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## The Mozambican civil service: Incentives, reforms and performance

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Discussion Paper No. 2001/85

## **The Mozambican Civil Service**

Incentives, Reforms and Performance

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### **Abstract**

The post-independence Mozambican civil service, what was left of it following the exodus of Portuguese settlers in the mid-1970s, was poorly educated, with low incentives. In subsequent years, the combination of a war-ravaged economy, poor human resources and mass poverty made it difficult for the state to redress the harsh colonial legacy by improving access to social services, notably education and healthcare.

In 1987, the government embarked on structural adjustment reforms in a bid to create the macroeconomic conditions for growth. However, to meet the government's stated goal of poverty reduction demands more efficient institutional machinery, not only at the state level but also in the countryside. This study is an attempt to put in perspective the role of the state, notably the civil service, in the new dispensation in the country.

Keywords: Mozambique, civil service, peace dividend, economic reforms

JEL classification: H11, H71, H72, O10, O20, O55

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## 1 Introduction

Mozambique, like many other Sub-Saharan African countries has undertaken far-reaching political and economic reforms in recent years with the goal of generating rapid but sustainable economic growth and improving the efficiency of public administration, notably in the delivery of social services and in combating poverty. However, while many African countries have experienced serious difficulties in implementing these reforms, notably due to poor implementation and inadequate incentives for those employed in the civil service, Mozambique's experience has been aggravated by a number of extenuating socio-economic circumstances, with poverty and poor human resource endowments much more severe than in other countries (see also Table 1).

As noted in a UNDP document authored by Massingue, Muchanga and Labelle (1995), the process of change in the country has involved several transitions: from a situation of war to that of peace, reconstruction and resettlement; from Marxist-Leninism towards political pluralism; from a planned to a market oriented economy and from centralised economic and political structures to decentralised ones, emphasising popular participation. The country achieved its independence in 1975 after a long-lived war of independence which, commencing in 1964, had decimated social and economic infrastructure. The victory of Frelimo, a party of freedom fighters, saw the departure of over 200,000 Portuguese settlers who had comprised the bulk of the civil service as well the top echelons of the modern sector.

As one of the "frontline states" against the apartheid regime in South Africa, Mozambique was the target of considerable external aggression. A civil war broke out in the 1980s, with government forces pitted against those of Renamo, a guerrilla force with considerable support from the central regions of the country. The war led to the destruction of physical capital, rising defence expenditures and to sharp declines in social outlays (Brück, 2000). Above all it created uncertainty, which affected resource allocation decisions of the households as well as the government. The civil service lacked resources both financial and human to enable it do its work properly, while the provincial administrations were weakened considerably as well. It was not until after protracted negotiations brokered by several groups and supported by the United Nations that the civil war was ended and multiparty elections declared in October 1994 (see Alden, 2000).

In the rapidly changing regional and international conditions, the government has been forced to redefine Mozambique's place in regional and global terms. Foremost in this regard was the need to adjust to the sudden decline of the Soviet Union, a major economic partner and supplier of military equipment. It has, however, also been important to respond to the changing political configuration in Southern Africa itself, especially following the achievement of majority rule in South Africa and the search for greater economic collaboration, aside from the traditional one of the export of Mozambican labour to the South African mines. In political and economic terms, policymakers in Mozambique have had to adopt a more pragmatic approach, including adoption of multiparty politics, market-based economic reforms, and the unprecedented incorporation of the country into the Commonwealth, otherwise a grouping of former British colonies.

Table 1  
Mozambican welfare indicators by region, 1996

	Incidence of Poverty (%)	Illiteracy rate (%) adult population	Female illiteracy (%)	Clean water (access by % of population)	Infant Mortality rate (per 1000 live births)
Rural	71.2	72.2	85.1	1.0	160.2
Urban	62.0	33.3	46.2	31.0	101.2
National	69.4	60.5	74.1	8.5	145.7
Sub-Saharan Africa	-	39.0	72.5	43	92

Source: Republic of Mozambique (2000a)

Responding to these challenges has not been altogether easy. The Mozambican civil service, what was left of it after the exodus of Portuguese settlers in the mid-1970s, was poorly educated with low incentives. The style of management was based on the East European model of central control, but without the human resources and technical expertise to make a success of it. Moreover, the duplication of central functions at the regional level, in a bid to decentralise power, only led to poor co-ordination and ineffective use of resources. The role of the state in the new economic dispensation is still a matter for strong debate in Mozambique. The country suffers from chronic poverty and a paucity of human capital, while the effects of the long-lived civil war still seriously affect social and economic conditions in many parts of the country (Bowen, 1992, Kyle, 1991).

The combination of a war-ravaged economy, poor human capacities, and rampant poverty, has also made the country extremely debt laden and aid-dependent. Since the adoption of the Economic Rehabilitation Programme in 1987, which was changed to Economic and Social Rehabilitation Programme in 1990 to emphasise social sectors and human development, Mozambican policymakers have sought to implement a well-coordinated reform programme with support from bilateral donors as well as the World Bank and the International Monetary Fund. The programme focused on the following: the promotion of private investment; liberalisation of prices; privatisation of state owned enterprises; improvement of fiscal policy, by reducing tax exemptions, reducing the tax rate and lowering the budget deficit; reforming the financial sector; reforming the foreign exchange market, by letting the exchange rate to be determined freely in the market (see also Republic of Mozambique, 2000b).

The programme has had an appreciable impact. Inflation was for instance reduced from 147 per cent in 1987 to an estimated 4 per cent a decade later. The rate of growth was, on average, above 6 per cent in the 1990s. Thus aside from the external shocks, such as the floods of 2000 as well as some long drought spells, the reforms had helped bring the Mozambican economy back onto the road to sustainable growth.

