

June 1998

IMF Staff Country Report No. 98/59

## **Republic of Mozambique: Selected Issues**

This Selected Issues report on the Republic of Mozambique was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with this member country. As such, the views expressed in this document are those of the staff team and do not necessarily reflect the views of the Government of the Republic of Mozambique or the Executive Board of the IMF.

Copies of this report are available to the public from

International Monetary Fund • Publication Services  
700 19th Street, N.W. • Washington, D.C. 20431

Telephone: (202) 623-7430 • Telefax: (202) 623-7201

Telex (RCA): 248331 IMF UR

Internet: [publications@imf.org](mailto:publications@imf.org)

Price: \$15.00 a copy



INTERNATIONAL MONETARY FUND

REPUBLIC OF MOZAMBIQUE

**Selected Issues**

Prepared by a staff team comprising Sérgio Pereira Leite (head),  
Stefania Fabrizio, Parmeshwar Ramlogan, Kori Udovički (all AFR),  
and Angel Ubide-Querol (MAE)

Approved by the African Department

March 26, 1998

<b>Contents</b>	<b>Page</b>
Basic Data .....	5
I. Introduction .....	8
A. Background .....	8
B. Economic Developments in 1997 .....	8
C. Organization of the Report .....	10
II. The Determinants of Inflation .....	12
A. Introduction .....	12
B. Composition and Structure of the CPI .....	12
C. The Evolution of Inflation During 1990-96 .....	13
D. An Unobserved-Components Interpretation: Trend, Seasonal, and Irregular ..	14
E. Estimation of the Inflation Equation .....	16
F. A Causality Analysis .....	20
G. Conclusions .....	22
III. Growth and Investment .....	24
IV. Labor Market .....	27
A. Labor Force and Unemployment .....	27
B. Minimum Wages .....	29
C. Real Wages .....	29
V. Exchange Rates and External Competitiveness in Mozambique .....	33
A. Introduction .....	33

B. Exchange Rates .....	34
C. Traditional Competitiveness Indicators .....	34
D. Competitiveness Indicators for Mozambique .....	36
Price-based competitiveness .....	37
Cost-based competitiveness .....	43
Profitability-based competitiveness in manufacturing .....	43
E. Conclusions .....	45
VI. Poverty and Social Expenditures in Mozambique .....	46
A. Introduction .....	46
B. Poverty and Social Indicators .....	46
C. Social Expenditures .....	53
D. Social Safety Nets .....	60
The Cash Transfer Program .....	61
Caixa Escolar .....	64
School Lunch Program .....	65
Nutritional Rehabilitation Program .....	66
Social Fund for Medicines (FSM) .....	66
Emergency relief .....	66

## Tables

1. DNP Consumer Price Index Basket .....	13
2. Factors Influencing Inflation .....	14
3. Estimation Results .....	19
4. Granger Causality Test .....	22
5. Summary Employment Information, 1996 .....	28
6. Real Minimum Wages, 1987-97 .....	30
7. Real Wages, 1987-96 .....	32
8. Mozambique and South Africa: Unit Labor Cost Index, 1987-96 .....	44
9. Profitability Relative to South Africa, 1987-96 .....	44
10. Mozambique and South Africa: Profitability in the South African Market, 1987-96 .....	44
11. Households by Expenditure per Capita Interval .....	48
12. Households by Monthly Income Interval .....	48
13. Sub-Saharan Africa: Gini Coefficients .....	51
14. Social Indicators for Mozambique and Sub-Saharan Africa .....	53
15. Expenditure on the Social Sectors, 1987-97 .....	54
16. Gross Domestic Product, 1993-97 .....	68
17. Savings and Investment, 1993-97 .....	69
18. Availability and Uses of Resources, 1993-97 .....	70
19. Gross Output, 1993-97 .....	71
20. Production of Major Marketed Crops, 1992/93-1996/97 .....	72
21. Commercialized Crop Production by the Family Sector, 1992/93-1996/97 .....	73

22. Prices of Major Marketed Crops, 1992/93-1996/97 .....	74
23. Marketed Livestock, 1993-97 .....	75
24. Industrial Production by Branch, 1993-96 .....	76
25. Transport and Communications Activity, 1993-97 .....	78
26. City of Maputo Monthly Consumer Price Index, December 1989-December 1997 ..	79
27. Major Consumer Price Index (CPI) Categories, December 1995-December 1997 ...	80
28. Minimum Agricultural Producer Prices, 1992/93-1996/97 .....	81
29. Administered Prices of Petroleum Products, 1993-97 .....	82
30. Import Prices of Oil Products, 1993-97 .....	83
31. Price Structure of Petroleum Products, Fourth Quarter 1997 .....	84
32. Increases in Minimum Monthly Wage Scale, 1993-97 .....	85
33. Evolution of Public Enterprise Reform Program, 1989-97 .....	86
34. Status of Public Enterprise Reform Program .....	87
35. Expenditure on the Social Sectors, 1987-97 .....	88
36. Number of Households Receiving Food Subsidy Assistance, December 1993-September 1997 .....	89
37. Budget Subsidies to Loss-Making Enterprises, 1993-97 .....	90
38. Government Finances, in Billions of Meticais, 1993-97 .....	91
39. Government Finances, in Percent of GDP, 1993-97 .....	94
40. Government Revenue, 1993-97 .....	95
41. Locally-Financed Public Investment by Sector, 1993-97 .....	96
42. Monetary Survey, 1993-97 .....	97
43. Summary Accounts of the Bank of Mozambique, 1993-97 .....	98
44. Balance of Payments, 1993-97 .....	99
45. Foreign Trade Indicators, 1993-97 .....	100
46. Commodity Composition of Exports, 1993-97 .....	101
47. Exports by Country of Destination, 1993-97 .....	102
48. Imports by Country of Origin, 1993-97 .....	103
49. External Debt by Lender, End-1997 .....	104
50. Exchange Rates, 1980-97 .....	105

## Figures

1. Monthly Growth Rates, 1991-96 .....	15
2. Decomposition of Monthly Changes, February 1990-December 1996 .....	17
3. Actual, Fitted, and Forecast Changes in the CPI, 1991-96 .....	21
4. Selected African Countries: Growth and Investment, 1987-95 .....	25
5. Real Wages 1987-97 .....	31
6. Exchange Rate Developments, 1989-97 .....	35
7. Real Effective Exchange Rates, 1980-96 .....	38
8. Real Import Growth of Mozambique's Trading Partners vis-à-vis Real Export Growth of Mozambique, 1981-96 .....	39

9. Normalized Real Effective Exchange Rates Using Hodrick-Prescott Filter, 1980-96 .....	39
10. Prices of Nontradable Goods Relative to Tradable Goods, December 1993-December 1997 .....	39
11a. Price-Based Competitiveness, 1980:Q1-1997:Q2 .....	41
11b. Price-Based Competitiveness, 1987:Q2-1997:Q2 .....	42
12. Sub-Saharan Africa, Gini Coefficients, Frequency .....	52
13. Social Expenditures, 1987-97 .....	55
14. Real Current Social Expenditures per Capita, 1987-97 .....	58

**Text Boxes**

Box 1. Mozambique: Rural Poverty Profile—Main findings .....	56
Box 2. Provision of Social Services in Mozambique: Caveats .....	60

**Appendix**

I. Summary of Major Taxes as of January 31, 1998 .....	106
--	-----

Mozambique: Basic Data

	1993	1994	1995	1996	1997
	(In billions of meticaís)				
GDP at current market prices	5,463	8,652	13,195	19,363	22,446
Total consumption	4,894	8,160	10,819	15,331	17,377
Gross investment	2,973	4,412	6,753	9,326	10,141
Resource gap (net imports) 1/	2,404	3,920	4,377	5,295	5,072
Real growth rates	(Annual percentage changes)				
Gross domestic product	18.8	4.5	1.4	6.2	7.9
Private consumption	12.8	5.9	-5.2	0.7	1.9
Public consumption	5.8	28.3	-37.7	0.7	23.4
Gross investment	26.8	-7.3	1.2	4.6	2.3
Exports 1/	3.3	11.8	11.0	17.3	7.4
Imports 1/	8.2	3.7	-13.8	3.5	0.4
Gross output	14.3	6.6	2.1	8.7	8.0
Changes in prices					
GDP deflator	47.1	51.6	50.4	38.1	7.4
Consumer prices (average) 2/	42.3	63.1	54.4	44.6	6.4
Consumer prices (end of period) 2/	43.6	70.2	54.1	16.6	5.8
Government finances	(In billions of meticaís)				
Total revenue	1,093	1,526	2,413	3,479	4,584
Total expenditure and net lending	2,305	4,097	5,157	6,773	9,098
<i>Of which:</i>					
current expenditure	1,167	1,978	2,188	3,077	4,244
capital expenditure	1,097	2,119	2,863	3,669	4,817
Current deficit (surplus +)	-74	-452	225	402	340
Overall deficit before grants	-1,212	-2,571	-2,744	-3,294	-4,514
Financing					
External grants	932	1,857	2,090	2,291	3,226
Net external borrowing	204	788	816	1,377	1,869
Domestic financing	76	-74	-162	-374	-581
Money and credit (flows during year) 3/					
Net foreign assets	-75	289	485	2,102	1,701
Net domestic assets	786	728	731	-1,105	-187
Credit to the government (net)	79	-74	-137	-433	-605
Credit to the economy	197	616	825	1,103	1,697
Government-earmarked funds	-33	133	-294	-1,059	-746
Medium- and long-term foreign liabilities	84	45	247	235	-203
Other items (net)	458	8	90	-885	-330
Money and quasi money	711	1,017	1,217	997	1,515

Mozambique: Basic Data (continued)

	1993	1994	1995	1996	1997
<b>Money and credit (growth rates) 3/</b>	(Annual percentage changes)				
Net domestic assets	116.2	55.6	36.0	-45.4	29.4
Credit to the economy	21.9	56.2	48.2	43.5	47.6
Money and quasi money	63.0	50.4	38.2	20.3	25.4
<b>Balance of payments</b>	(In millions of U.S. dollars)				
Trade balance	-698	-717	-553	-556	-541
Exports, f.o.b.	132	164	174	226	234
Imports, c.i.f.	-830	-881	-727	-783	-775
Services (net)	-127	-147	-124	-85	-74
Receipts	240	246	292	314	342
Interest due	-170	-152	-144	-143	-142
Other payments	-196	-241	-272	-257	-275
Unrequited official transfers	503	565	339	283	355
Current account, including grants	-321	-300	-338	-359	-260
Capital account	-107	-10	64	239	163
Foreign borrowing	185	260	282	347	294
Amortization	-325	-305	-264	-181	-195
Direct investment (net)	32	35	45	73	64
Short-term capital and errors and omissions (net)	-8	11	23	58	19
Overall balance	-436	-298	-251	-63	-78
Financing	436	298	251	63	78
Foreign assets (increase -) 4/	13	-58	-69	-134	-163
Use of IMF credit (net)	15	11	-14	-14	20
Other liabilities	18	-5	24	-11	6
Net change in arrears (increase +)	178	147	189	-65	-3,933
Debt relief	212	203	121	286	4,147
<b>Gross international reserves</b>					
Total, end of year	224	209	225	383	560
In months of imports of goods and nonfactor services	2.3	2.2	2.7	4.4	6.4
<b>External public debt</b>					
Outstanding	6,749	6,950	7,142	7,561	5,519
Debt-service ratio (in percent of exports)					
Before debt relief	160.4	131.7	103.7	74.4	68.6
After debt relief 5/	35.5	33.0	27.5	28.1	23.2
Exchange rate (average, Mt/US\$) 6/	3,723	5,918	8,890	11,140	11,546



Mozambique: Basic Data (concluded)

IMF data (as of February 28, 1998)

Date of membership	September 24, 1984
Quota	SDR 84.0 million
Intervention currency	U.S. dollar
Market exchange rate 7/	Mt 11,641 = US\$ 1
SDR equivalent 7/	Mt 15,661 = SDR 1
Total Fund holdings of meticalis	SDR 84.00 million
Fund credit	SDR 140.11 million
Structural Adjustment Facility	SDR 2.21 million
Enhanced Structural Adjustment Facility	SDR 137.90 million
Holdings of SDRs	SDR 0.04 million

Social and demographic indicators	1973	1989	Most Recent Estimate 1990-96	Reference Low-Income Group 1990-96
GNP per capita (U.S. dollars)	200	86	90	430
Area (thousand sq. km.)	802	802	802	...
Percentage agricultural 8/	59	59	60	52
Population				
Total population (millions) 9/	10.1	14.0	18.0	...
Rate of growth (percent)	2.3	1.0	2.7	1.6
Urban (percent of total)	7.0	25.6	34.0	23.5
Population density (per sq. km.)	12.6	17.5	22.4	77.4
Vital statistics				
Life expectancy at birth (years)	41	49	47	63
Infant mortality (per thousand live births)	167	138	134	69
Health and nutrition				
Population per physician (thousands)	62	38	...	...
Daily calorie supply per capita	1,981	1,632	...	...
Daily protein supply (grams) per capita	37	28	...	...
Access to safe water (percent of population)	10	14	28	53
Education				
Illiteracy rate (percent age 15+)	93	62	60	35
Net primary school enrollment rate (percent of respective age group)	...	42	41	...

Sources: Mozambican authorities; and IMF staff estimates.

1/ Goods and nonfactor services.

2/ Based on the old consumer price index up to 1996 (see footnote 1 of Table 26).

