-analysis, except that water quality interventions were found to be more effective than previously thought.

Table 3: Comparative Water and Sanitation Indicators

	Mozambique	Sub-Saharan Africa	Low income
Improved sanitation facilities, rural (% of rural population with access)	19.0	28.1	28.5
Improved sanitation facilities, urban (% of urban population with access)	53.0	53.3	60.6
Improved water source (% of population with access)	43.0	56.2	75.1
Improved water source, rural (% of rural population with access)	26.0	42.5	69.5
Improved water source, urban (% of urban population with access)	72.0	80.3	88.3

The UNDP 2006 Human Development Report indicates that time wasted on collecting water reduces women's ability to provide child care and engage in productive work. Collecting water from an unprotected well, river or lake, even at minimum consumption

[3] DPT3 represents the third dose of the vaccine for diphtheria, pertussis (whooping cough) and tetanus.
[4] L Fewtrell, R B Kaufmann, D Kay, W Enanoria, L Haller, and J M Colford Jr, (2005) "Water, sanitation, and hygiene interventions to reduce diarrhoea in less developed countries: a systematic review and meta-analysis". Lancet Infect Disease; 5: 42–52

levels, can take hours out of the day. Further, when girls also have to fetch water, their school enrollment is challenged.

Elements related to low private profitability

Total returns to investments theoretically could be high, but other circumstances could discourage potential investors if they cannot expect to reap the rewards. Three sets of factors could contribute to such an outcome. The first set comprises micro-risks related to the business environment including corruption, poor property rights, and high taxes. The second set comprises macro-risks related to the stability of the economy, including linkages to the global economy overall. These include stable monetary and fiscal policy. The third set comprises market failures in such as learning externalities, spillovers from innovation, or coordination failures that hamper the ability of investors to identify and exploit higher productivity activities.

The micro-risks to development are daunting with many difficulties in the ease of doing business, including starting a business, dismissing workers, and enforcing contracts. Despite heavy dependence on foreign assistance, Mozambique has shown satisfactory macroeconomic performance with a continuing good relationship with the IMF. A tertiary issue related to market failure includes constraints due to lack of innovation and a disconnect between the new mega-projects and the rest of the economy.

Micro-risks. Generally speaking, many constraints to growth appear to lie in this area. Although Mozambique passes all indicators in MCC's *Economic Freedom* category, which broadly correspond to this set of risks, MCC indicators are relative measures and are not intended to provide a comprehensive assessment of growth constraints.

The World Bank's *Cost of Doing Business Indicators* placed Mozambique 140 out of 175 countries in 2006. As disturbing, Mozambique's ranking fell by three points since 2005. Mozambique fell significantly below regional marks for ease of starting a business, employing workers, trading across boarders, enforcing contracts and closing a business. Further, Mozambique registered substantial declines between 2005 and 2006 in terms of property registration and credit.

Perhaps the greatest difficulty in terms of business ease relative to other countries is related to the contract enforcement. It takes twice as long to settle a lawsuit in Mozambique as it does elsewhere (1,010 days compared to 581.1 in the region and 351.2 in OECD countries) and it is three times as expensive relative to debt (132.1 percent compared to 42.2 percent in the region).

Mozambique ranked lower than its comparators in terms of the costs of firing workers -- 142.9 weeks of wages compared to 71.2 weeks in sub-Saharan Africa and 31.3 weeks in OECD countries. Hiring new workers is also twice as difficult in Mozambique as in the region overall. While the draft labor law was never enacted, the IMF indicated that although it was an improvement on the current law, it would not have improved Mozambique's ranking in terms of labor market flexibility.

From a World Bank survey[5] of 193 firms in 2002, almost 37 percent indicated that they retained more workers than they would like. On average firms reported they needed only 63 percent of their current work force. This lack of labor force flexibility was most important to foreign investors, with almost 45 percent of foreign-owned firms surveyed retaining redundant workers, compared to 17 percent of Mozambican firms. Privatized companies were nearly two and half times more likely than *de novo* firms to employ more workers than they wanted.