But even after a decade of reasonable growth, Mozambique remains a very poor country with overwhelming development needs. A substantial portion of its population remains

displaced or cannot return to its homes due to the threat of mines or other security hazards. The rural sector still lacks basic infrastructure, including amenities such as primary schools, health centres, good quality roads and food storage facilities. In a consultative group meeting in Paris in 1995, the government reiterated its policies as follows: To strengthen governance at all levels; normalise life in the countryside; develop human resources; increase economic growth; and reduce macroeconomic imbalances in the context of growth (see Tarp and Lau, 1996, Danida, 1996). By the end of the 1990s, the government had recorded a number of achievements in its reform efforts, including the development of a medium-term expenditure framework, revision of the civil service career and compensation systems, a reduction and rationalisation of direct tax rates and the introduction of a value added tax (VAT). Further, an ambitious privatisation programme had seen the sale of the bulk of the state owned enterprises, while the trade regime had been simplified, with import and export taxes reduced.

The government's medium-term objectives, as expressed in its "Letter of Intent" to the International Monetary Fund for the year 2000, are based on sustaining these achievements with the goal of poverty reduction via high and sustainable growth, reduction of regional inequalities and the consolidation of peace and national unity (see for example Republic of Mozambique, 2000a). The achievement of these objectives depends on the efficiency of the public sector. The government has thus embarked on plans to review the machinery of government with a view to raising the quality of governance, including public sector accountability. In the medium term, the government will also seek to adhere to the terms of the HIPC (Heavily indebted poor countries) completion point, which include devising specific strategies for combating poverty and in this context the preparation of a poverty reduction strategy paper (IMF and IDA, 2000).

The main purpose of this paper is to study the process of institutional reform and transformation in Mozambique during a period characterised not only by social economic crisis and civil war but also more recently by economic liberalisation and a return to peace and growth. The focus of our discussion will be on the civil service. The presentation is threefold: First, we provide an overview of the state of the Mozambican civil service and how it has changed during and through the crisis, the economic reforms launched in 1987, as well as after the return of peace. Second, we look especially at the incentive structure in the civil service and assess how the various reforms, such as privatisation, have impacted on wages and employment in the public sector as a whole. Third, we analyse how the changes in the civil service have affected the delivery of social services in general, with particular focus on health and education. Our discussion of the access to social services will also touch on the situation at the regional levels, where poor incentives and remoteness from the centre have affected the quality and quantity of the services available.

## **2 The Mozambican civil service in transition**

At independence in 1975, the Mozambican civil service had very limited capacity for implementing government directives and policies, this being especially marked at the provincial and district levels. The country's most acute shortcoming was lack of educated manpower (Nkomo, 1986). For example, owing to the very little attention paid to African education during colonial rule, only about 40 Mozambicans had acquired a

university degree at the time of independence in 1975. It is estimated that in the mid-1990s close to 67 per cent of the population was illiterate, with women comprising about 77 per cent of this.

From 1975, the government had sought to pursue economic development along the socialist principles of a planned economy that were espoused by Frelimo, the ruling party, and by neighbouring countries such as Tanzania. However, the government's support of liberalisation movements in Southern Africa led, as a counter move from the minority-led governments of the region, to the creation of Renamo, a long-lived rebel group supported in the first instance by Rhodesia, and after the latter's independence in 1980, by South Africa. The civil war came to disrupt all social and economic activities in Mozambique, especially the central and northern districts. The resources meant for the civil service were seriously circumscribed, as indeed the government's ability to deliver social services. By the early 1980s, the government had been forced to abandon its control stance and to embark on a long process of economic and political re-orientation. This would see it adopt structural adjustment policies funded by donors and the multilateral agencies and embrace a credible multiparty system of government, following the signing of a cease fire between the Frelimo led government and Renamo in 1992.

The economic and political crisis in Mozambique meant that the government was not able to formulate policies to make the civil service, both at the center and in the provinces, more efficient. In the public sector, policies were more determined by short-term fiscal concerns than by those of capacity building, the improvement of job incentives and the efficient delivery of social services.

The paucity of skilled labour in Mozambique has been compensated for somewhat by the presence of a large expatriate community, mainly financed by international aid programs. It is estimated that in 1990, as the country proceeded with its reforms, but before the end to the civil war, around 5000 expatriates were employed in Mozambique (World Bank, 1991). Thus the country has become doubly dependent: on the one hand on the financing from donors and on the other on advice given by the donor-funded expatriates. While aid coordination remains the government's responsibility, a serious lack of human resources has implied that in effect aid policy remains fragmented and subject to the whim of individual donors (Wuyts, 1995).

On the demand side, a number of factors have contributed to the rapid expansion of the market for skilled labor. The liberalization and return of peace have led to the revival of the private, as investments from abroad, notably neighboring South Africa have begun to pour in. Some foreign investment projects, such as the aluminum smelter Mozal have increased the demand for technicians and engineers, with a very positive impact on their wages. The financial sector, for long under state controls, has also seen considerable expansion. It now comprises more than 10 commercial banks as well as insurance companies.

As a result of the skilled labor shortage, the wage gap between the private and public sectors had reached absurdly large levels by the end of the 1990s. For example, drivers in the private sector or in international organization earned the equivalent of a lecturer's salary at the government owned Eduardo Mondlane University. Still, this was an improvement from the early 1990s, when pay differentials between the same categories in the private and public sectors were tenfold (World Bank, 1991). Then a janitor

employed by an international organization earned a salary that was equivalent to that of a director in the public sector. However, since in actual fact directors in government departments had a visibly higher standard of living than janitors in the private sector, the skewed incentive structure had led to moonlighting by senior civil servants, including the “privatisation” of public services, in attempts to maintain standards. The taking of bribes, absenteeism as well as outright theft of public property became the means by which public sector workers compensated themselves for the low wages.\* In the more remote provinces, whether scope for parallel activities was limited, public officials absconded from duty altogether.