3/ Adjusted to exclude valuation changes.

4/ Gross foreign assets of the banking system.

5/ Actual payments.

6/ Official rate until 1996; market rate thereafter.

7/ As at end-January 1998.

8/ Most recent estimate is for 1994

9/ The estimated population residing in the country reflects estimated refugee settlements.

## **I. INTRODUCTION**

### **A. Background**

1. In the mid-1980s, Mozambique's economy was in collapse as a result of civil war, weak economic policies, and excessive government intervention in the economy. In 1986, Mozambique's macroeconomic imbalances were severe: the inflation rate was 41 percent; real GDP growth was -2.3 percent; the fiscal deficit before grants was 24 percent of GDP; the external current account before grants was more than three times the exports of goods and nonfactor services; and the exchange rate in the parallel market exceeded the official exchange rate by about 25-40 times.

2. In 1987, the government launched an Economic Rehabilitation Program (ERP), supported by the Fund, the World Bank, and the donor community. The program involved a fundamental shift to market-based economic policies and structural reforms. Major economic reforms undertaken to date include the unification of the exchange rate; the liberalization of trade; the reform of the import tariff structure and of the regime of exemptions; the elimination of most price controls; the privatization, liquidation, or leasing to the private sector of over 900 public enterprises; and reforms in the financial sector, including the liberalization of interest rates.

3. In the period 1987-97, the economy has made impressive gains: real GDP and exports grew on average by 6.8 percent and 15.6 percent, respectively, and the ratio of investment to GDP rose from 36.1 percent in 1987 to 45.2 percent in 1997. Inflation sharply increased in 1987 as a result of the devaluation of the metical and price decontrols; it remained high in the following years, driven mainly by monetary expansion. However, in the two years ended December 1996, the 12-month inflation rate fell dramatically from 70.1 percent to 16.6 percent, primarily because of a tightening of monetary policy made possible by the privatization of the BCM, a large state-owned bank.

### **B. Economic Developments in 1997**

4. Real GDP growth in 1997 was estimated at 7.9 percent. Growth was vigorous in all the major sectors. Transportation, industry, and services showed particularly encouraging increases of 11.3 percent, 9.1 percent, and 8.4 percent, respectively. Agriculture, one of the pillars of the economy, grew by 5.9 percent as a decline in cashew production was offset by strong increases in cotton (43 percent) and foodstuffs (22 percent) production. The pickup in activity was accounted for by good weather, high levels of foreign assistance, privatization, and low inflation.

5. Inflation continued its steady decline in 1997, reaching 5.8 percent by year's end. This outcome reflected greater monetary control, exchange rate stability, and a strong supply response in the economy.

6. Broad money increased by 25.4 percent in 1997, even though the Bank of Mozambique took measures to curtail the growth of reserve money to 16.3 percent. Two factors explain the increase in broad money: the growth in money demand, spurred by a more dynamic economy, greater confidence, and high real deposit rates; and an increase in the money multiplier resulting from a decline in the currency-to-deposits ratio and a shift toward time deposits.<sup>1</sup> The Bank of Mozambique accommodated the higher money demand by allowing credit to the economy to increase by 47.6 percent and accumulating net foreign assets in excess of its December targets. These actions had no discernible impact on prices and helped sustain real growth.

7. The nominal exchange rate was stable in 1997. The metical depreciated by less than 2 percent in 1997, following a 5 percent depreciation in 1996. This outcome reflected price stability, capital inflows (direct investment and foreign aid), and growing confidence. In real effective terms, the metical has depreciated by 32 percent since 1995, mostly from late 1995 to early 1996 when prices rose sharply because of floods. The spread between the market and the parallel exchange rates narrowed to less than 2 percent in 1997 from 5 percent in 1996. The interbank foreign exchange market is now cleared twice daily, instead of weekly.

8. The overall deficit before grants increased from 17.0 percent of GDP in 1996 to 20.1 percent in 1997, as foreign aid (grants and concessional loans) expanded. Total revenue increased from 18.0 percent in 1996 to 20.4 percent in 1997, owing mainly to a rise in tax revenue from 16.5 percent of GDP in 1996 to 18.9 percent in 1997. The increase in tax revenue stemmed from a strengthening of tax and customs administration, as well as from the quarterly adjustment of the petroleum tax rates. Total expenditure and net lending grew by 5.5 percentage points of GDP from 1996 to 1997, with current expenditure increasing from 15.9 percent of GDP to 18.9 percent, and capital expenditure rising from 18.9 percent of GDP to 21.5 percent. Current expenditure in health, and education increased in real terms, while the growth in capital expenditure reflected primarily higher spending in the transportation and water sectors.

9. The external current account deficit (before grants) declined from US\$642 million in 1996 to US\$615 million in 1997. The trade deficit decreased from US\$557 million in 1996 to US\$541 million in 1997, as merchandise exports rose by 3.7 percent and imports fell by 1 percent. Merchandise exports other than cashews increased by over 14 percent as a result of the substantial expansion in exports of prawns and nontraditional products, including apparel. The decline in imports stemmed from import substitution, spurred in part by privatization and better border controls, and lower import prices. The services deficit narrowed by 13 percent in 1997, mainly because of higher receipts related to travel and tourism.

---

<sup>1</sup>Time deposits of more than a year are not subject to reserve requirements.

10. The capital account surplus declined from US\$239 million in 1996 to US\$163 million in 1997, owing to lower public sector external borrowing and private investment.<sup>2</sup> Despite the smaller capital account surplus, the substantial reduction of the current account deficit (including grants) allowed the net foreign assets of the banking system to increase by almost US\$137 million. Gross reserves of the Bank of Mozambique rose by over US\$176 million, reaching a level equivalent to 6.4 months of imports of goods and nonfactor services.

### **C. Organization of the Report**

11. The remainder of the report comprises a series of background studies prepared by the Fund staff in the context of the Article IV consultation discussions. Chapter II analyzes the behavior of inflation in Mozambique, showing that the marked tightening of monetary policy since 1995 was the fundamental reason for the recent decline of inflation. The control of monetary expansion also impacted directly on the balance of payments, thus helping to stabilize the metical and contributing twice to the containment of inflation. The results indicate that Mozambique has experienced a change in the “fundamental” inflation trend that may have long-lasting effects.

12. Chapter III studies the relationship between growth and investment. Mozambique’s growth performance although strong was less impressive than that of other sub-Saharan countries like Botswana and Uganda. While its investment-to-GDP ratio was much higher, Mozambique’s productivity of investment was lower, a result that highlights the need for setting investment priorities.

13. Chapter IV discusses the evolution of wages in Mozambique. Real wages rose sharply at the beginning of the stabilization program (1987-89) as inflation decelerated, then declined as inflation picked up in 1990-95. It is important to note, however, that the decline in real wages was never an objective of economic policy, but resulted instead from the failure to bring inflation down to the program targets, which, in turn, usually resulted from slippages in monetary or fiscal policies. The decline in real wages was more significant for agricultural workers than for industrial workers. In 1996, as inflationary pressure started to subside, an upward turn in real wages was observed.

14. Chapter V reviews the evolution of Mozambique’s external competitiveness in the last decade. The analysis shows that Mozambique’s competitiveness deteriorated sharply from 1980 to 1986, followed by a strong recovery through 1995. The main factors that accounted for this recovery were the liberalization of the exchange rate, the behavior of real wages, and the increased productivity, particularly in 1995, following the privatization process. The evidence on competitiveness in 1996 is mixed. Several factors accounted for this mixed

---

<sup>2</sup>The decline in private investment reflected the conclusion of the Cahora Bassa rehabilitation project.

picture, including the sharp devaluation of the South African rand, the stabilization of the metical, and a strong increase in exports.

15. Chapter VI evaluates present social conditions, analyses the evolution of budget expenditures on the social sectors, and describes the existing social safety nets. Available evidence indicates that gradual progress is being achieved in reducing poverty in Mozambique. However, the proportion of households living in absolute poverty could still be as high as 58 percent and social indicators remain substantially below averages for sub-Saharan Africa. The real per capita current budget expenditure on the social sectors has increased by 45 percent since 1987, broadly in line with real per capita GDP growth. This was achieved mainly through an increase in the share of social sector expenditures in the budget. Apart from emergency relief, the only government-financed social safety net of importance has been a cash transfer scheme for destitute urban households. A recent review of this social safety net indicates that, while this scheme has contributed significantly to alleviating the poverty of the households it reached, its targeting needs to be improved, and its administration strengthened, to avoid possible misappropriation of resources.

## II. THE DETERMINANTS OF INFLATION<sup>3</sup>

### A. Introduction

16. The rate of inflation in Mozambique was consistently high from 1987 to 1995, averaging 47 percent, but it plunged in 1996 to 17 percent from a peak of 70 percent in 1994. This chapter analyzes the behavior of inflation in Mozambique through three different approaches. The first one decomposes inflation into three components: a trend that represents underlying inflation, a seasonal component that follows closely the agricultural season, and an irregular component. The second approach derives a theoretical model of inflation determination and estimates an inflation equation. The third analyzes the transmission mechanism embedded in the system by estimating a multivariate dynamic system.

17. The combined analysis of the three empirical exercises suggests that the rate of inflation in Mozambique is a combination of a “fundamental” trend set by economic policies, a seasonal behavior that follows closely that of agriculture, and a collection of irregular events that corresponds mainly to agroclimatic conditions. The results show that the marked tightening of monetary policy in 1996 was the ultimate reason for the decline of inflation in that year. The control of monetary expansion had the added effect of helping to stabilize the metric, thus contributing twice to the containment of inflation. This turnaround was achieved despite the serious floods in the first quarter of 1996, which pushed up accumulated inflation to 10 percent in February. Thus, it seems that Mozambique has experienced a change in the “fundamental” inflation trend that may have long-lasting effects.

### B. Composition and Structure of the CPI

18. The consumer price index (CPI) for Maputo compiled by the National Planning Directorate (DNP) was the official price index in Mozambique until December 1996. In 1995, the National Statistics Institute started the compilation of an alternative index, with an updated and improved basket of goods that is deemed to better represent the evolution of purchasing power for the average Mozambican consumer, and this new index became the official price index starting in January 1997. However, for reasons of data availability, our analysis was performed with the DNP index.<sup>4</sup>

19. Mozambique’s CPI was introduced in 1989 as a first attempt to estimate inflation based on a survey of family expenditure in the Maputo area. It covers 1,060 products, and the weights are those derived from an August 1984 expenditure survey of randomly selected

---

<sup>3</sup>This chapter was prepared by Angel Ubide.

<sup>4</sup>The two indices showed some divergences in earlier years, but they converged significantly during 1996. Hence, the policy implications of this paper can be extrapolated to explain the behavior of the new index.

households.<sup>5</sup> For this reason, the index covers only goods and services offered in Maputo and is highly dependent on the price of a few staples that are subject to strong seasonality, especially tomatoes and cabbage, which together account for 10 percent of the CPI.

20. The components and weights of the DNP CPI basket appear in Table 1. Foodstuffs dominate the CPI, representing almost 75 percent of the consumption basket; fruits and vegetables alone represent 22 percent. Consequently, factors affecting food prices dominate movements in the CPI. These factors include mainly agroclimatic conditions, domestic inputs, and import prices, with rainfall playing a crucial role. Given the importance of imports from South Africa for the supply of foodstuffs, the evolution of the exchange rate, especially the metical-rand exchange rate, may also play an important role in the behavior of the CPI.

Table 1. Mozambique: DNP Consumer Price Index Basket

(In percent of total)

Food, beverages, and tobacco	73.79
Meat and fish	16.07
Milk, eggs, and oil	23.83
Fruits and vegetables	21.51
Sugar, beverages, and tobacco	8.93
Others	3.45
Clothing and shoes	12.77
Residential and comfort	5.91
Health	0.49
Transportation and communications	2.10
Education and leisure	2.06
Other goods and services	2.88

Source: National Directorate of Planning.

### C. The Evolution of Inflation During 1990–96

21. Inflation, as measured by changes in the CPI for Maputo, increased sharply between 1989 and 1994, but this trend was reversed in 1995. Table 2 presents data on some of the factors likely to have influenced the inflationary process in Mozambique. Inflation fell from

---

<sup>5</sup>See Comissão Nacional do Plano (1985).

163 percent in 1987 to 35 percent in 1991, but accelerated again in 1992. A large budget deficit and slow GDP growth were behind the 47 percent inflation rate in 1990. The reduction of this deficit and the containment of money growth reduced inflation by 12 points in 1991. However, the important depreciation of the metical in 1991, the excessive monetary expansion in 1992, and the 153 percent rise in fresh produce prices in 1992—owing to the severe drought that affected the country and contributed 22 percentage points to the inflation rate—raised inflation again to 54 percent. In 1993, the inflation rate declined, helped by the strong growth in GDP and tighter fiscal policy. However, inflation peaked again in 1994 at 70 percent, reflecting difficulties in monetary control, the significant depreciation of the exchange rate during the preceding year, and expansionary fiscal policies during 1994. In 1995, GDP grew by only 1.4 percent (down from 4.5 percent in 1994), the budget deficit was reduced, and inflation fell somewhat to 54 percent. Of this increase, 42 percentage points were due to the rise in prices of foodstuffs. In 1996, a turnaround took place: a significantly tighter economic policy and a metical that was much more stable than in previous years, led to an inflation rate of 17 percent, despite floods in the first quarter of the year. Figure 1 shows that in mid-1995 both the exchange rate and broad money growth started a declining trend, whose effect on inflation was seen in 1996. These developments suggest an important, although lagged, effect of these two variables on inflation.