Macro risks. Mozambique has had a track record of strong macroeconomic performance (Table 4). Mozambique's MCC fiscal policy indicator is in the red zone, however, indicating a failing score based on mean values of all included countries. The indicator is based on a three-year average of the overall budget deficit divided by GDP, with donor funds included in total expenditures in calculating the fiscal balance. In view of Mozambique's unusually high proportion of donor funding, this is no surprise. Nonetheless, prudent monetary policy has helped bring down core (non-food) inflation to single-digit levels. Weaker revenue performance, however, a continuing rise in global oil prices, and hasty implementation of fiscal decentralization could undermine the government's macroeconomic targets.

Table 4: Mozambique Macroeconomic Indicators

Basic Macroeconomic Indicators, 2000-2006

	2000	2001	2002	2003	2004	2005	2006
Real GDP growth rate	1.9	13.1	8.2	7.9	7.5	7.7	7.9
Nominal GDP (Mt. trillion)	58.4	76.5	96.9	113.8	133.5	153.0	180.8
Nominal GDP (US$ billion)	3.7	3.7	4.1	4.8	5.9	6.6	6.9
Inflation (period average)	12.7	9.0	16.8	13.4	12.6	6.4	9.5
Gross domestic savings/GDP	11.6	8.0	11.0	11.7	14.3	10.7	18.6
Investment/GDP	33.5	25.9	29.8	27.4	22.6	20.4	24.9
Current account balance/GDP	-27.2	-26.1	-23.1	-19.9	-14.1	-17.0	-17.4
Exchange rate (Mt'OOO per US$) (excluding grants)	15.2	20.7	23.7	23.8	22.6	23.1	26.1
NPV external debt/ exports	177.1	109.8	91.7	102	83.8	83.6	32.3

Sources: GoM, IMF and Bank staff estimates (2005) and projection (2006).

WB PAD Poverty Reduction Support Credit, 2006

The 2007 budget envisages an increase in foreign aid and spending. While additional assistance can help Mozambique achieve its MDGs, it poses a number of macro-economic challenges, although these can be partially mitigated by good public-finance management. Specifically, the macroeconomic consequences of aid depend on what governments decide to do with additional resources. Unless all spending is on imports, a higher demand for domestic goods will induce an appreciation of the real exchange rates and discourage the expansion of exports, affecting long-term economic growth. This is

[5] J Nasir, G de Barros, D Wagle, M K Shah, C Leechor, P Srivastava, A Harding, V Ramachandran. (2003) Mozambique Industrial Performance and Investment Climate 2003

the so-called ‘Dutch disease’ effect. To avoid this pitfall, government resources need to be focused on the most economically and socially productive sectors (health, education and infrastructure).

In recent years, export performance has been strong, with mega-project exports buoyant, supported by a continued boom in commodity prices, particularly aluminum. Mega-projects provide nearly 70 percent of all exports. Traditional exports also grew led by a recovery in cashew, sugar and seafood exports. By contrast, imports grew by less than 12 percent due to higher oil prices and lower than expected imports for donor project. The improved trade balance contributed with a relatively stable and liquid foreign exchange market.

In 2007, mega-project exports are expected to grow, *ceteris paribus*, as titanium comes on line. However, commodity exports may be affected by lower prices. The South African exchange rate also affects export earnings as gas from the Sasol project and electricity exports are destined for South Africa and priced in rand. The recovery of the rand since September 2006 bodes well for the export earnings that are expressed in dollars. Investments in the sugar industry support traditional exports.

Market failures. Market failures are difficult to identify without close analysis of the key sectors of the economy. There may be coordination failures with respect to the ability and meet and certify standards for agricultural produce and processed good to enhance the country’s access to higher value export markets.