Thus while public administration and the government’s own projects were seriously affected by loss of manpower to the private sector, to projects initiated by the donor community and to the many non-governmental organizations (NGOs), shortage of managerial and professional competencies in the government itself disrupted public sector activities. Economic programs have been slow in implementation, while the regulatory weaknesses of the central agencies have affected the pace at which the private sector can expand its activities.

As in other African countries that have experienced prolonged civil strife, the size of the civil service in Mozambique is not known for certain. According to the 1980 Census, employment in public administration corresponded to about 2 of the labor force that is about 110,000 workers. However, a census of civil servants conducted by the Ministry of State Administration during 1989/1990, and reconciled with the payroll census undertaken by the Ministry of Finance, estimated the number of civil servants to be 105,000, indicating a modest reduction in public employment during the decade when the country saw an escalation in civil strife (World Bank, 1991). By 2000, however, the number of civil servants had increased to 121,562 indicating a growth of about 16 per cent over the decade (see Table 2).

Table 2 indicates that while the number of civil servants was growing at about 1.6 per cent per year over the 1990s, some districts enjoyed much more rapid growth than others. The province around the capital, Maputo Provincia, as well as the capital itself saw large increases in the number of civil servants employed in their administrations. On the other hand, remoter regions saw much smaller increases in the number of civil servants, certainly, as in the case of Nampula and Zambezia, not matching their huge shares of the total population. In Cabo Delgado, the number of civil servants decreased by 24 per cent and that in Inhambane by 2.5 per cent. Since the number of civil servants proxies the level of service provision, sharp declines reflect retrenchment in service provision as well as reduction in the income effects associated to civil service employment. The remoter regions thus experienced appreciable negative impacts on local welfare.

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\* In an interview with *Courier* magazine (No. 168, March-April, 1998), a Mozambican minister referred to this as “secondary remuneration”.



Table 2

Distribution of mozambican civil servants in 2000 by province, health and education sectors (comparison to 1990 (in brackets) and shares of population)

Region	% of total population (17.2m)	Number of civil servants in 2000 (share of total in brackets)	Increase since 1990 in %	Health (%) (1990 share in brackets)	Education (%) (1990 share in brackets)
Niassa	5	7,164 (5.9)	19.0	11.6 (23.7)	51.7 (46.5)
Cabo Delgado	8.5	7,598 (6.2)	-24.0	14.5 (16.6)	50.2 (66.5)
Nampula	18.9	15,776 (13)	17.0	13.6 (20.7)	57.0 (64.0)
Zambezia	19.2	12,828 (10.5)	18.0	12.9 (23.0)	68.0 (61.0)
Tete	7.6	8,076 (6.6)	12.6	15.5 (27.8)	57.2 (49.3)
Manica	6.6	7,094 (5.8)	20.3	14.5 (24.8)	55.5 (51.0)
Sofala	8.4	10,061 (8.3)	5.7	19.0 (32.0)	39.9 (41.5)
Inhambane	7.3	7,203 (5.9)	-2.5	13.7 (25.0)	59.0 (56.6)
Gaza	7	7,853 (6.5)	13.0	12.8 (23.0)	55.0 (48.8)
Maputo Provincia	5.4	8,694 (7.2)	97.5	10.7 (22.8)	51.9 (52.4)
Maputo Cidade	5.9	13,644 (11.2)	29.5	9.8 (30.0)	51.7 (58.0)
Total	100	121,562 (100)	15.8	13.7 (24.3)	48.0 (49.0)

Source: World Bank (1991), unpublished material from Ministry of State Administration and the Ministry of Planning and Finance, and authors' estimates.

Health and education services are important for human resource development and civil service jobs tend to be concentrated there. In Table 2, the shares of civil servants in health and education in 2000 are compared to those in 1990. Figures indicate that the number of civil servants in health services decreased markedly in the 1990s, from 24 per cent of the total to only about half that in 2000. While poor data collection could account for part of the sharp disparity, the general retrenchment in health service provision during the period could explain the reduction in civil servants in the sector. As for education, the share of civil servants in the sector has remained relatively unchanged at about 50 per cent.

Since the success of the reforms being pursued in Mozambique is very dependent on the ability of the civil service to implement policies and to deliver services, it has been important to be able to determine the size of the civil service accurately. Only then can the government put in place effective incentive structures. The government first tried to account for the number of its employees by devising a structure of grades and salaries in 1990 to which to allocate them (Republic of Mozambique, 1990, 1991, 1992). On the basis of a Cabinet Decree, an improved payroll system, with a unified and decompressed salary scale covering the whole of the public sector was also devised. It defined three career-levels: technical, administrative and clerical. Related to this, criteria for the staffing needs of the various departments and institutions were also set up.

However, in spite of the above measures, a clear conceptualisation of the size and role of the civil service had not been achieved by 2000. This was largely due to the serious

constraints faced by the new system, especially the failure to introduce incentives on which the success of the new approach was premised. For examples, although a better definition of careers was meant to make the service more professional, there was an inherent partiality for formal levels of education, in a country suffering a serious shortage of educated individuals. The lags between the various career stages were also too long, while the terms of reference for the various positions were poorly defined or missing altogether. Although the new incentive structure was supposed to increase competitiveness and raise productivity in the civil service, the reverse was often the case, since high levels of salary compression left little room for income differentiation. Last, the government, while undertaking stabilisation measures, had little means of raising wages. Over time, civil service salaries lost their purchasing power, forcing civil servants to look for other means of survival outside the public sector or to engage in unlawful activities within the public sector itself.