Table 2. Mozambique: Factors Influencing Inflation  
(Annual percentage change, unless otherwise indicated)

	Prices (End of period)	Budget Deficit (In percent of GDP)	Exchange Rate	Real GDP	Broad money	Weather or Political Event
1990	47.1	12.3	26.4	0.9	37.3	
1991	35.2	5.5	78.2	4.9	35.6	
1992	54.5	5.4	48.6	-0.8	59.3	Drought
1993	43.6	5.1	91.0	18.8	78.8	Cyclone
1994	70.1	8.3	25.1	4.5	57.6	Elections
1995	54.1	5.0	64.5	1.4	54.7	
1996	16.6	5.2	4.8	6.4	15.0	Floods

Source: Mozambican authorities.

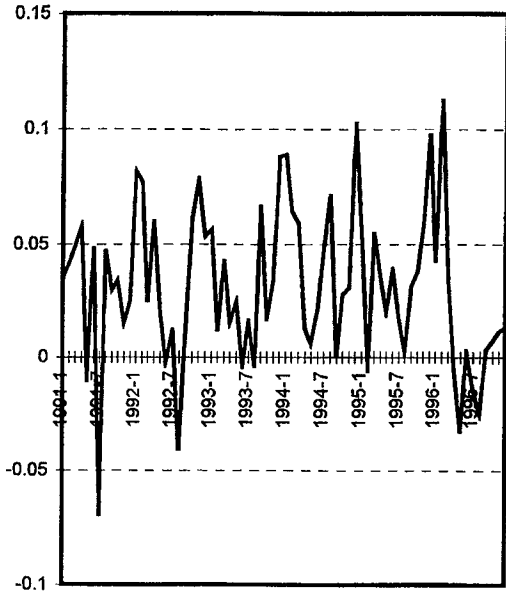
#### D. An Unobserved-Components Interpretation: Trend, Seasonal, and Irregular

22. The previous analysis of the possible causes of inflation during 1990–96 shows that the evolution of prices in Mozambique is likely to be a combination of the effect of food

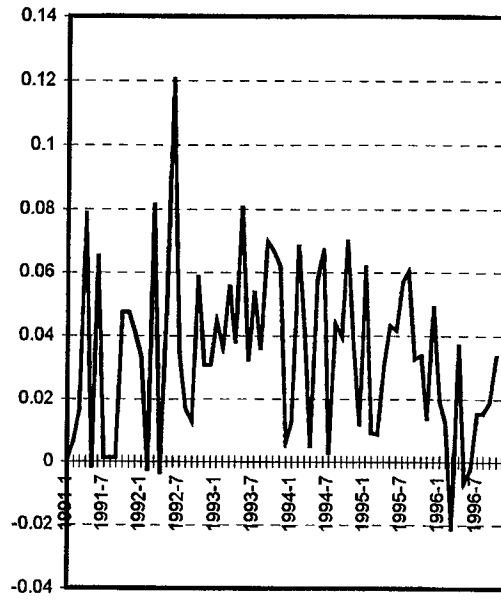


Figure 1. Mozambique: Monthly Growth Rates, 1991-96

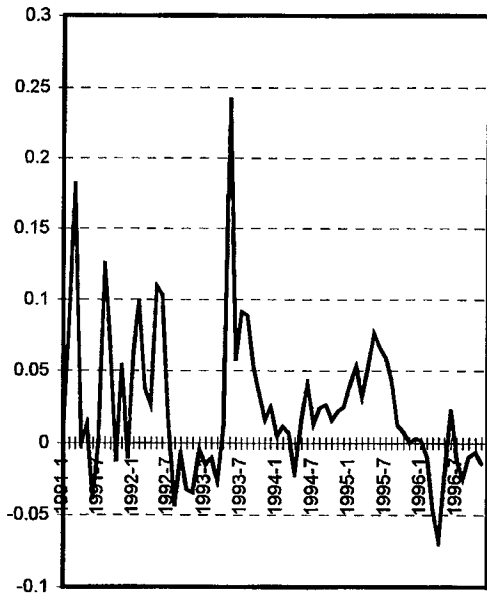
CPI, Mozambique



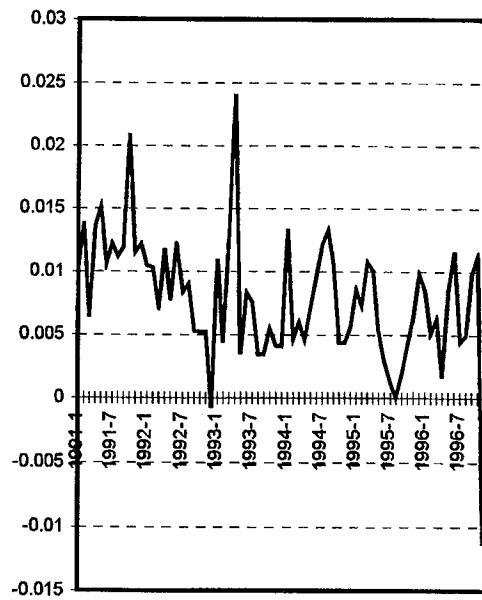
M2



Mt/Rand



CPI, South Africa



prices, with their marked seasonality, economic policies, and external factors affecting these two. A tentative interpretation of these factors could be that economic policies determine the evolution of “underlying inflation,” which would be represented by the statistical trend of the series. Along this trend, the seasonal behavior would be determined by factors affecting agriculture, while exogenous events influence the series on an irregular basis. A way of exploring this interpretation is to perform an ARIMA-model-based univariate decomposition of the series into these three components: trend, seasonal, and irregular (see Ubide (1997) for a detailed description of the procedure and model specifications).

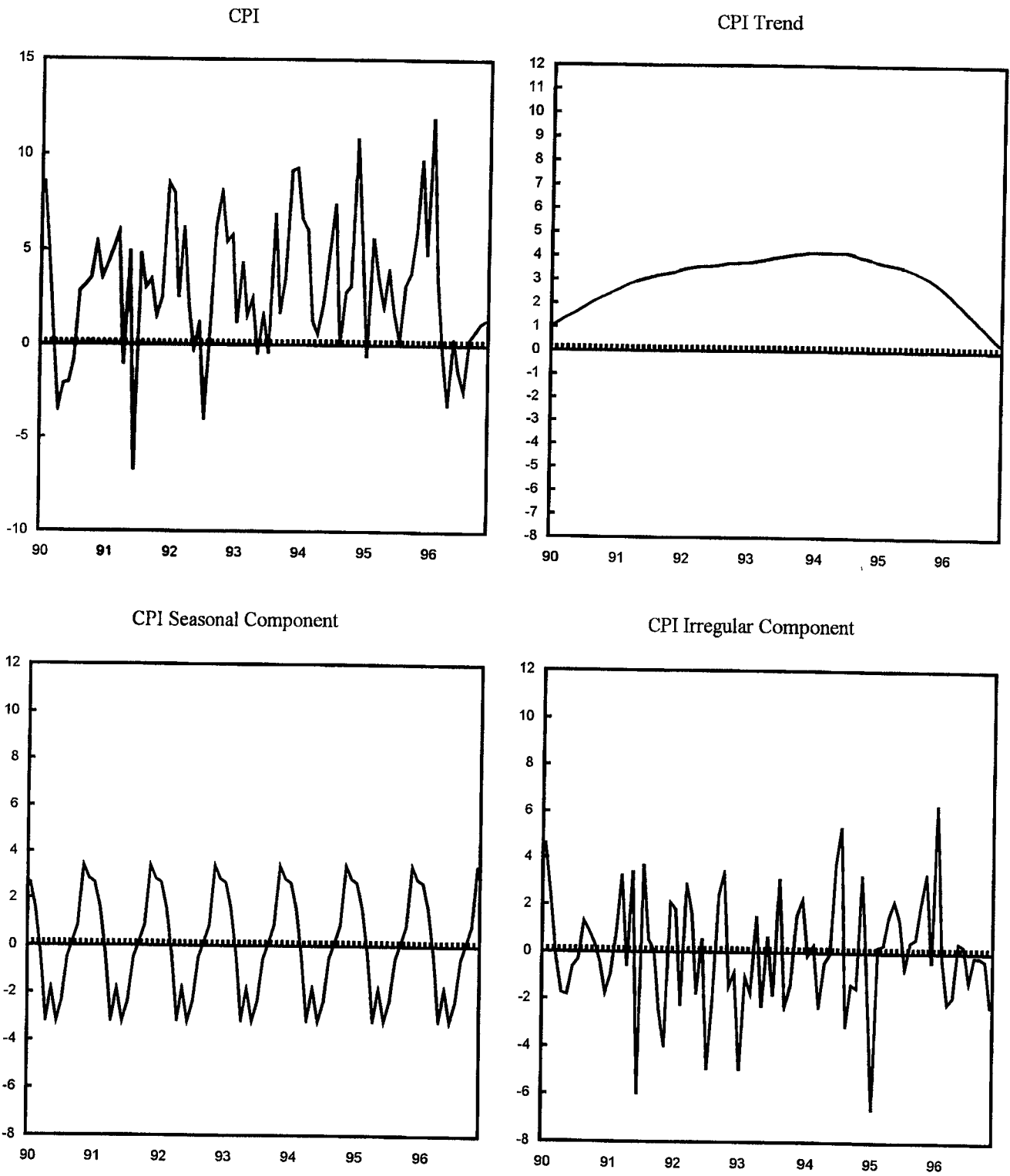
23. Figure 2 presents the original series and the performed decomposition. The upper-right panel of Figure 2 shows an increasing trend component up to late 1994, a turnaround during 1994, and an acceleration of the decreasing trend in early 1996. Inflation in Mozambique shows a very stable and sizable seasonal pattern, peaking in November-February and with a trough in May-June. This seasonal pattern resembles somehow the pattern, although inverted, of agricultural production observed in Mozambique. Agricultural production in Mozambique has a very marked seasonal pattern, with a peak in August and a trough about February. This finding confirms the intuition that the marked seasonality of prices in Mozambique could to a great extent be the result of agricultural seasonality. We can see that the irregular component of inflation is important over the whole sample and captures remarkably well the periods of drought (early 1992), cyclone Nadia (late 1993 and early 1994), elections (late 1994), and floods (early 1996).

#### **E. Estimation of the Inflation Equation**

24. Ubide (1997) presents a simple model of inflation determination in a developing country, in which inflation is a function of money supply, real income, inflation expectations, exchange rates, and foreign prices. In this model, increases in money supply, expected inflation, the exchange rate, and foreign prices are expected to push up inflation, while an increase in real income will lead to a fall in the growth of prices. The effect of sluggish adjustment because of rigidities can be incorporated by adding the effect of lagged prices to the equation.

25. The choice of the relevant variables is not straightforward. Given the lack of data on real income at a suitable frequency and for an adequate sample size, a monthly index of agricultural production is used, constructed from information on agricultural prices, as a proxy for income. Because of the importance of agriculture, especially smallholder agriculture, a rainfall variable, measured in terms of millimeters of rainfall per month in Maputo, is used in the estimation. The choice of the relevant partner country is also an important consideration. South Africa, which accounts for almost 30 percent of Mozambican trade, seems the best choice, particularly when examining price developments in southern Mozambique. Likewise, the exchange rate variable is the metical-rand exchange rate. Agricultural and political events (such as floods or droughts and elections) are modeled by including relevant dummies.

Figure 2. Mozambique: Decomposition of Monthly Changes, February 1990-December 1996  
(In percent)



Because integrated variables are involved, the first step in the estimation is testing for cointegration. Weak evidence of cointegration is found, with a cointegrating vector that indicates that, in the long run, inflation in Mozambique is positively related to South African prices, money supply, and the metical-rand exchange rate (the cointegrating vector is [1.64 0.72 0.18]). On the basis of the previous analysis, a general-to-specific modeling approach is followed to estimate a general dynamic error-correction autoregressive distributed-lag model. Different parameterizations and lag lengths were considered during the process, and the guideline used to reach the final specification was model reduction with the final objective of a parsimonious and congruent model.

26. An inflation equation is estimated by ordinary least squares (OLS) with monthly data for the period 1989:1-1996:12. The general specification included all the variables in first differences with up to 12 lags, and its final specification appears in Table 3, Equation I. Two dummy variables are found to be significant, one in late 1994 accounting for the national elections (parameter estimate: 0.09 (0.021)) and another in early 1996 (parameter estimate: 0.19 (0.033)) accounting for the serious floods that affected southern Mozambique. Figure 2 shows that the irregular component during these periods was very large, and, hence, the introduction of the dummy variables seems warranted. The agricultural index variable is a six-month moving average of the original series. Likewise, the rainfall variable is a three-month moving average of the original series. Several normality and heteroskedasticity tests were performed to ensure that the residuals were well behaved.

27. The results indicate that the metical-rand exchange rate has a significant short-run effect on inflation, both contemporaneous and lagged. The coefficient is positive as expected, reflecting the effect on inflation of trade in goods, mainly through imports in the informal sector. As expected, money, represented by M2, has no contemporaneous effect on inflation, but it has an important effect with four lags. The short-run elasticity of money is 0.5. Interestingly, lagged inflation is not significant. These two facts would indicate that the adjustment process in Mozambique is very fast, and that changes in monetary policy are translated quickly into price changes. Finally, the coefficient of the error-correction (*ECM*) term indicates that the adjustment of inflation towards its equilibrium value is 6 percent per month.