The dominance of the capital-intensive mega-projects within Mozambique’s economy may be a cause for concern. Their linkage to the rest of the economy is minimal, and there is almost no spill-over effect in terms of significant job creation in related industries or associated SMEs. Even tax revenues have not increased as the mega-projects are the beneficiaries of generous tax holidays. For example, while Mozal’s contribution to Mozambique’s economy is important, only about 10 per cent of Mozal’s revenues remain within the Mozambican economy, including wages to Mozambican workers and purchases from the domestic economy.

Mozambique has made progress in knowledge management since 1995 as shown by improvements in the World Bank’s Knowledge Assessment Methodology indicators. Still, Mozambique lags other African countries. More generally, there is the lack of a culture of innovation in Mozambique, which is a barrier to the development of small businesses. While Mozambique has nineteen public science and technology research institutes (Instituições de Investigação Científica e Tecnológica – IICTs) with research, development, engineering and extension mandates, out of approximately 470 research staff, less than 30 percent have postgraduate degrees and less than 10 percent have doctorates. Most advanced degrees are held by staff in the agricultural sciences.

Elements related to high cost of finance

Within a given investment climate, the net rate of return to investment may be low because the cost of funds is high and, consequently, investment does not take place. If finance is costly, this could be because of conditions affecting international finance, the efficiency of domestic capital markets, financial sector institutions and related legal and the regulatory framework.

While the cost of finance is high in Mozambique, other more important structural problems are likely to constrain the supply and demand for funds. The regulatory structure needs improvement and more firms need to reach the point at which they are wiling to join the formal economy. Poor international finance and a low savings rate do not appear to be substantial constraints to growth.

Elements related to poor international finance

Constraints emerging from international finance can relate to country risk, conditions for foreign direct investment, macro-economic risks related to debt structure, or excessive regulation of the capital account.

Mozambique has benefited from World Bank debt cancellation programs – the Highly Indebted Poor Country (HIPC) initiative and the Multilateral Debt Relief Initiative (MDRI).[6] The accumulated debt relief from the World Bank for Mozambique has amounted to US$2,361 million. As a result of the MDRI, the NPV of public external debt is estimated to have declined from about 25 percent of GDP to about 12 percent in 2006. Non-Paris Club creditors have not delivered debt relief, however. Mozambique's debt is sustainable as confirmed by a debt-sustainability analysis carried out by the World Bank and the Fund taking the MDRI into account.

International finance does not appear to be a salient constraint within Mozambique's development context, particularly given the high degree of donor support. Nonetheless, it is believed that the costs of doing business in Mozambique, including issues of corruption, forestall some foreign direct investment.

Elements related to poor domestic finance

Domestic financial constraints may be due to poorly-functioning capital markets and institutions that lower the efficiency of capital allocation and increase the risk of banking crisis. These problems can be decomposed into poor financial intermediation and low domestic saving.

Mozambique banks offer limited access to financial services for households and businesses, particularly in rural areas. The domestic lending and savings environment is vulnerable, with low judicial capacity, inconsistent financial reporting standards, problems in the credit information system, and weaknesses in the legal framework for bankruptcy. Sustained high interest spreads and transaction costs reflect inherent structural problems

[6] The MDRI is an extension and a deepening of the HIPC Debt Relief Initiative. The eligibility criteria for MDRI reflect the HIPC completion point criteria. These include (i) satisfactory macro-economic performance under the IMF Poverty Reduction and Growth Facility Program; (ii) satisfactory progress in implementing a Poverty Reduction Strategy; and (iii) the existence of a Public Expenditure Management mechanism that meets minimum standards for governance and transparency in the use of public resources.