Other attempts were made between 1997 and 1998 to ameliorate the condition of the civil servants and to raise morale in the public sector. However, in devising the new staff salary structure of 1999, there was undue concern for the situation of the senior administrators, who would now get enhanced packages and other benefits and those at the technical levels did not see much improvement in their earnings. Thus the new career and salary structure also failed to address the fundamental issues at the centre of the poor performance of the public sector. The government needed to approach the problem holistically and any piecemeal measures directed at only sections of the civil service, interchangeably those at the bottom of the scale, those with formal education or those at more senior positions, were bound to fail.

In 1990, the average level of qualification of the civil servants was quite low. Less than 20% of higher-level civil servants had a university degree, while up to 16% had no formal schooling at all. This lack of human capital was reflected throughout the various departments of the government. For example only a quarter of 247 chiefs of departments at the central level had a college degree, similarly only a sixth of 133 provincial directors had a college degree, while only 5 of 199 chiefs of provincial departments were college graduates. At the district level all the 199 district directors lacked a college degree. In the ministry of education, only 60 per cent of the over 30,000 elementary/junior high teachers had completed an elementary school education. (Data from World Bank, 1991)

In 2000, the level of qualification of Mozambican civil servants had improved but not by much. Those with a university degree corresponded to a mere 6% of the total number of civil servants, while up to 40% had attained a level of education of only between 1 to 6 years. The number of employees without formal education amounted to 18 per cent. Since records show that the average length of service for an unskilled civil servant is almost 20 years, there is serious concern that a culture of low skill and low productivity has perpetuated the civil service. This also suggests that the human resource management system within public administration has been relatively weak with few measures at upgrading skills in the civil service.

### **3 Incentive structure in the Mozambican civil service**

Privileges and incentives for workers in the civil service and the rest of the government are incorporated in the General Statute for State Functionaries (Republic of Mozambique, 1987), while additional commitments are added via special statutes for particular categories such as teachers (for example the Statute for Teachers). The General Statute establishes the occupation structure with common functions, as well of the ladder associated with promotions. It also defines the conditions for entry, the probationary period, performance and promotions, disciplinary rules, vacations and related issues, and retirement procedures. It confers equal treatment on both sexes for similar work and duties in matters of wages, training and holidays. In the case of women privileges related to childbirth are also specified.

The changes in pay regime in the public sector can be divided into distinctive periods: From 1975-1985, the government's main objective was to improve the social welfare of workers at the lowest levels. This was consistent with the ruling Frelimo's egalitarian ethos. In 1975 the ratio between the highest and lowest wages in the public sector was 7.6 (World Bank, 1991). To alleviate shortages at the technical staff level, the government increased the wages of technical staff. For the following five years, however, nominal wages remained unchanged, representing in practice a serious reduction in the purchasing power of civil servants, especially in light of the escalation of prices in the economy (Republic of Mozambique, 1980).

At the start of economic reforms in 1987, the government attempted to reverse the serious wage compression that characterized civil services wages. However, the structural and financial problems that had accumulated during 1975-1985 made drastic improvements impossible. Beginning with 1991, the government embarked on the introduction of a system of professional categories ranging, from A to Z, as well as the harmonization of employee incentives (Republic of Mozambique, 1990, 1991, 1992). In support of the new changes, a series of decrees from the Council of Ministers were used to adjust salaries annually until the system came to an end in 1998. On the whole, the reform had led to a more rapid contraction of civil service wages than was good for the maintenance of incentives and discipline. While the ratio between the lowest to the highest wages was 17 in 1991, it had already fallen to only 7.6 by 1995. Though wage compression has receded by 1998, wage fluctuations in the 1990s were marked, making the government's incentive schemes unworkable (World Bank 1991, and yearly decrees between 1992 and 1998).

In attempting to improve the incentive structure in the civil service, the government devised new guidelines in 1998 and began to apply them in 1999 (Republic of Mozambique, 1998a&b). They included measures for the revision of professional categories, wage decompression and improved recruitment practices to ensure that jobs are done by qualified individuals. To enhance the skills and competencies of those already in the system, training schemes were also devised. Last, the government undertook to decrease the number of cadres at the lower level in line with the supervisory capacity of the civil service.

To achieve these objectives, the government reclassified the 2000 occupational categories then existing into 150 general and specialised categories for the areas of diplomacy, higher education, medicine, auditing and inspection, and education. The salary scales were indexed for easy reading and revision, while the mechanisms for

promotion were now to be based on performance and other objective criteria. Further, more emphasis would be put on the management of human resources within the public sector. As an indicator of the impact of the new reforms, the ratio between the lowest and highest wages in the civil service rose to 20.

Let us now discuss the evolution of wages in Mozambique since 1975, using examples drawn from the earnings of the various professional and skill categories (see Republic of Mozambique, 1980, 1990, 1991, 1992a&b, 1998a&b, 1999).