28. The variable proxying for income, the monthly agricultural index, was found to be weakly significant and with a negative sign, as was expected. The variable rainfall is also significant with a negative sign, owing to the positive effect of the rains on agricultural production and therefore on the evolution of prices in Mozambique.

29. Simulations not reported here show that, had the stance of monetary policy in 1996 been, *ceteris paribus*, that of 1995 (in terms of money growth), inflation in 1996 would have

Table 3. Mozambique: Estimation Results

	Eq. I	Eq. II	Eq. III
Constant	0.008 (0.008)	0.008 (0.007)	0.01 (0.008)
$\Delta \text{Log } M2 (t-4)$	0.46 (0.11)		
$\Delta \text{Log } M1 (t-4)$		0.41 (0.11)	
$\Delta \text{Log } M0 (t)$			0.19 (0.09)
$ECM (t-1)$	-0.06 (0.03)	-0.06 (0.03)	-0.09 (0.03)
$\Delta \text{Log } Erate (t)$	0.16 (0.06)	0.17 (0.07)	0.14 (0.07)
$\Delta \text{Log } Erate (t-5)$	0.14 (0.06)	0.12 (0.06)	0.17 (0.06)
$\Delta \text{Log } Agr (t-4)$	-0.022 (0.014)	-0.023 (0.014)	-0.02 (0.015)
$\Delta \text{Log } Rain$	-0.12 (0.03)	-0.12 (0.03)	-0.09 (0.04)
$\Delta \text{Log } Rain (t-2)$	-0.057 (0.02)	-0.052 (0.02)	-0.043 (0.02)
$\Delta \text{Log } Rain (t-3)$	-0.068 (0.02)	-0.063 (0.02)	-0.05 (0.02)
$R^2$	0.81	0.80	0.74
DW	1.94	1.94	1.91
$F$ -statistic	8.55	8.05	5.82

Notes: Standard errors in parentheses. Seasonal dummies and two impulse dummies, for 1994:8 and 1996:2, were included in the estimation. *ECM* is the error-correction term; *Erate* is the metical-rand exchange rate; *Agr* is a six-month moving average of the index of agricultural production; and *Rain* is a three-month moving average of monthly rainfall (in millimeters).

been 26 percent instead of the 17 percent actually recorded.<sup>6</sup> By the same token, had the exchange rate depreciated in 1996 as it did in 1995, inflation in 1996 would have been 36 percent. Finally, had agricultural output in 1996 equated that of 1995, inflation in 1996 would have been 18 percent.

30. The model satisfies all the basic diagnostic tests, and it can be seen in Figure 3 that it is able to track all the main turning points of the inflation cycle, especially since mid-1995. The forecasting performance of the equation is also satisfactory. It seems from the evidence that the relationship has been more stable in the last two years, probably reflecting the improvement in the conduct of monetary policy in Mozambique.<sup>7</sup>

#### F. A Causality Analysis

31. The results from the inflation equation suggest the dynamic nature of the inflation-transmission mechanism and the presence of feedback effects among prices, exchange rates, and money. Hence, a dynamic multivariate analysis that encompasses the single equation methodology can give robustness to the analysis and shed some light on these dynamic transmission mechanisms by allowing the causality links among the variables to be disentangled.

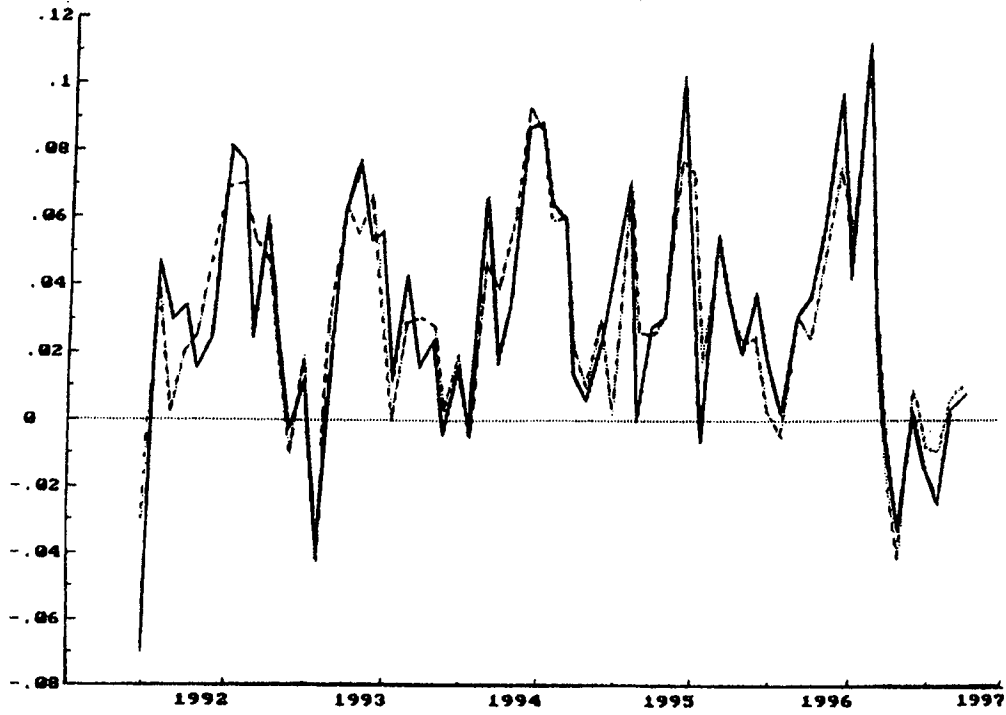
32. A vector autoregression (VAR) has been fitted to Mozambican prices, the metical-rand exchange rate, money, and South African prices. The lag length of the VAR has been selected so as to minimize a multivariate version of the Hannan and Quinn criterion. Evidence of cointegration is found among the variables, and the system is estimated by maximum likelihood. The selected specification on the basis of this criterion is a VAR(6), and the residuals do not display any problem of serial correlation. Table 4 presents the Granger causality test.

---

<sup>6</sup>Clearly, the *ceteris paribus* assumption is not consistent with the fact that money Granger-causes the exchange rate (see Table 4 below), but it is made for illustration only.

<sup>7</sup>Since 1995, the use of indirect instruments has increased, the real rediscount rate has been kept positive, and the sale of the Banco Comercial de Moçambique allowed the Bank of Mozambique to exert a stricter control over the money supply; see IMF (1996).

Figure 3. Mozambique: Actual, Fitted and Forecast Changes in the CPI, 1991-96  
Actual (-) and Fitted (..)



Actual (-), Fitted (..) and Forecast

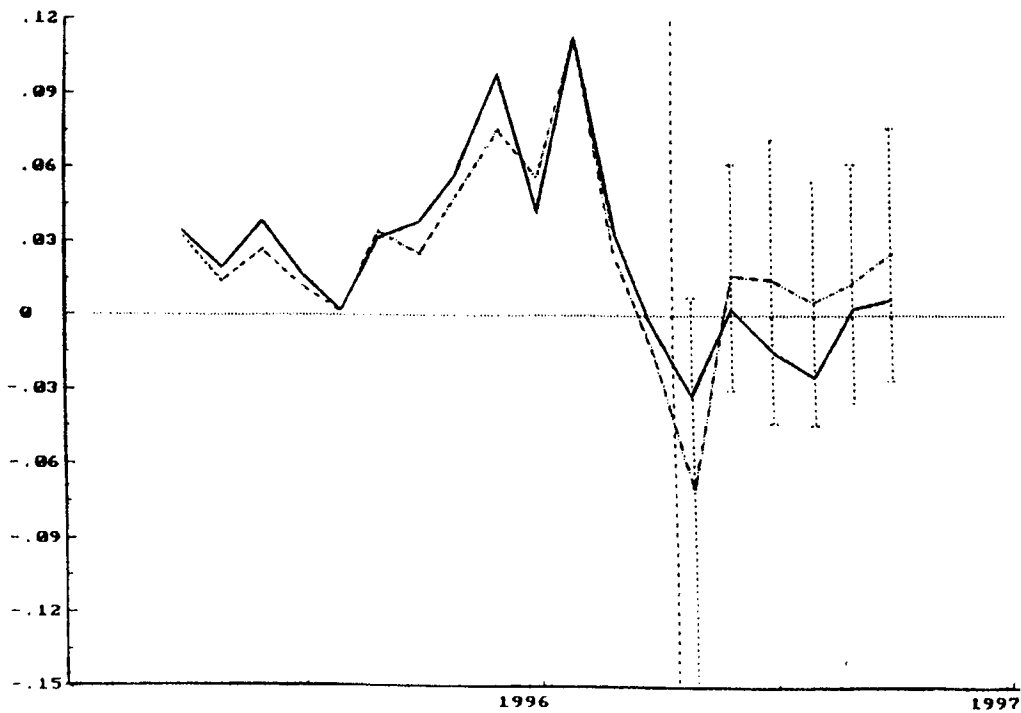


Table 4. Mozambique: Granger Causality Test

	<i>CPI</i>	<i>CPISAF</i>	<i>Erate</i>	<i>M2</i>
<i>CPI</i>	0.00	4.20	24.97	11.09
<i>CPISAF</i>	3.63	0.00	1.01	5.23
<i>Erate</i>	13.99	9.70	0.00	12.11
<i>M2</i>	2.30	15.36	5.06	0.00

Notes: Critical value is 9.48. Cell (*i,j*) is the test for variable *j* causing variable *i*. *CPI* and *CPISAF* are the consumer price indices for Mozambique and South Africa, respectively. *Erate* is the metical-rand exchange rate.

33. Ubide (1997) reports the graphs of the accumulated orthogonal impulse responses. The results can be summarized as follows: Granger causality tests indicate that both money and the exchange rate Granger-cause inflation, in line with our previous analysis. Interestingly, the accumulated orthogonal impulse response of prices when money is shocked by 1 percent shows a peak after four to five months, stabilizing thereafter to a long-run effect of 0.4 percent. A 1 percent depreciation of the metical induces a 0.2 percent increase in inflation that lasts about 10 months and dies out after 20 months.

34. The metical-rand exchange rate is Granger-caused by all the variables. The impulse responses show that a 1 percent positive shock to Mozambican prices induces a depreciation of the exchange rate that lasts three months, followed by an appreciation of approximately the same amount as the shock. A shock to South African prices creates an opposite and more intense effect—an initial appreciation followed by a return to the steady state. Hence, it seems that the exchange rate moves in the long run toward an equilibrium value that is not necessarily the purchasing power parity.

35. Finally, money seems to be caused only by South African prices. The impulse responses show that an inflationary shock in Mozambique drives down money in the long run, and the same happens after an appreciation of the exchange rate; the opposite happens after an inflationary shock in South Africa. These results point to the importance of capital flows moving between Mozambique and South Africa in accordance with the economic conditions of each country, especially the inflation differential.

## G. Conclusions

36. The rate of inflation in Mozambique was consistently high over the 1989–94 period; after dropping from 70 percent in 1994 to 54 percent in 1995, it plunged in 1996 to 17 percent. This study uses three alternative approaches to the empirical analysis of inflation and argues that monetary expansion, together with the depreciation of the exchange rate and unpredictable events in the agricultural sector, is responsible to a large extent for the inflationary process in Mozambique. The combined analysis of the three approaches suggests



that the marked tightening of monetary policy in 1996 was the ultimate reason for the deceleration of the inflation rate in that year. The control of monetary expansion had the multiplier effect of helping to stabilize the metical (recall that money Granger-causes the exchange rate), thus contributing twice to the containment of inflation. There are several reasons to believe that this success can be long lasting. First, this turnaround was obtained in a year in which a major agricultural shock resulting from serious floods pushed accumulated inflation up to 10 percent in February. Second, the unobserved-components analysis shows a break in the trend in 1996, probably reflecting the changes in monetary control policies. This hypothesis is corroborated by the analysis of the seasonality of money supply, which shows a stabilization of the seasonal fluctuations in the last two years. Finally, the stability of the metical should also benefit from any improvement in the economic situation in South Africa and from the rand being more stable; this should help in turn to keep inflation in Mozambique under control. Money is Granger-caused by South African prices, reflecting the mounting inflows of capital from South Africa into Mozambique during the last year as a result of the decrease in the inflation differential between the countries. These inflows should be kept under control to avoid inflationary pressures and excessive exchange rate fluctuations.

## References

- Comissão Nacional do Plano, 1985, *Preços ao Consumidor e Nível de Consumo*, DNE/DD/SER, B/11 (Maputo: Direcção Nacional de Estatística).
- IMF, 1996, *Republic of Mozambique: Recent Economic Developments*, Staff Country Report 96/142 (Washington, DC: International Monetary Fund).
- Ubide, Angel, 1997, "The Determinants of Inflation in Mozambique", IMF Working Paper 97/145 (Washington: International Monetary Fund).

### III. GROWTH AND INVESTMENT

38. In the early 1980s, despite serious economic problems, the investment-to-GDP ratio of the Mozambican economy averaged 46 percent,<sup>8</sup> the second-highest ratio in sub-Saharan Africa. During this period, however, these high investment levels did not result in high rates of growth; on the contrary, the average annual real growth rate was negative (-1.9 percent). This means that the productivity of investment during that period was not only negative but also one of the lowest in Africa.

39. The economic results of the early 1980s highlight the fact that the investment level of a country does not by itself determine its growth performance. Several other factors, such as the wisdom and productivity of past investment decisions, the country's ability to maintain and use the infrastructure and equipment productively, the rate of obsolescence of the country's capital stock, and the availability of complementary factors of production, are crucial for ensuring a close correspondence between high investment levels and high economic growth.