The highly concentrated banking sector, including 12 commercial banks, is the heart of Mozambique's financial market. In recent years, the largest bank had 45 percent of total deposits, and the five largest banks accounted for 96 percent. Banks are concentrated in Maputo, with the North having only 12 percent of bank branches. Such a skewed regional distribution is due, in part, but not entirely, to high energy, communications, and transportation costs. Structural reforms, which have improved the banking sector in recent years, including their ability to lend, in time, could translate into better credit access and lower lending interest rates.

Although microfinance institutions (MFI) in Mozambique have grown rapidly over the last decade, they suffer from limited outreach and low efficiency. The sector remains weak with the exception of some MFIs that are converting or have converted to microfinance banks. The MFI legal and regulatory environment does not support prudent regulation and supervision of non-bank lending institutions.

From a 2002 World Bank survey of 193 firms in Mozambique, businesses reported that inadequate finance was a severe constraint to doing business. Over 84 percent of those surveyed reported that the cost of finance was a major problem. Enterprises relied on their own funds for 90 percent of working capital requirements and almost two-thirds of their investment needs. Most firms that never had a bank loan had never applied for one, primarily because of high interest rates. The reported nominal interest rate for bank credit averaged just over 28 percent. In view of past inflation, real interest rates would be around 13–18 percent, high by international standards. Nonetheless, few SMEs in Mozambique have audited financial reports that would sustain bank scrutiny and others are just not interested in expanding into the formal sector.

The rest of the domestic capital market is underdeveloped and domestic debt in Meticais is small, consisting mainly of Treasury bonds for the recapitalization of the Government's share in privatized banks, Treasury bills issued by the Ministry of Finance (MoF) and short-term paper issued by the *Banco de Moqambique* (BoM). Money and bond markets are narrow. Nonetheless, the local stock exchange, *Bolsa de Valores de Moçambique* (BVM) soon may offer an alternative source of capital for medium-sized companies.

Low domestic saving. Low domestic savings can present a constraint to growth if the practice results in high costs of local borrowing or the unavailability to fund profitable investments. Gross domestic savings to GDP are moderate in Mozambique, at an average 13 percent rate over the past five years.

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Annex 1: Mozambique: Millennium Development Goals

Mozambique Country Profile	1990	1995	2001	2002	2003
1 Eradicate extreme poverty and hunger	*2015 target = halve 1990 $1 a day poverty and malnutrition rates*				
Population below $1 a day (%)	..	..	..	..	..
Poverty gap at $1 a day (%)	..	..	..	..	..
Percentage share of income or consumption held by poorest 20%	..	..	..	..	..
Prevalence of child malnutrition (% of children under 5)	..	27	..	..	..
Population below minimum level of dietary energy consumption (%)	..	..	..	47	..
2 Achieve universal primary education	*2015 target = net enrollment to 100*				
Net primary enrollment ratio (% of relevant age group)	44.7	..	59.7	55.3	..
Percentage of cohort reaching grade 5 (%)	32.7	..	49.2	..	..
Youth literacy rate (% ages 15-24)	..	..	..	62.8	..
3 Promote gender equality	*2005 target = education ratio to 100*				
Ratio of girls to boys in primary and secondary education (%)	73	..	77.3	79	..
Ratio of young literate females to males (% ages 15-24)	..	..	..	64.3	..
Share of women employed in the nonagricultural sector (%)	11.4	..	..	..	..
Proportion of seats held by women in national parliament (%)	16	..	30	30	30
4 Reduce child mortality	*2015 target = reduce 1990 under 5 mortality by two-thirds*				
Under 5 mortality rate (per 1,000)	242	206	..	..	147
Infant mortality rate (per 1,000 live births)	146	129	..	..	101
Immunization, measles (% of children under 12 months)	59	71	74	77	77
5 Improve maternal health	*2015 target = reduce 1990 maternal mortality by three-fourths*				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	..	..
Births attended by skilled health staff (% of total)	..	..	..	..	48
6 Combat HIV/AIDS, malaria and other diseases	*2015 target = halt, and begin to reverse, AIDS, etc.*				
Prevalence of HIV, female (% ages 15-24)	..	..	14.7	..	..
Contraceptive prevalence rate (% of women ages 15-49)	..	..	..	..	17
Number of children orphaned by HIV/AIDS	..	..	330.0 thousand	..	470.0 thousand
Incidence of tuberculosis (per 100,000 people)	158.4	286.5	416.2	436.4	456.6
Tuberculosis cases detected under DOTS (%)	..	55.6	44.4	45.3	45.1
7 Ensure environmental sustainability	*2015 target = various (see notes)*				
Forest area (% of total land area)	39.8	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	..	8.4
GDP per unit of energy use (PPP $ per kg oil equivalent)	1	1.5	2.4	2.4	..
CO_2 emissions (metric tons per capita)	0.1	0.1	..	..	..
Access to an improved water source (% of population)	..	..	..	42	..
Access to improved sanitation (% of population)	..	..	..	27	..
Access to secure tenure (% of population)	..	..	..	..	..
8 Develop a Global Partnership for Development	*2015 target = various (see notes)*				
Youth unemployment rate (% of total labor force ages 15-24)	..	..	..	..	..
Fixed line and mobile telephones (per 1,000 people)	3.4	4	13.7	18.6	..
Personal computers (per 1,000 people)	..	..	4	4.5	..
General indicators					
Population	14.2 million	15.8 million	18.1 million	18.4 million	18.8 million
Gross national income ($)	2.3 billion	2.2 billion	3.6 billion	3.6 billion	3.9 billion
GNI per capita ($)	170	140	200	200	210
Adult literacy rate (% of people ages 15 and over)	..	..	..	46.5	..