Figure 1  
Real salaries in 1980 prices

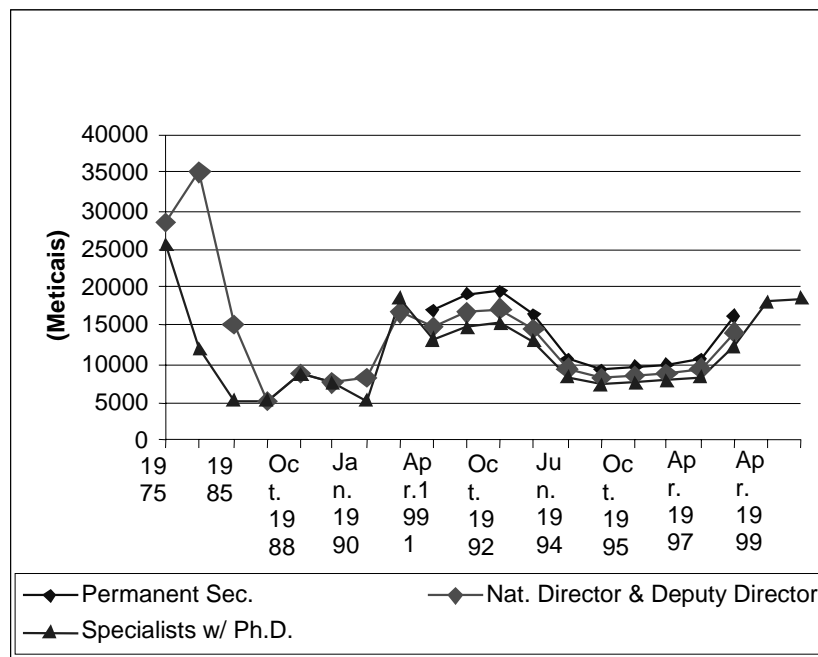


Figure 1 shows changes in real wages for the administrative and professional cadres in the Mozambican civil service, in this case permanent secretaries, directors in government departments, as well as specialists with doctorates. Evaluated in 1980s prices, these categories were reasonably well remunerated in the mid-1970s. However, the first decade of independence saw a sharp real wage decline, which was complicated further by the onset of civil war in the early 1980s. It was not until the introduction of economic reforms in 1987, that the downward slide in real wages was stopped. The rapid growth of the economy in the 1990s seems to have helped raise wages, although they remained decidedly below the levels of the mid-1970s. With respect to real wages in the second half of the 1990s, peace does not seem to have been wage enhancing for the higher echelons in the civil service. This is in spite the fact that for some groups, such as specialised medical doctors, nominal wages were topped up by up to 75 per cent of the basic salary.

For the lower cadres in the civil service, wage fluctuations were not as marked, although their wages were quite small. For example, while the base salary for high level professional staff was about US\$240 per month, and the average wage in the public sector about US\$120 per month, the lowest cadres received less than US\$50 per month.

In comparison to similar professional categories in the private sector, civil service pay was quite low. While private companies are free to set their wages, especially after the liberalization of the 1980s, salaries in the public sector are set administratively, after tripartite meetings between the private sector, the unions and the government. A comparison of salaries in the private sector with those in the civil service shows that in 1990 salaries for management level employees in the private sector were up to 5.6 times higher than in the civil service (see Table 3). Those for professional staff, including specialists such as medical doctors, were up to 3.4 times higher. However, the gaps were largest for the medium-skill categories such as clerical staff and drivers, where private sector wages are up to ten times higher.

In 2000, the gaps between private and public sector earnings had narrowed somewhat at the management levels, following a series of adjustments in government pay for top employees. Still, private sector wages were three times higher than public ones at that level. At the professional and specialised levels, the gap remained relatively unchanged. Thus in 2000, a Lecturer at the Eduardo Mondlane University earned about US\$300 a month, a sum, which included a 60% professional bonus. This was close to the salary earned by drivers in the private sector.

Thus in relative and absolute terms, the system of incentives in the Mozambican public sector was far from adequate. It would not ensure that the government retained people with the training and skill necessary to raise productivity in the public sector or to raise the efficiency with which social services are provided. As in other African countries lack of financial resources was the most immediate impediment to raising remuneration in the public sector. Ad hoc measures have been used in the past to rectify the situation. For example, to retain technical staff, the government had devised in 1989 a monthly subsidy to them in foreign currency, which was deposited on accounts controlled by the Ministry of Finance. However, such a scheme proved unworkable in a liberalising economy. The alternative of undertaking sharp retrenchment in order to ensure that the remaining officers are paid adequately is still a difficult choice to make, however.

In the health sector regional pay incentives have been created. For example, medical doctors working in the remoter parts of Niassa or Tete Provinces could command a 120 per cent increase in their base salaries (Republic of Mozambique, 1999). However, this would still be inadequate if not combined with some other income-generating activity for the professional or his/her family. The remote regions of the country do not have these possibilities for extra income generation and thus the government's salary differentiation scheme is unable to attract doctors to these regions in sufficient numbers.

Table 3

Ratios of private/public sector wages by category 1990, 2000

	1990	2000
Senior Administrator	5.6	3.0
Professional Staff	3.4	3.8
Clerical Staff	10.5	-
Drivers	10.6	-
Unskilled workers	9.5	6.8

Source: World Bank (1991), and unpublished official data

The inability of the government to retain qualified staff has also affected the implementation of donor projects and programmes. In individual departments, therefore, there has been a tendency to resolve staffing problems by creating special arrangements based on a variety of allowances, creating possibilities for “consultancies” within projects and thus command better pay or the payment of fees or allowances to employees attending seminars or important meetings. In other instances, such as in the line ministries of Health and Agriculture, specialists and managers have simply been paid directly by donors.

More recently, senior managers in government have been given seats on the boards of the partly privatised companies, which has improved their earnings but also demands a considerable amount of their time. Moreover, there is also the risk that now that they are partly representing the interests of the private sector their allegiance to government policies might be distorted. Serious principal-agent problems are bound to arise.

Thus although the various interventions to improve incentives have helped to raise morale among segments of the civil service, the proliferation of wage enhancement schemes has had a number of negative effects. First, it has encouraged a “seminar culture”, with meetings taking a considerable portion of the time that civil servants would have spent on policy implementation. Since senior managers also attend a considerable number of meetings, decision making tends to be paralysed. This problem can be especially cumbersome for policymakers in the remoter regions who are summoned to the capital for meetings. Second, these wage enhancement schemes have led to the lack of wage harmony in the public sector. Relatively junior officers attached to donor financed projects could earn many times more than their departmental superiors. This causes dissatisfaction and even insubordination. Of concern is the government’s very limited capacity to sanction poor performance or to reward success as it has little influence on the incentive structure.