40. Since 1987, Mozambique has been implementing a program of structural adjustment that has received support from the Fund and the World Bank, as well as the donor community. Significant amounts of foreign aid inflows have allowed Mozambique to maintain relatively high levels of investment. For the period 1987-95, the average investment-to-GDP ratio was 42.6 percent. Moreover, even though the trend in the investment-to-GDP ratio declined slightly during the period, the average GDP growth rate was 6.6 percent.

41. While the growth performance of the Mozambican economy during the 1987-95 period was impressive, it is interesting to note that during that period countries such as Botswana and Uganda, whose rates of growth on average exceeded those for Mozambique, had much lower investment-to-GDP ratios. During 1987-95, the average GDP growth was 8 percent in Botswana and 7.3 percent in Uganda, while their investment-to-GDP ratios were on average 30.0 percent and 13.8 percent, respectively. These countries were able to grow faster than Mozambique with much lower investment levels because the productivity of their investment was higher than that of Mozambique (Figure 4).<sup>9</sup>

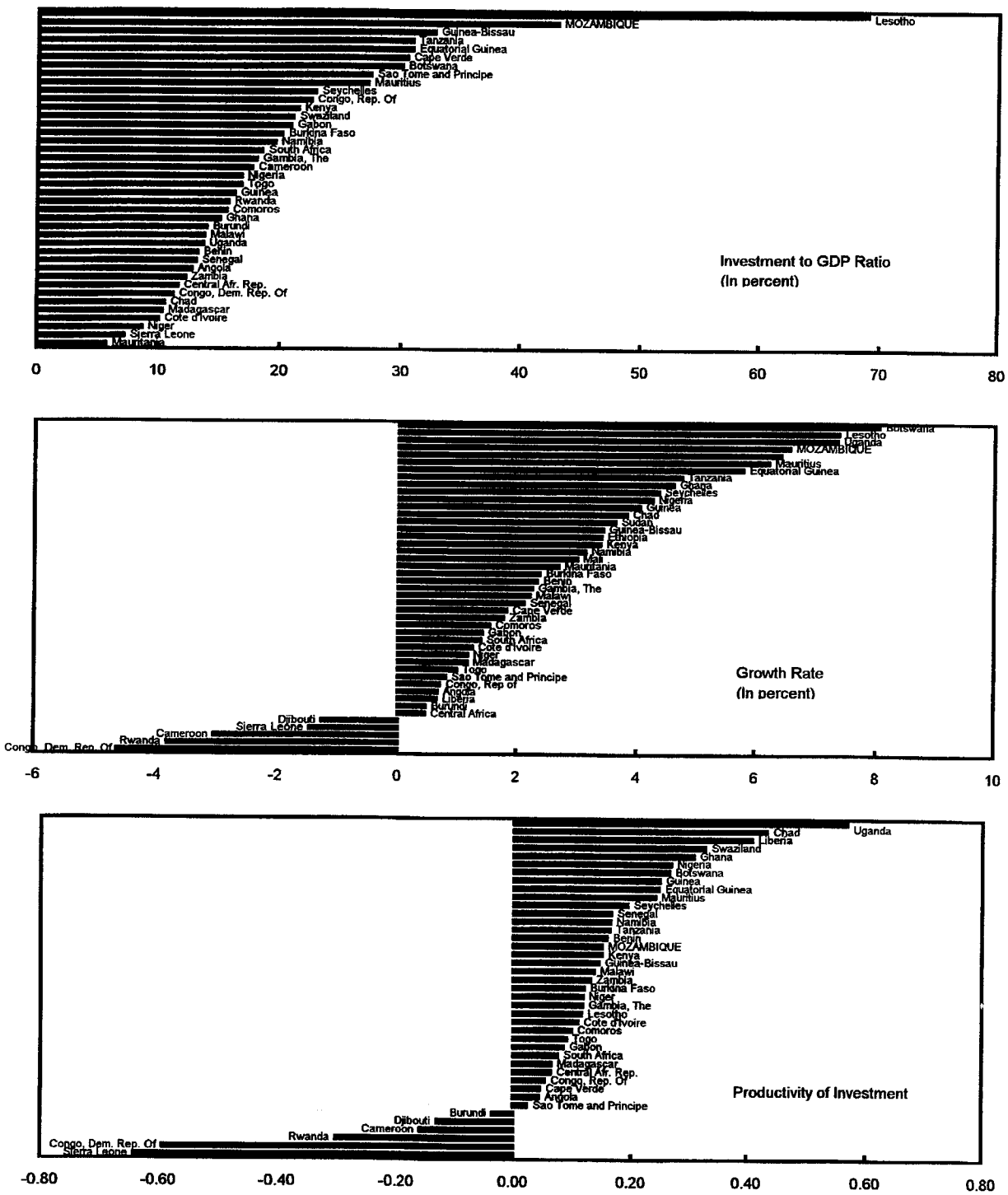
42. The decline in the investment-to-GDP ratio in Mozambique has raised concerns that the economy may not be able to continue to grow at relatively high rates. The data provided in Figure 4 seem to indicate that there is room to compensate for the observed reduction in the investment-to-GDP ratio by increasing the productivity of investment. The productivity of

---

<sup>8</sup>Over the period 1980-87.

<sup>9</sup>The growth rate ( $\Delta Y/Y$ ) can be decomposed into the product of the investment-to-GDP ratio ( $I/Y$ ) and the productivity of investment ( $\Delta Y/I$ ).

Figure 4. Selected African Countries: Growth and Investment, 1987-95  
(Average)



Source: IMF, World Economic Outlook database.

investment in the 1987–95 period was 0.26 in Botswana and 0.56 in Uganda, but only 0.15 in Mozambique.<sup>10</sup>

43. On a year-to-year basis, the productivity of investment in Mozambique has, amid considerable fluctuation, generally shown a declining trend from 1987 to 1995. Under a scenario of a continuing declining trend in investment, Mozambique will need to ensure that its productivity levels rise. Two steps should be helpful in this context: (a) the gradual replacement of public investment by private sector investment, which is generally more efficient;<sup>11</sup> and (b) more careful choice of investment projects. The latter point requires the government (and donors) to ensure that there is enough absorptive capacity in the economy to avoid wastage of resources, that budgeted resources are available to guarantee the continuous maintenance and operation of the proposed investment project, and that the most productive investment projects are given priority.

---

<sup>10</sup>Mozambique's national accounts are being reestimated and in this process it is likely that the average investment-to-GDP ratio will be revised considerably downward, possibly to levels of about 30 percent. If so, the productivity of investment in Mozambique (about 0.22) would be considerably higher than reported above. This reestimation would still leave Mozambique with a productivity of investment that is lower than those of countries such as Uganda (0.56), Chad (0.43), Liberia (0.37), Ghana (0.31), Botswana (0.26), Nigeria (0.25), Guinea (0.25), and Mauritius (0.23).

<sup>11</sup>Clearly, some public investments, such as roads, may have an important multiplier effect, helping increase the productivity of other investments. However, governments are increasingly finding ways to successfully transfer even some investments in infrastructure to the private sector. The results of these efforts have been encouraging.

#### IV. LABOR MARKET<sup>12</sup>

44. The majority of Mozambicans are employed in subsistence agriculture and informal markets. The main features of the labor market are typical of those of a developing country: excess supply of unskilled labor and acute shortages of skilled labor. Beyond these general features, it is difficult to be precise about the labor market in Mozambique. Labor statistics, including those on employment, wages and productivity, are weak, making any assessment of labor market trends subject to significant margins of error.

##### A. Labor force and unemployment

45. Based on existing population estimates and preliminary data from a household expenditure and income survey conducted in 1996, Mozambique's population was 17.3 million, of which 78 percent (13.5 million) were 7 years or older. Table 5 provides a breakdown of the population 7 years or older. About 60 percent of that population is active, of which 86 percent are employed in private agriculture either as self-employed, or as non-paid help to family members, or as employees.

46. Assuming the traditional definition of the labor force, that is, the sum of the active population plus employed who did not work in the previous week plus the unemployed who looked for a job during the previous week, the labor force reaches a total of 8.3 million, resulting in an unemployment rate (unemployed as a proportion of the labor force) of just 0.6 percent.<sup>13</sup> This finding is surprising at first sight, but seems simply to describe the fact that most of the Mozambican population is rural. The unemployment rate in the labor force not engaged in agriculture is 3.8 percent, still a reasonably low figure. However, the survey suggests that as much as 22.3 percent of the labor force is working on the informal sector. Therefore, if one looks only at formal employment and considers those in the informal sector as unemployed, the unemployment rate would rise to 26.2 percent.

47. Nine percent of the labor force indicated that while it was employed, it did not work during the previous week. While some of them were possibly on temporary leave, the size of this group seems to indicate that it includes a significant number of respondents who may be surplus labor on the payroll of defunct or paralyzed enterprises awaiting to be restructured or privatized. On the assumption that this portion of the labor force represents hidden unemployment, total unemployment would reach 34 percent. Although this is high, this rate still is considerably lower than the unemployment estimates that have been circulating to date. Moreover, it would appear that this figure is an upper bound for the unemployment rate.

---

<sup>12</sup>This chapter was prepared by Stefania Fabrizio and Kori Udovički.

<sup>13</sup>The definition of unemployment covers only those persons without a job who have looked for employment during the previous week.

Table 5. Mozambique. Summary Employment Information, 1996 <sup>1</sup>

Total population <sup>2</sup>	13,502,963 (100.0)	(1) Total active population <sup>3</sup>	8,165,027 (60.5)	(3) Private agriculture	7,016,542 (52.0)		
				(4) Public sector	468,610 (3.5)		
				(5) Informal sector <sup>4</sup>	295,683 (2.2)		
				(6) Other	384,192 (2.8)		
		(2) Total inactive population	5,337,936 (39.5)	(7) Employed <sup>5</sup>	122,632 (0.9)	(11) Looking for a job	50,538 (0.4)
				(8) Unemployed	117,385 (0.9)	(12) Discouraged from looking for a job	16,085 (0.1)
				(9) Others identified <sup>6</sup>	3,927,905 (29.1)	(13) Others	50,762 (0.4)
				(10) Others unidentified	1,170,014 (8.7)		

Memorandum items:

Labor force ((1)+(7)+(11))	8,338,197
Labour force excluding private agriculture	1,321,655
Unemployment rate (excluding informal sector) <sup>7,8</sup>	3.8
Unemployment rate (including informal sector) <sup>7,9</sup>	26.2
Hidden unemployment rate <sup>7</sup>	9.3

Sources: Unpublished results from the "Inquérito Nacional aos Agregados Familiares Sobre Condições de Vida", Maputo 1996.

1 Numbers in parenthesis represent percentage of the total population.

2 Population age 7 and above.

3 Population that declared to have worked in previous week.

4 Informal sector is defined as all those who declared to have worked at home or in the street. However, some of the respondents may be working for a formal company.

5 Employed did not work in previous week; not identified by sector of employment.

6 Retirees, students, homemakers, disabled, military service.

7 Labour force defined as active population excluding private agriculture, plus unemployed looking for employment.

8 Unemployed include only those that declared to have looked for a job or to have been discouraged from looking for a job in previous week.

9 Unemployed also include those estimated to have worked in the informal sector as in footnote 4.

## B. Minimum wages

48. In December 1990, the principle of collective bargaining between companies and workers was approved, and the government restricted itself to setting minimum wages for registered enterprises. Minimum wages in Mozambique are set every year in a tripartite forum involving the government, employers, and unions. The tripartite committee fixes the minimum wages for three categories of employees: agricultural workers, nonagricultural workers, and technical and administrative personnel. During the period 1987–97, the minimum wages for nonagricultural workers and technical and administrative personnel differed on average by 3.5 percent and were effectively identical after the second half of 1991. Minimum wages for agricultural workers, however, were on average 40 percent lower than those in other categories during 1987–97, with the gap reaching 50 percent in 1995–96.

49. From the first arrangement under the Structural Adjustment Facility in 1987 until 1997, real minimum wages<sup>14</sup> (Table 6 and Figure 5, top panel) increased by 39.1 percent for agricultural workers, 23.9 percent for nonagricultural workers, and 37.7 percent for technical and administrative workers. Real minimum wages rose sharply at the beginning of the stabilization program (1987–89) as inflation decelerated then declined as inflation picked up from 1990 to 1995. In 1996, as inflationary pressures started to subside, real minimum wages increased by 5.8 percent for each of the three categories; these wages rose again in 1997 by 8.2 percent for agricultural workers and by 6.7 percent for the other two categories.

## C. Real Wages

50. Information on wages in Mozambique is limited. The National Institute of Statistics publishes annual data of monthly average wages by sector in its *Anuário Estatístico*; however, owing to the limited data coverage, these numbers should be used with caution.

51. Available information show that after 1987 real wages in all sectors rose faster than real minimum wages (Table 7 and Figure 5, bottom panel). Between 1987 and 1996, real wages rose by 78.9 percent for agricultural workers, 118.8 percent for industrial workers, and 164.9 percent for workers in general. Real salaries in the agriculture sector were generally lower than in other sectors of the economy, and the gap between the two increased over time, reaching a peak in 1995 when real agricultural wages fell to 37 percent of those in industry. At the beginning of the stabilization program (1987–89), as inflation decelerated, real wages in the industrial sector increased by 107 percent; in the agriculture sector, by 61 percent; and in all sectors, by 86 percent. From 1990 to 1995, as prices increased rapidly, real wages declined for both the agriculture and industrial sectors; however, this decline was more significant for agricultural workers than for industrial workers. This difference in the evolution of real wages in the two sectors may be partially attributed to the privatization process. As

---

<sup>14</sup> Real minimum wages are calculated by deflating nominal minimum wages by the consumer price index (at the time of the increase in the minimum wage).