Mozambique Country Profile					
	1990	**1995**	**2001**	**2002**	**2003**
Total fertility rate (births per woman)	6.3	5.6	..	5	5
Life expectancy at birth (years)	43.4	..	..	41.1	40.7
Aid (% of GNI)	43.2	49.9	29.8	60.3	25
External debt (% of GNI)	200.4	349.7	145.8	139.9	119.4
Investment (% of GDP)	22.1	29.6	24.6	25	26.9
Trade (% of GDP)	44.2	55.1	57.2	61.7	62.1
Source: ***World Development Indicators database, April 2004***					

Note: In some cases the data are for earlier or later years than those stated.

Goal 1 targets: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Goal 2 target: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3 target: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015.

Goal 4 target: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

Goal 5 target: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

Goal 6 targets: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS. Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.

Goal 7 targets: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. Halve, by 2015, the proportion of people without sustainable access to safe drinking water. By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8 targets: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Address the Special Needs of the Least Developed Countries. Address the Special Needs of landlocked countries and small island developing states. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

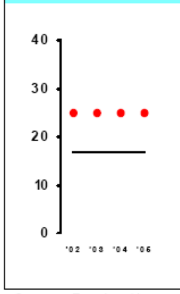
MILLENNIUM CHALLENGE CORPORATION

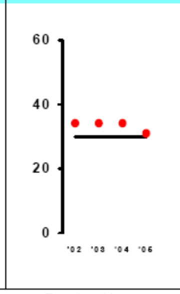
Mozambique FY07

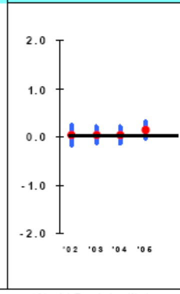
Population: 19,423,920
GNI/Cap: $310 LIC

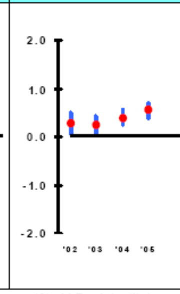
Ruling Justly

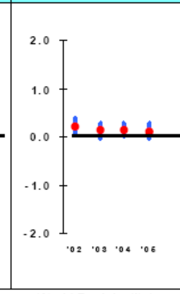
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	25 (69%)	31 (51%)	0.14 (65%)	0.55 (86%)	0.12 (64%)	0.65 (77%)
Median	17	30	0.00	0.00	0.00	0.00