#### **4 Institutional reforms and governance issues**

To move ahead in its political and economic reforms, Mozambique has had to evolve new institutions for governance, both at the national and lower levels. This is in broad terms evidenced by the adoption of multiparty democracy and the introduction of “local governments” (*autarquias*). The areas so designated have been allowed a measure of self-governance. A major goal behind these changes has been to improve the level of participation of the population in the decisions that affect their lives.

To its credit, the government has recognised that reform of the public sector would be a long-term process. At the end of the 1990s, it put together a programme, to be implemented over a period of 10 years, that would address many of the institutional problems outlined above. The central objectives of the programme include the modernisation of the public sector; improvement of its ability to formulate and implement policies, including the efficient use of public resources; decentralisation, including planning for and deployment of resources; improving systems for human resource management, including wage structures; improvement of governance, that is institutional development at both the central and regional levels.

The program will be divided into phases. The first phase will start in August of 2001 and run up to mid-2004. During this phase, the government hopes to establish the financial management systems as well as the remuneration and incentive schemes for the public sector that will be more robust than those attempted in the past. With these in place, the government will then be in a position to improve the implementation of its policies, with the help of a better-motivated civil service.

As a first step in implementation, an Inter-ministerial Commission for Reforms in the Public Sector was created by presidential decree in March 2000 to establish mechanisms to manage the process. The Commission incorporates line ministries, among others the ministries of Planning and Finance, Education, Labour, Health and Justice and Agriculture and Rural Development. A unit to deal with the technical aspects of reform was also created to assist the Commission in planning, co-ordinating, and monitoring programs and projects within the reform process. As an indication of the priority given public sector reform, the Commission is chaired by the Prime Minister and reports to the Council of Ministers (Republic of Mozambique, 2000c&d).

The government has also sought consultation with the people at various levels. This could be, for example, via the implementation of sector-wide projects, such as those in agriculture, health and education, supported by donors, with consultations between NGOs, the private sector and the beneficiaries thought to be key to project effectiveness. At the district or regional level, new forms of public management revolving around the new entities, *autarquias*, have been established. The goal is to increase local participation while also bringing services closer to the where they are needed. However, while this is a promising departure from the relative aloofness of the past, it is not quite clear how these new entities will raise revenue, nor what specific activities, as opposed to those of central government, they should focus on. Part of this confusion of roles is because the legislation setting these new entities is not quite complete. They still rely almost exclusively on transfers from the state budget, and their operational independence is thus substantially limited. Weak auditing systems also imply that the keeping of accounts is irregular. Still, the new administrative forms could well form the basis for the devolution of power to the lower levels, and evolve horizontal, as opposed, to vertical planning modes to support the decentralisation process.

In Nampula, a pilot decentralisation project, which includes almost all the districts within the province, has been undertaken with good results. Based on this experience and a previous Rural Development project with the World Bank, and also taking into account that there is some competition among donors to replicate the Nampula experience to other provinces of Mozambique, a larger project is now being designed within the Ministry of Planning and Finance. These types of actions and experiments are seen as necessary for providing a basis on which solutions to some of the countries critical problems can be based.

However, as already noted, serious human capacity problems remain, making many of the reforms difficult to implement. For example, while financial accountability, budgeting and monitoring are important for the success of the new structures, and to eradicate corruption, in reality there is very little bookkeeping at the local level, although current stipulations are that books should be audited twice per year. With a view to strengthening accountability, the government has embarked on the process of

drafting a law to govern the use of public finances. However, if the government fails to undertake these duties, these efforts might fail to improve accountability.

The government has also had to consult broadly with respect to broader national policies, including macroeconomic policy, judicial reforms, and privatisation. In a society that has suffered various forms of cleavage in the past, ranging from external aggression to civil war, this has not been an easy task, however. Parliamentary democracy is a very recent phenomenon, while political opposition is still viewed with suspicion in government circles. In the wake of the peace process many new social and political groupings have emerged, collectively referred to as civil society, expanding their influence and demands on the government. Domestic and foreign NGOs, and by extension, the donor community have also had to be incorporated in various ways into the reform process. In this regard, the biggest challenge has been to establish credible and democratic institutions that would bridge the sharp social dichotomies, repair the collapsed economy and stem rising poverty, especially in the remoter regions of the country.

With regard to interaction with donors, aid management has caused much concern. This is because of two interrelated reasons. First is the proliferation of aid operations in the country. Owing to the immense needs of the country, but also its strategic importance in Southern Africa, Mozambique has attracted a large donor community, and multifaceted aid programmes. On the host side, up to seven agencies at the national level are involved in the administration of aid. While the Planning and Budget Directorate of the Ministry of Planning and Finance is the lead agency in this respect, a number of other instances are also involved: the Treasury, the Directorate for International Co-operation, Customs, the Central Bank, the Ministry of Industry and Trade, and the National Institute of Disasters and Natural Calamities (which registers aid in kind). The donor agencies, notably the IMF and the World Bank, also register and monitor the volume of aid inflows. The proliferation of contracts, administrative cultures and interventions implied by the “aid problem” has detracted the government from implementing its programmes and delayed the time when the government can claim to be the main force behind domestic policies (Plank, 1993).

Second, as already noted above, capacity for aid implementation remains weak, with donors using expatriates to manage their projects, and thus putting the latter’s sustainability into question (Harrison, 1998). Of most concern is the fact that only a portion of the aid inflows is registered as budgetary resources. The persistence of “off budget” resources is partly a result of the unwillingness of donors to lose control over their “pet” projects, with which they have sometimes been associated for decades and partly the genuine fear that given management capacity constraints the projects will fail. However, donors have recently shown a willingness to abandon project aid and instead provide general budget support. To achieve the effectiveness they desire, donors are now focusing on how to help the government improve its human resources and technical competence in budgetary matters in order to ensure a higher degree of accountability in the use of resources. This would for example reduce corruption in the civil service, which is acknowledged to be a serious impediment to policy implementation.