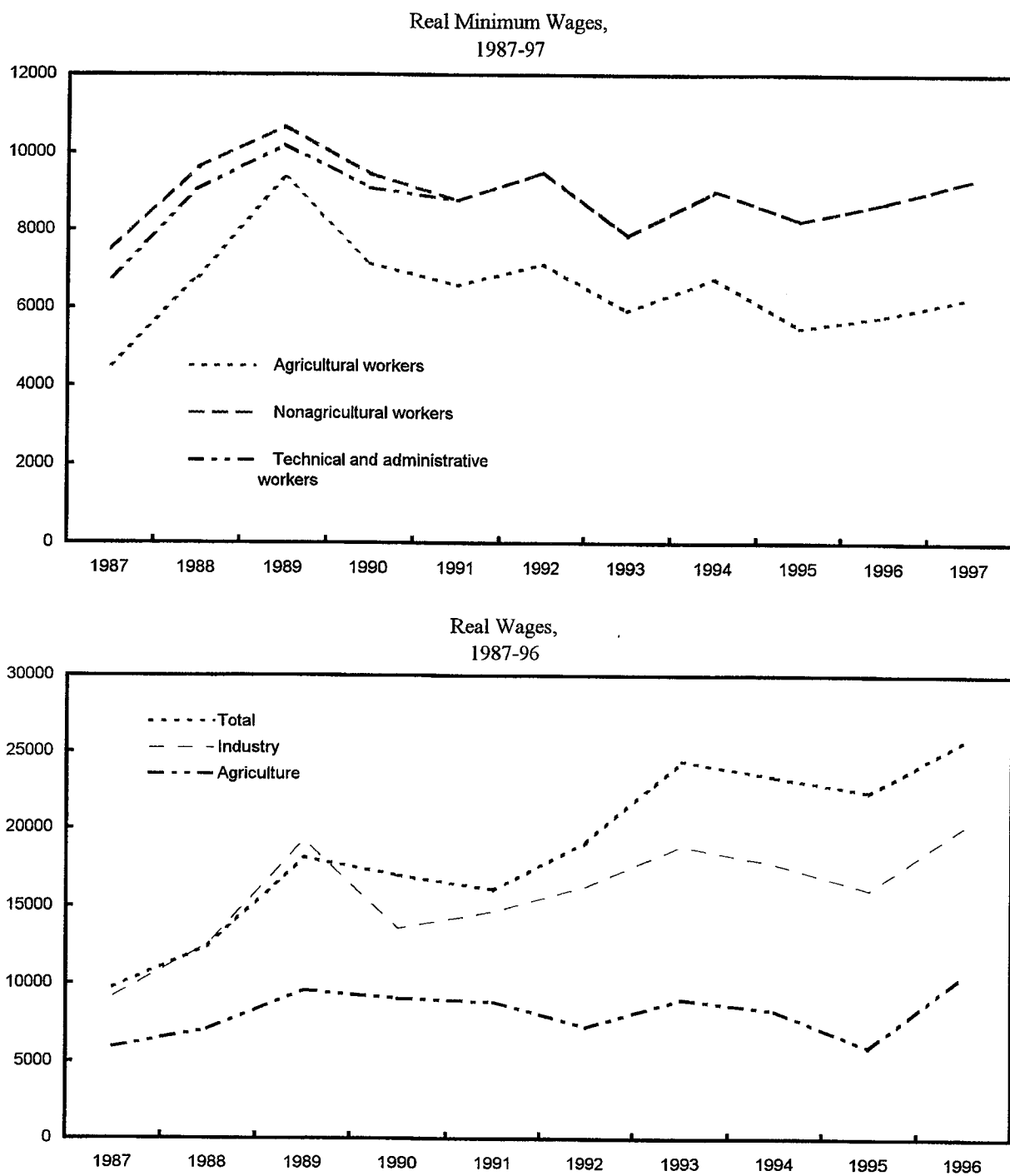
Table 6. Mozambique: Real Minimum Wages, 1987-97

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
	(In meticals, at 1987 prices)										
Agricultural workers	4,500.0	6,777.2	9,346.2	7,128.0	6,576.2	7,131.9	5,911.5	6,757.3	5,466.9	5,784.6	6,260.0
Nonagricultural workers	7,500.0	9,601.0	10,674.6	9,443.7	8,768.2	9,509.2	7,874.5	9,022.5	8,232.4	8,713.1	9,296.2
Technical/administrative workers	6,750.0	9,036.3	10,200.2	9,081.8	8,768.2	9,509.2	7,874.5	9,022.5	8,232.4	8,713.1	9,296.2
	(Annual percentage change)										
Agricultural workers	...	50.6	37.9	-23.7	-7.7	8.5	-17.1	14.3	-19.1	5.8	8.2
Nonagricultural workers	...	28.0	11.2	-11.5	-7.2	8.5	-17.2	14.6	-8.8	5.8	6.7
Technical/administrative workers	...	33.9	12.9	-11.0	-3.5	8.5	-17.2	14.6	-8.8	5.8	6.7
Memorandum item:											
Twelve-month inflation	175.2	77.1	19.0	31.1	65.1	35.5	45.0	45.3	103.9	17.2	7.8

Source: Mozambican authorities.



Figure 5. Mozambique: Real Wages  
(In meticaais, at 1987 prices)



Sources: Ministry of Labor; and Ministry of Planning and Finance.

Table 7. Mozambique: Real Wages, 1987-96

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Total	9,741.0	12,425.2	18,078.0	16,957.5	16,050.6	19,122.8	24,409.9	23,347.8	22,360.3	25,807.9
<i>Of which</i>										
Industry	9,197.0	12,531.1	19,200.5	13,566.0	14,641.0	16,250.2	18,821.0	17,686.0	16,056.7	20,119.2
Agriculture	5,947.0	7,086.7	9,573.2	9,053.7	8,831.6	7,198.2	9,010.4	8,290.1	5,923.3	10,638.1
Total	...	27.6	45.5	-6.2	-5.3	19.1	27.6	-4.4	-4.2	15.4
<i>Of which</i>										
Industry	...	36.3	53.2	-29.3	7.9	11.0	15.8	-6.0	-9.2	25.3
Agriculture	...	19.2	35.1	-5.4	-2.5	-18.5	25.2	-8.0	-28.5	79.6
Memorandum item:										
Consumer price index (average)	100.0	150.2	210.5	309.6	411.5	598.8	851.4	1,389.5	2,145.8	3,111.5

Source: Mozambican authorities.

shown by a World Bank study,<sup>15</sup> privatization, over the period 1989–95, induced a surge in productivity and wages. In 1996, an upward turn in real wages was observed again as inflation began to subside. Real wages increased by 79.6 percent for agricultural workers, 25.3 percent for industrial workers, and 15.5 percent for all sectors.

52. Before 1990, wages of government employees were adjusted every year so as to preserve the spread between the lowest and the highest tier at the ratio of 1:16.8. In 1990, the payroll structure was modified, and a simplified matrix structure, consisting of three categories and tiers from *A* to *Z*, was adopted. Until 1992, adjustments were made to salaries in line with inflation, in order to keep real wages broadly stable. After 1993, however, lower-tier wages were raised faster than higher-tier ones, and the wage compression ratio reached 1:9.1 in 1996.

## V. EXCHANGE RATES AND EXTERNAL COMPETITIVENESS IN MOZAMBIQUE<sup>16</sup>

### A. Introduction

53. Since 1987, when the government launched the Economic Rehabilitation Program (ERP), a number of structural reforms have taken place in Mozambique. Price controls were eliminated, wage determination became the subject of tripartite negotiations, trade was significantly liberalized, and the tariff structure was simplified. Most important, the exchange rate system was substantially modified. These events are likely to have had significant effects on the external competitiveness of Mozambique. The main purpose of this chapter is to review the evolution of the external competitiveness of Mozambique in the last decade.

54. Among the main elements having a bearing on external competitiveness are prices, wages, and exchange rates.<sup>17</sup> The evolution of prices and wages have been covered in Chapters II and IV, respectively. Section B of this chapter briefly discusses the evolution of

---

<sup>15</sup> "Evaluating the Impact and Effectiveness of the Enterprise Restructuring Program," a joint document of the World Bank and the government of Mozambique, August 1996.

<sup>16</sup>This chapter was prepared by Stefania Fabrizio.

<sup>17</sup>An exhaustive assessment of the competitiveness of a country would entail an investigation of the evolution of the country's skills and resources, such as technology, communication, information, capital and credit facilities, foreign direct investment, consumer markets, and government facilities. In Mozambique, these skills and resources are very limited. Mozambique's private sector is just emerging, and it is fairly inexperienced. Moreover, after decades of war, most sectors of industry and manufacturing are only now becoming operational and thus lack exposure to, and experience in, quality control, marketing, packaging, and modern management practices. This chapter does not address these important issues.

the exchange rate system and nominal exchange rates in Mozambique since 1987. The remainder of this chapter is organized as follows: Section C introduces some traditional competitiveness indicators, describing their advantages and disadvantages; Section D presents the results of the calculation of some of these indicators for Mozambique; and Section E presents the conclusions.

## **B. Exchange Rates**

55. In 1986, the metical was grossly overvalued, and the exchange rate against the U.S. dollar in the parallel market was nearly 40 times the official rate; however, since mid-1993, the exchange rate has been market determined. The adjustment of the exchange rate toward market rates proceeded in steps. In January 1987, the metical was sharply devalued from Mt 39 per U.S. dollar to Mt 202 per U.S. dollar, and the exchange rate peg was changed from a basket of six currencies to the U.S. dollar. Devaluations continued at irregular intervals until April 1989, when a system of monthly devaluations was instituted. In December 1989, the exchange rate peg was changed again to a basket of ten trading partners' currencies. In October 1990, a secondary market for foreign exchange was introduced with market-determined exchange rates. After another substantial devaluation in mid-1991, foreign exchange transactions began to be increasingly shifted to the secondary market. In April 1992, official and secondary market rates were unified, but a special (more appreciated) rate for tied aid was introduced. In June 1993, the special rate for tied aid was abolished.

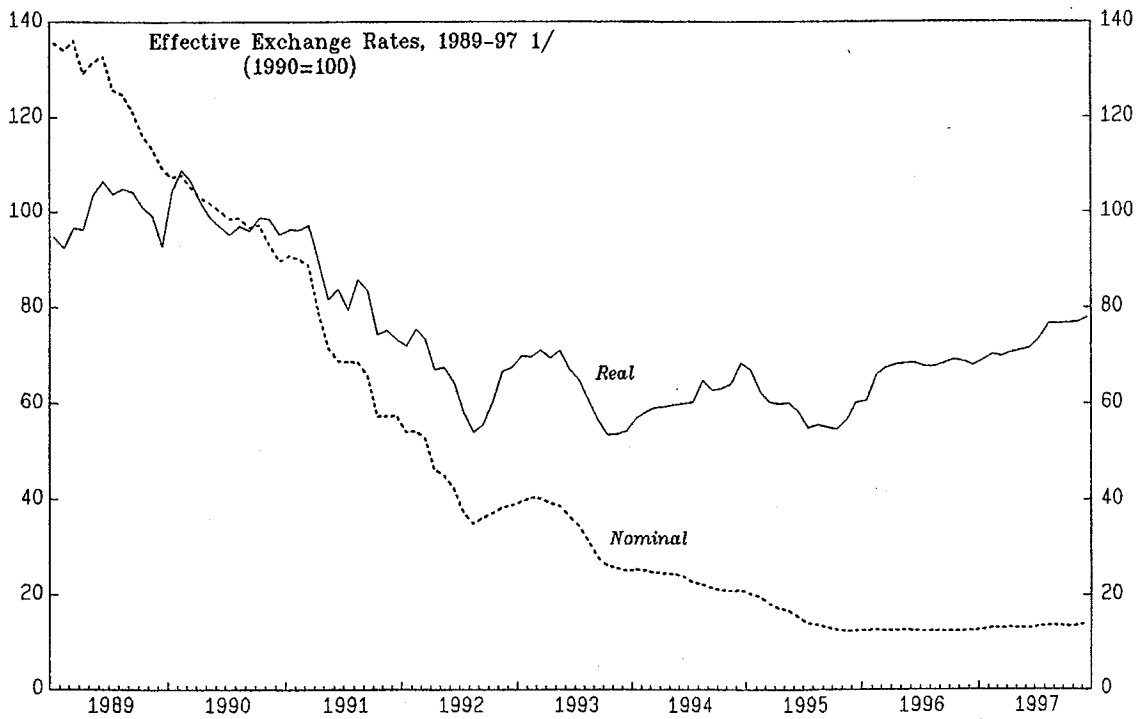
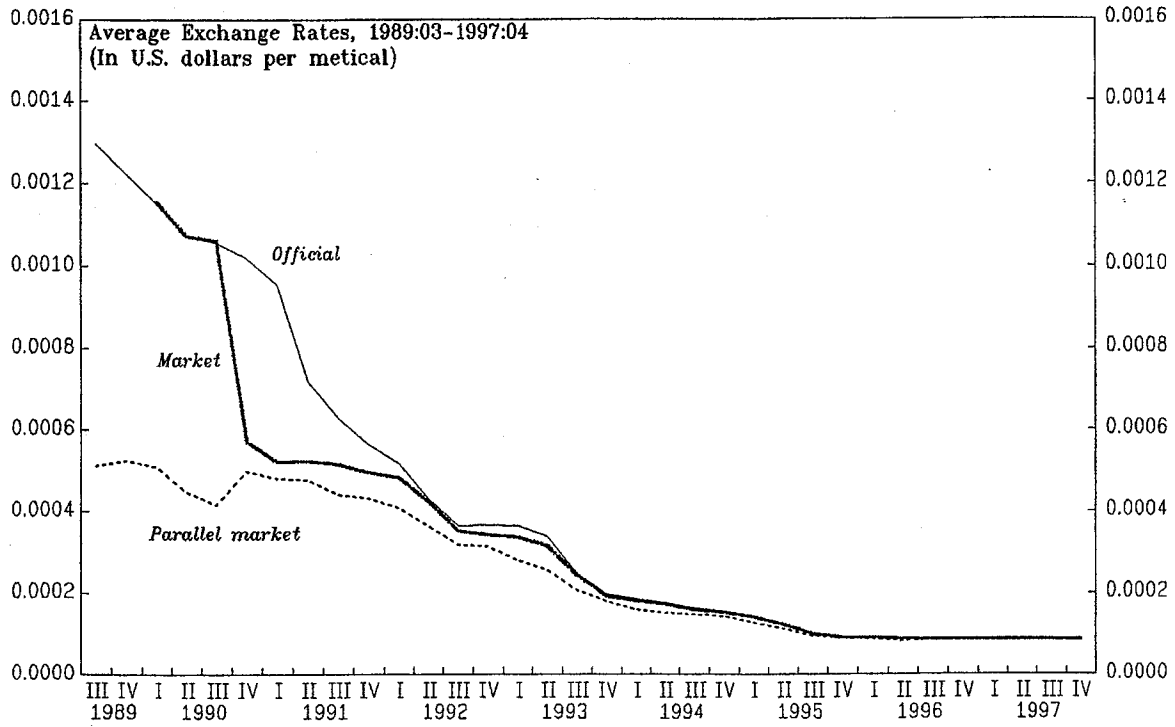
56. From mid-1992 to mid-1995, the metical further depreciated but much more gradually than in previous years (Figure 6). Since late 1995, the nominal exchange rate has been relatively stable. The premium between the official and the parallel market rates has been less than 5 percent (Figure 6) since October 1996. An interdealer market was started in 1996, and its operations expanded in 1997.