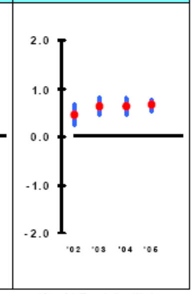








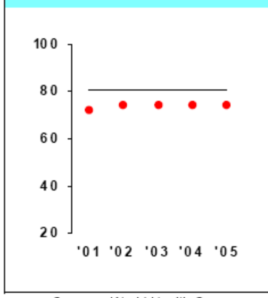


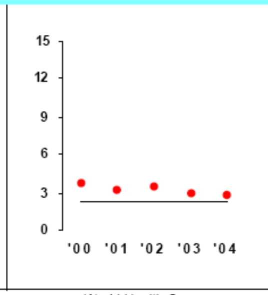


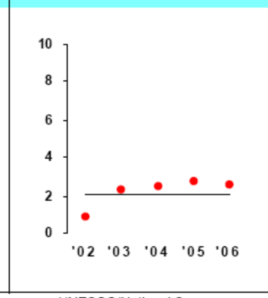
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

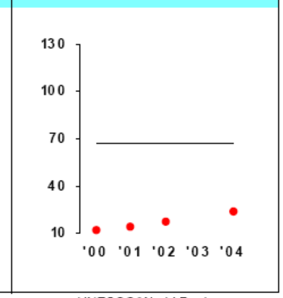
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	74.5 (36%)	2.77 (68%)	2.63 (68%)	23.4 (3%)
Median	81	2.22	2.07%	66.7





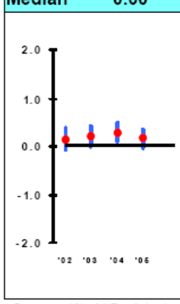


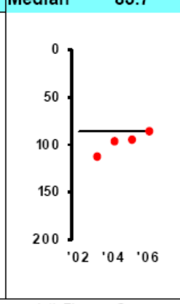


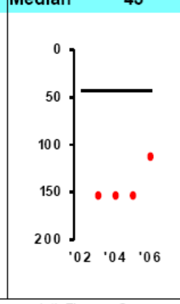
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

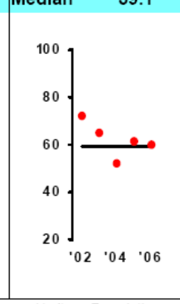
Economic Freedom

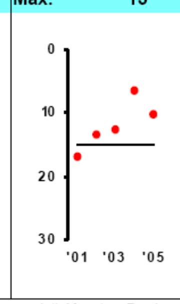
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.16 (59%)	85.7 (50%)	113 (8%)	60.2 (54%)	10.10 (36%)	-3.49% (40%)
	Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%

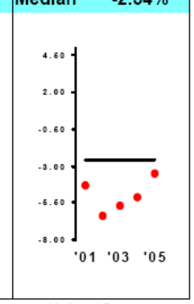












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

How to Read this Scorecard: Each MCC Candidate Country receives a scorecard annually assessing performance in 3 policy categories: Ruling Justly, Investing in People, and Economic Freedom. For each indicator box (from top to bottom): the name of the indicator or policy, the country's data, or score, indicated by a green or red line representing a passing or failing score. Next to the score, is the country's percentile ranking in its respective Low Income or Lower Middle Income group (0% is worst; 50% is the median; 100% is best). Under the score/ranking, is the median score for the respective income group, above which countries have to score in order to pass the indicator. The white box represents a trend line of performance with each red dot assigned to a score on the vertical axis and the year on the horizontal access. The black line running through the dots represents the current year's median. Data sources are below the box.

For more information regarding the Millennium Challenge Account Selection Process and these indicators, please consult MCC's website: www.mcc.gov

10/6/2006