With regard to the reform of the judiciary, it is clear that after thirteen years of economic reforms, many aspects of the legal system, including the judiciary and the courts, are no longer appropriate and must be abandoned. The expansion of the private sector, especially since the government embarked on privatisation in the early 1990s, has necessitated improvements in property rights, the creation of mechanisms for settling business disputes and the formulation of a law of bankruptcy (see Brück, FitzGerald and Grigsby, 2000). Overall, business disputes need to reach expeditious foreclosure in order to lower costs and to speed up investment. Moreover, a commercial code was needed to enable the development of a conducive business environment. Donors have also insisted that the government should make important improvements in its judiciary and other legal institutions. As a result, the restructuring of the legal sector has become an important aspect of the overall economic and political reforms in Mozambique.

## **5 Reforms, social sectors and poverty reduction**

An overriding goal of the reform process in Mozambique, as indeed in other African countries, has been poverty eradication. Measurements based on the 1996/1997 Household Survey showed that close to 70 per cent of the population is considered poor. Moreover, there are some serious regional disparities, with the remoter areas having a higher poverty incidence than areas closer to the capital (see for example, De Sousa, Sulemane and Matusse, 1999). Thus in the government's programme for the period 2000-2004, poverty reduction has become the core goal of economic policy. Based on the survey named earlier, the first poverty assessment was done in 1998, enabling the government to embark on strategies for the reduction of absolute poverty, with an Action Plan for the Reduction of Absolute Poverty (PARPA) finalised in December 1999. This document was the basis for the Interim-Poverty Reduction Strategy Paper, which, after endorsement from the IMF and World Bank, made it possible for the country to accede to the Enhanced HIPC in 2000.

To encourage reform ownership and ensure sustainability, the approach used in the production of the PARPA has been geared towards capacity building, favouring local intellectual input and done almost entirely by the staff of the Ministry of Planning and Finance. The remaining challenges include how to devise consultation that must go in hand with poverty reduction programmes. Until very recently, the government was poor at discussing policy issues with the major stakeholders. Thus consultation, given the requirement that it should relate directly to overall planning and budgeting, will also become a learning process for the civil service and the government as a whole. Consultation also helps to keep stakeholder demands and expectations within realisable limits.

A key element in poverty reduction is the adequate supply of social services, notably education and healthcare. In November 1977, following independence in 1975, the Frelimo government had introduced a Health Bill, which had effectively socialised medical care. However, the civil war had a negative impact on the economy, and there were few resources to cater for the health and education needs of the population. But even after a number of years of relative peace, the quality of health service delivery in public institutions remains questionable, with donor support still important in ensuring the supply of a modicum of services, especially in the rural areas.

Table 4 shows that on the whole the health infrastructure in Mozambique remains rudimentary, with, for example, a total of only 14,000 beds for a population of over 17 million. However, although the earlier socialist experiment had helped spread health units throughout the country, today many of them lack adequate supplies of medicine and materials. Many hospitals are in a poor physical state. The supply of doctors and specialists is much better in Maputo and surrounding regions than in the remoter areas to the north. Although newly graduated doctors have to spend a period of internship upcountry, they soon return to the urban areas where the possibilities for augmenting incomes are much better. In a bid to improve the supply of medical services, the government introduced special clinics, where patients would be treated at a fee. Fully private-run clinics were soon introduced as well. While improving services for the more affluent groups, the new approach has split the loyalties of the medical workers since they can now earn many times their official wages by working a few days in the private sector. They do not wish to abandon the public sector all together since they still enjoy the non-salary benefits attached to public employment. The richer groups have, in increasing numbers, sought treatment in neighbouring South Africa.

Table 4

Mozambican national health infrastructure by province, 1997 (numbers and %)

Region	% of total population (17.2m)	Health Units (% of total in brackets)	Total Beds (% of total in brackets)	Personnel (% doctors in brackets)	Number of Vehicles
Niassa	5	107 (10)	696 (4.9)	368 (3)	26
Cabo Delgado	8.5	84 (8)	857 (6)	535 (5.2)	32
Nampula	18.9	157 (14.9)	2124 (14.8)	1050 (4.3)	38
Zambezia	19.2	166 (15.7)	1340 (9.4)	802 (3)	38
Tete	7.6	84 (8)	1041 (7.3)	515 (5.2)	31
Manica	6.6	75 (7)	728 (5.1)	453 (5.3)	29
Sofala	8.4	121 (11.5)	1641 (11.5)	847 (5.8)	68
Inhambane	7.3	76 (7.2)	1220 (8.5)	634 (2)	32
Gaza	7	85 (8)	1312 (9.2)	581(4)	23
Maputo Provincia	5.4	61 (5.8)	921 (6.4)	362 (5.5)	25
Maputo Cidade	5.9	38 (3.6)	2362 (16.5)	1553 (13.7)	49
Total	100	1054 (100)	14305 (100)	7700 (6.2)	391

Source: Min. da Saúde, Informação Estatística Sumarária, Janeiro-Setembro de 1996.

To address the shortage of human capital, the government embarked on a strategic plan for the education sector to cover the period 1999-2003. Its goals include universal access to primary education, improvement of quality of education, and ensuring that the system is flexible, decentralised and sustainable. However, like many other reforming countries in Africa, Mozambique has been confronted by the dilemma of attempting to improve the quality of social services, especially in education, with little means of defraying the costs of expanded provision. With the majority of the population characterised as poor, cost-sharing measures have achieved very little in improving services. Thus, any expansion in the numbers accessing school without offsetting increases in expenditure on education has meant declining quality of services. Dropout rates have also been substantial.