## **C. Traditional Competitiveness Indicators**

57. A useful measure of competitiveness is the real exchange rate, whose movements are associated with changes in a country's balance of trade in goods and nonfactor services. The real exchange rate is usually constructed by deflating the nominal exchange rate, by a price index such as the consumer price index (CPI), GDP deflator, export deflator, or cost indices like unit labor costs. The real exchange rate is also measured as the relative price of nontradable and tradable goods (Dornbusch, 1974).

58. Other more industry-specific indicators of competitiveness traditionally calculated are profitability-based indicators. These indicators measure whether any given country is becoming more or less profitable than that of another country. The construction of these indicators is usually based on the unit labor costs in manufacturing; therefore, these indicators mainly focus on assessing external competitiveness in the industrial sector.

Figure 6. Mozambique: Exchange Rate Developments, 1989-97



Sources: IMF, Information Notice System; and Mozambican authorities.

1/ Index based on exchange rates defined as US dollars per unit of local currency. Increase = appreciation.

58. The usefulness of each indicator in assessing competitiveness needs to be carefully considered. Each indicator has pros and cons, and no one indicator provides an unambiguous assessment of competitiveness. With respect to the price indices, CPI-based real exchange rates are easily available and cover a large range of products that are fairly comparable across countries (Turner and Van't dack, 1993). In addition, since wages are often influenced by CPI developments, CPI-based real exchange rates could be a good proxy for developments in a country's cost competitiveness. However, CPI-based real exchange rates also reflect taxes and other institutional distortions, include the prices of services, many of which are nontradable, and do not take directly into account a large portion of prices of tradable goods, like intermediate goods. Meanwhile, real exchange rates based on GDP deflators incorporate the ratio of the relative prices of nontradable to tradable goods at home and abroad and, accordingly, movements in important determinants of trade flows. However, these data are less frequently available and less accurately constructed. Export-deflator-based real exchange rates provide useful information on a country's export performance and consequently on its trade balance; however, as they do not contain information relevant to assess import performance, these indicators may not fully incorporate the information on competitiveness needed to explain movements in the trade balance (Marsh and Tokarick, 1994).

59. Indicators based on relative prices of nontradable and tradable goods provide information on goods that are currently traded, as well as on goods that are potentially tradable, but these indicators may not be reliable, especially when growth in labor productivity differs across sectors of the economy (Lipschitz and McDonald, 1991). Furthermore, as real per capita income rises over time, the relative prices of nontradable goods will tend to rise, but this shift should not by itself suggest that the economy has suffered a loss of competitiveness.

60. Indicators based on unit labor costs provide information about underlying costs of production and are defined similarly across countries; however, they cannot detect changes in the prices of other components of production costs, such as capital and intermediate inputs, and they are subject to large measurement errors (Lipschitz and McDonald, 1991).

#### **D. Competitiveness Indicators for Mozambique**

61. In this section, competitiveness indicators based on prices, costs, and profitability indices are calculated for Mozambique. The choice of competitiveness indicators and the period covered are limited by the availability and accuracy of the data. Mozambique's competitiveness is assessed taking into account these limitations, as well as the advantages and disadvantages of each indicator.

## Price-based competitiveness

### *Using CPI, GDP, and export price deflators*

63. Mozambique's CPI-based real effective exchange rate (REER) vis-à-vis all its major trading partners<sup>18</sup> was calculated for the period 1980–96 (Figure 7, top panel). The figure shows that from 1980 to 1986 Mozambique's competitiveness weakened markedly (as indicated by an appreciation of the REER); the low point reached in 1986 was followed by a remarkable gain of 61 percent in 1987 over the 1986 level. During the period 1988–95, Mozambique continued to improve its competitiveness position although more gradually than in 1987.

64. The above-mentioned behavior reflects an increasing appreciation of the metical through 1986, followed by a large devaluation in 1987, and further depreciations of smaller magnitude afterward. Prior to the adoption of the ERP in January 1987, the official value of the metical, which was pegged to the dollar, was Mt 40 per U.S. dollar. In 1987, the average exchange rate was Mt 329.5 per U.S. dollar, and, by the end of 1995, the market rate had depreciated to Mt 10,890 per U.S. dollar. In 1996, the CPI-based REER slightly appreciated, even though inflation declined markedly from 54.1 percent in 1995 to 16.6 in 1996. This appreciation is explained by the sharp devaluation of South Africa's rand (South Africa is Mozambique's major trading partner) and the relative stability of the metical.

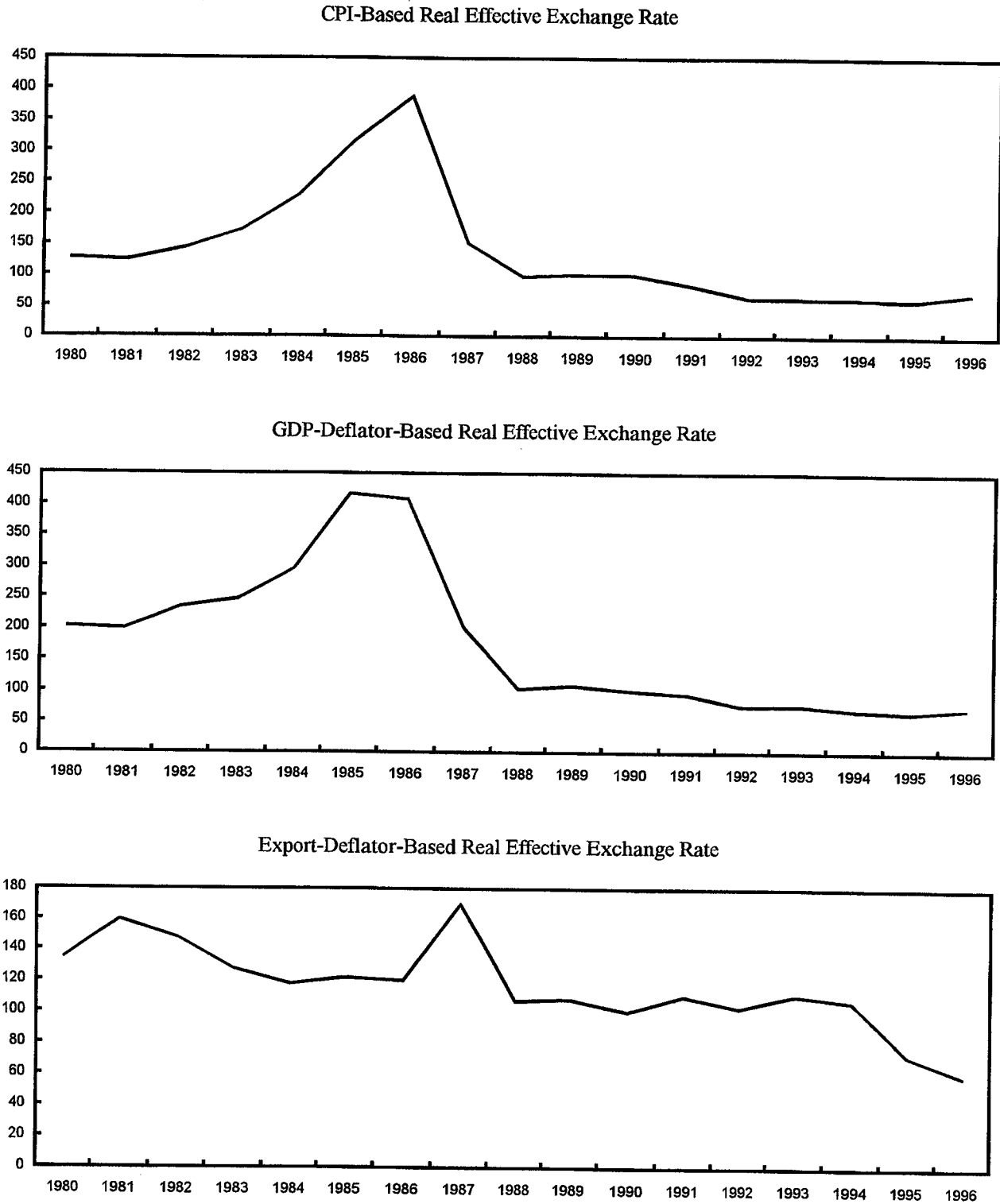
65. The real effective exchange rate based on the GDP deflator (Figure 7, middle panel), which was calculated based on the same trading partners and the same weights as the CPI-based REER, shows similar results. From 1980 to 1985, the REER based on the GDP deflator appreciated by 102 percent; in 1987, it depreciated by 51 percent, and from 1988 to 1995 it depreciated by 67.5 percent. The net result was a depreciation of almost 68 percent with respect to its level in 1980. Like the CPI-based REER, the GDP-deflator-based indicator suggests a slight weakening of Mozambique's competitiveness position in 1996.

66. The real effective exchange rate based on the export deflator (Figure 7, bottom panel) shows an overall gain in Mozambique's competitiveness over the period 1981–96, except in 1987. Unlike the previous indicators, the REER based on the export deflator shows a gain in competitiveness in 1996. This gain could be attributed to export price growth that was lower than the CPI growth. In fact, as shown in Figure 8, export growth did increase markedly in 1996 relative to the real imports of Mozambique's major trading partners. However, the increase stemmed largely from the increase in exports of agricultural products brought about by the good weather conditions. If the depreciation of the REER based on the export deflator was mainly related to transitory factors, like weather conditions, an assessment of competitiveness based on such an indicator could be misleading.

---

<sup>18</sup> The partner countries and their relative weights for the calculation of the CPI-based REER are those used by the IMF's Information Notice System.

Figure 7. Mozambique: Real Effective Exchange Rates, 1980-96  
(Index, 1990=100)



Sources: IMF, Information Notice System; and World Bank.