Over the period 1980-86, before the civil war had ruined the economy, the education budget had comprised 17-19 per cent of the general state budget (OE). In 1987, with the civil war reaching a higher intensity, the budget fell to below 10 per cent of the state budget, as service expenditure competed with that of the military. In adjusting to this shock, wages in the education sector fell in real terms by about 50 per cent, while the supply of materials was also seriously curtailed. The sector was saved from collapse by foreign aid, which in total exceeded what the government was spending on education.

Since embarking on the liberalisation of the economy in the late 1980s, Mozambique's modern sector has experienced a sharp increase in the overall competition for skilled manpower. The backlog in training that was caused by the civil war and economic crisis led to severe skill scarcities across the board. In 1990, for example, the number of Mozambicans with a university degree was estimated at only 3000, in a total labour force of almost 6 million. The 1997 Census estimated that this number had increased to about 8000 people, that is still only about 0.1% of the adult population. The distribution of those with degrees by residence and occupational category indicates serious regional disparities, with invariably all degree holders resident in urban areas, which account for only 30 per cent of the total population.

Three institutions provide higher education in Mozambique and, apart from some training abroad, are thus the main source of professional and managerial cadres in the civil service: Eduardo Mondlane University (UEM), Higher Institute of International Relations and the Pedagogical University, all three offer diplomas, bachelor's degree as well as licenciatura. Only the Pedagogical University has educational activities based outside the capital, Maputo, with branches in Beira and Nampula. In 1994, the three institutions admitted a total of about 1,200 students, with women accounting for about 26 per cent. Since the mid-1990s, and as a general reflection of the liberalisation trend in Mozambique, three private colleges have been established: the Catholic University, with campuses in Beira, Nampula and Cuamba in Niassa Province, a Polytechnic, ISPU, with campuses in Maputo and Quelimane, and an Institute for Science and Technology, ISCTEM, in Maputo.

Table 5

School attendance by province and level, 1997 (student/teacher ratio, %, in brackets).

Region	% of total population (17.2m)	Grades 1-5	Grades 6-7	Grades 8-10	Grades 11-12
Niassa	5	79,818 (46)	5,735 (27)	1,694 (19)	334 (21)
Cabo Delgado	8.5	121,972 (55)	6,657 (32.5)	2,522 (28)	309 (13)
Nampula	18.9	269,747 (53)	15,143 (33)	4,159 (29.3)	583 (17)
Zambezia	19.2	330,253 (65)	15,628 (40)	3,748 (49)	382 (25.5)
Tete	7.6	124,304 (49)	9,748 (27)	3,124 (36)	341 (19)
Manica	6.6	101,004 (59)	11,136 (47.6)	2,392 (30)	201 (13)
Sofala	8.4	111,179 (56)	12,127 (38)	3,814 (27)	574 (30)
Inhambane	7.3	159,838 (68)	16,567 (47)	3,262 (27)	220 (12)
Gaza	7	173,737 (79)	14,995 (50)	3,940 (42.8)	284 (18)
Maputo Provincia	5.4	130,344 (83)	14,786 (41)	4,328 (28)	426 (25)
Maputo Cidade	5.9	142,853 (63)	31,960 (41)	12,228 (55)	2,689 (38)
Total	100	1,745,049 (61)	154,482 (39)	45,211 (35)	6,343 (24)

Source: Ministério da Educação (1997).

Table 5 depicts aspects of the Mozambican dilemma in education. While school attendance at the lower levels seems to be evenly spread among the provinces, and with the student /teacher ratios not seriously divergent, attendance rates for the country as a whole and for the rural provinces in particular fall rapidly after the 5th grade. In 1997, the country had only about 6000 students in the 11-12th grades, attendance rates that were much lower than for neighbouring countries. It is obvious that the numbers currently filtering through the school system are simply too low to provide the level of human capital that is consistent with sustainable development and poverty reduction. There is thus a strong case for giving priority to the education sector in subsequent reforms (Shoeman, 1999).

## 6 Conclusions

Owing to its history of conflict-ridden colonial rule and post-independence civil war, it might be tempting to consider Mozambique and the evolution of its state structures as a special case. However, the challenges related to the reform of its civil service in the 1990s are similar to those in the rest of Sub-Saharan Africa. First, that it is important for the government to establish credibility not only with the general population but even more crucially with employees in the public sector. Civil servants have in the past been

expected to behave differently from the rest of the population and to continue to provide services to the population under inadequate conditions of service. Credibility will, however, not be achieved by the adoption of discretionary measures directed at strategic elements of government. Higher wages and terms of service for chosen individuals and groups such as doctors and university teachers can only go so far in enhancing public sector productivity. Sustainable improvements demand that the government undertake comprehensive measures that encapsulate the whole of the public sector.

Second, improving incentives in the public sector should not be conceived of as an isolated exercise, since it is part and parcel of overall economic reform. Very little improvement in employment conditions in the public service and in the delivery of social services can be achieved when the rest of the economy remains in disarray. This is especially true in light of the current efforts at decentralising government functions in Mozambique, and elsewhere in Sub-Saharan Africa. Access to social services not only demands an adequate level of infrastructure, at its most basic, roads, but also stable macroeconomic conditions.

Third, much of the progress made in public sector reform in Mozambique has been largely thanks to the goodwill of the donor community and the multilateral institutions. However, this has also meant that donors have tended to influence the agenda at the expense of domestic initiative. In the medium to long-term, however, the question of the ownership of the development agenda will have to be addressed. It is only when policies are internalised, and the reform thrust is from within, that improvement in the public sector become sustainable.

Last, engaging in far reaching reforms without sufficient own resources, risks subordinating the government's political agenda to that of the donor community. This is the dilemma facing most African governments. However, given Mozambique's recent history of civil war and weather shocks, financial independence will not be achieved in the near future. Still, efforts at improving capacities in the public sector in general and civil service in particular could ensure that future reforms will be driven from within.

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