Figure 8. Real Import Growth of Mozambique's Major Trading Partners vis-à-vis Real Export Growth of Mozambique, 1981-96

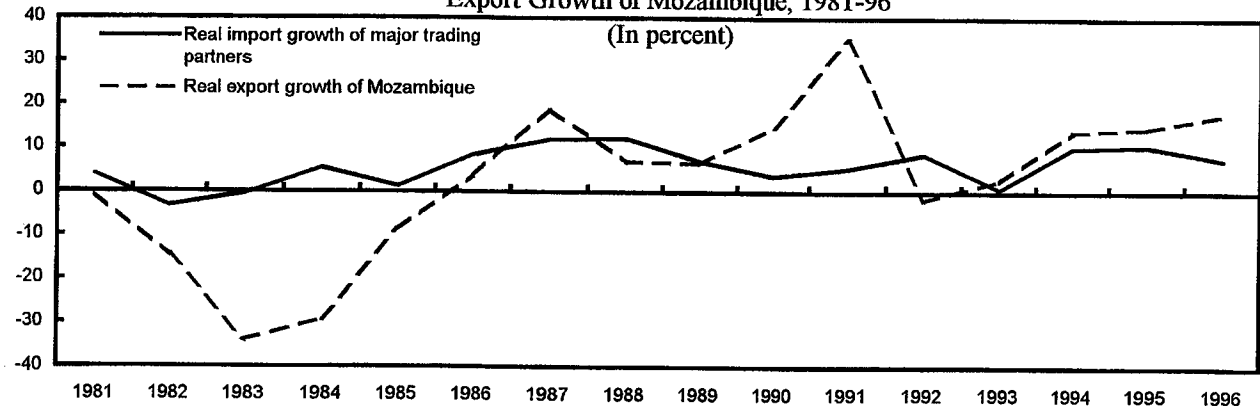


Figure 9. Mozambique: Normalized Real Effective Exchange Rates Using Hodrick-Prescott Filter, 1980-96

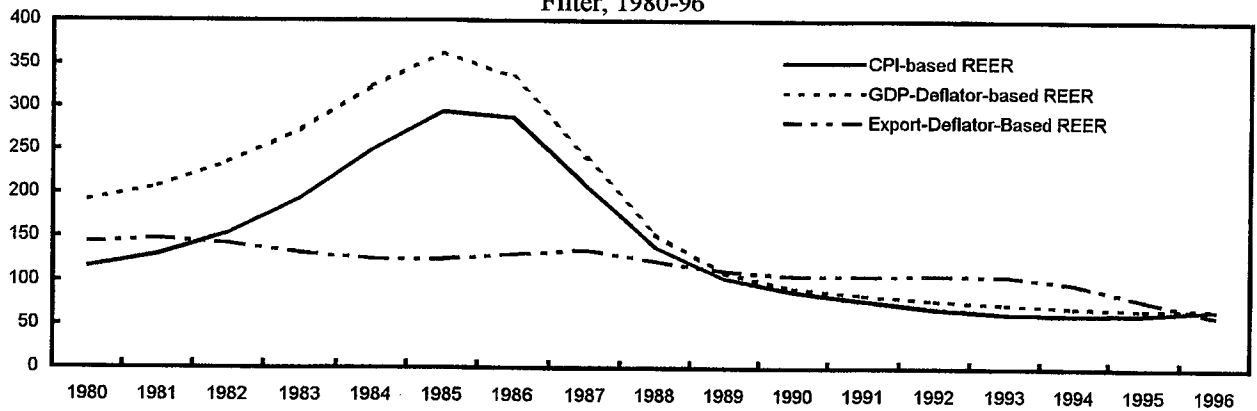
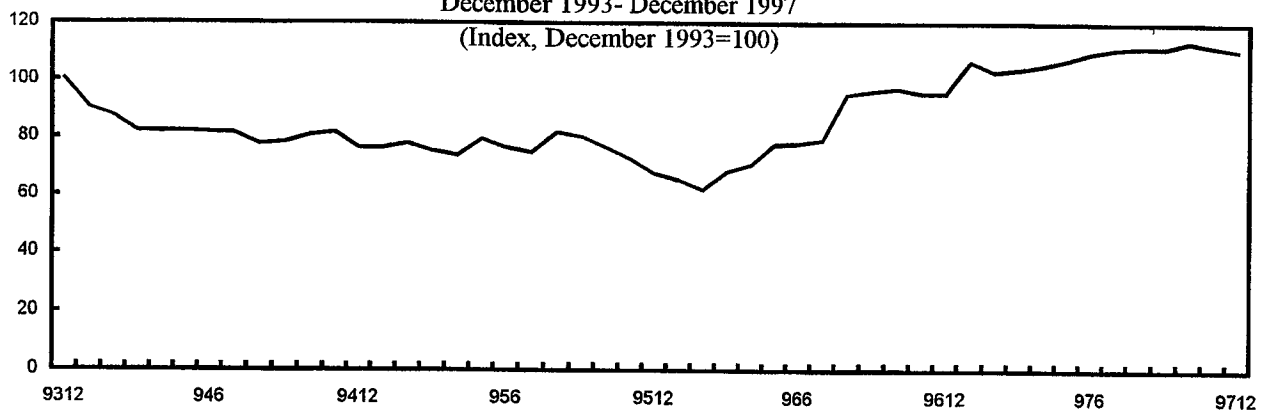


Figure 10. Mozambique: Prices of Nontradable Goods Relative to Tradable Goods, December 1993- December 1997



Sources: IMF, Information Notice System; and Ministry of Planning and Finance.

67. One way to analyze whether such transitory factors may have affected the export-deflator-based indicator is to filter it using the Hodrick-Prescott filter, which permits an identification of the trend component of the series by removing transitory variations. The results suggest that the filtered, export-deflator-based REER devalued in 1996 (Figure 9)—an outcome that does not support the hypothesis that transitory factors may have been the main factor driving the 1996 improvement in Mozambique's export competitiveness.

68. A price index of nontradable goods relative to tradable goods was calculated based on the CPI index for Mozambique, detailed by major commodity groups. Nontradable goods comprise health; transportation and communication; and education, recreation, and culture. Tradable goods comprise food, alcohol, tobacco, clothing, firewood and furniture, and other goods and services. Owing to the limited availability of data, the monthly index was calculated for the period December 1993- December 1997 (Figure 10). The relative price index showed a gain in competitiveness from December 1993 to February 1996 but then reversed direction until the beginning of 1997, when it started to stabilize.

#### *A comparison with some neighboring countries*

69. Mozambique's competitiveness vis-à-vis its major trading partners deteriorated from 1981 to 1986, while the competitiveness of its neighboring countries—Botswana, Lesotho, Swaziland, and Zimbabwe—against their major trading partners remained relatively stable (Figure 11a, top panel). This tendency reversed after mid-1987 (Figure 11b, top panel), when Mozambique started to gain in competitiveness with respect to all other countries, except Zimbabwe.

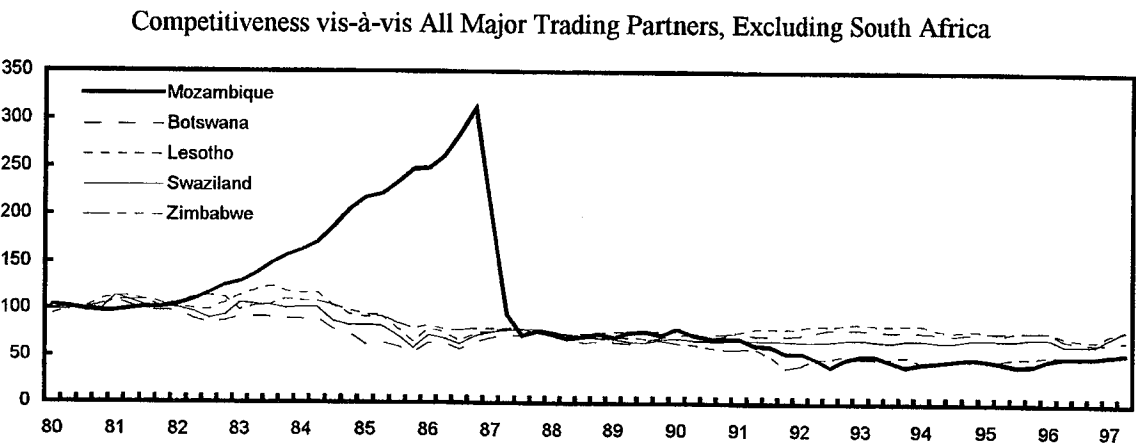
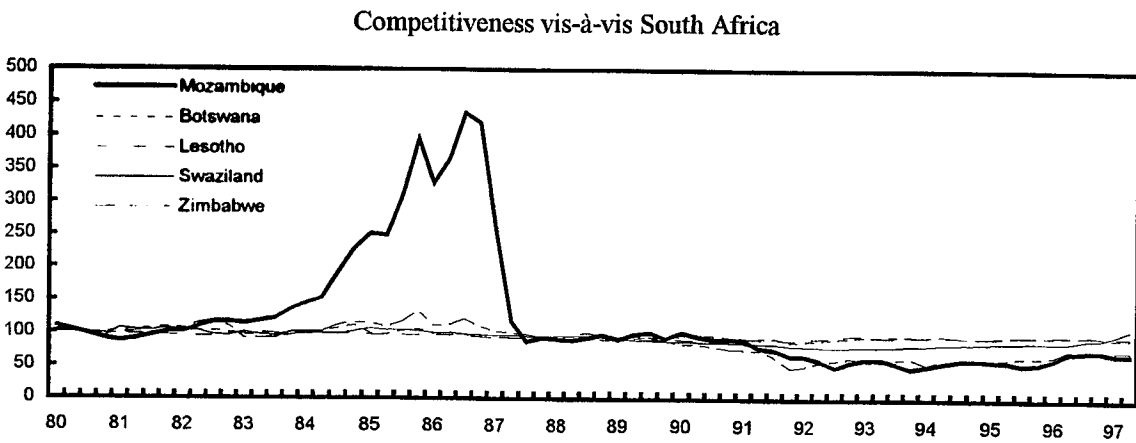
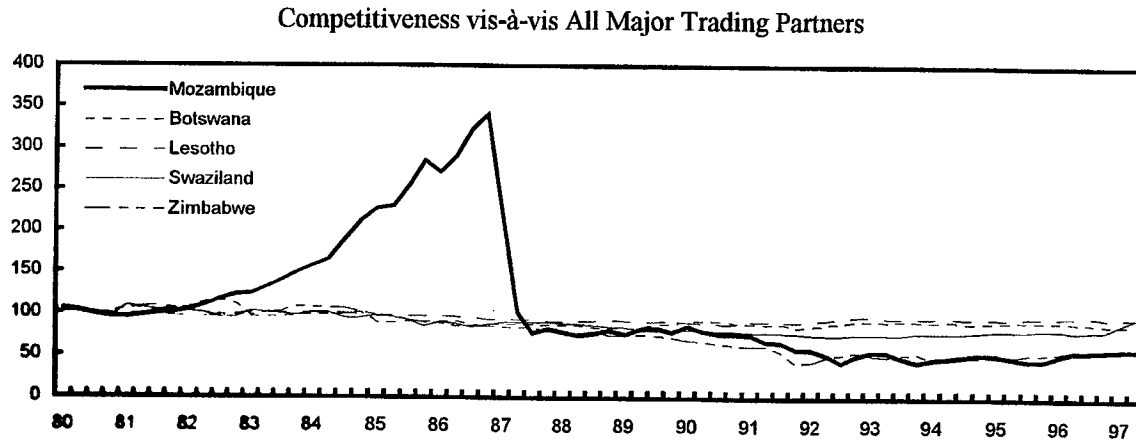
70. An important determinant of Mozambique's CPI-based REER is its competitiveness vis-à-vis South Africa, its major trading partner.<sup>19</sup> Mozambique's competitiveness deteriorated considerably vis-à-vis South Africa (Figure 11a, middle panel) from the beginning of 1981 to the beginning of 1987, mainly because the nominal exchange rate was maintained at an artificially high level. However, it improved remarkably after mid-1987 (Figure 11b, middle panel), as the nominal exchange rate was brought to more realistic levels, and from 1992 on improved faster than that of Botswana, Lesotho, and Swaziland, and kept pace with that of Zimbabwe. Competitiveness vis-à-vis South Africa deteriorated slightly during 1996, as South Africa's currency depreciated faster than Mozambique's. However, this trend reversed again in 1997 as the rand and the metical stabilized and Mozambique's inflation rate fell drastically.

71. Mozambique's competitiveness against its other major trading partners, mostly the European Union and the United States, also showed a deterioration from 1981 to the beginning of 1987; this deterioration was followed by a remarkable improvement in 1987

---

<sup>19</sup> South Africa accounts for almost a 30 percent weight in the effective exchange rate indices for Mozambique.

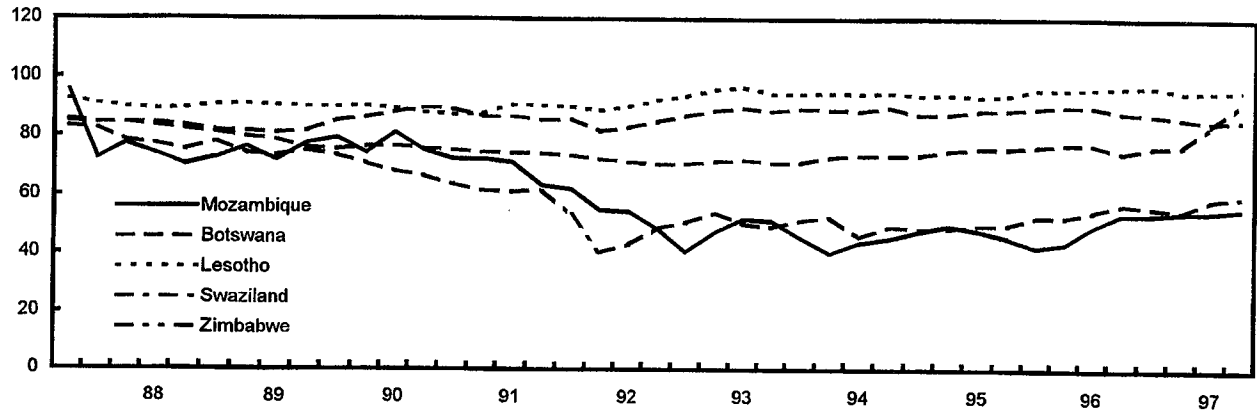
Figure 11a. Mozambique: Price-Based Competitiveness, 1980:Q1-1997:Q2  
(Index, 1980:Q1=100)



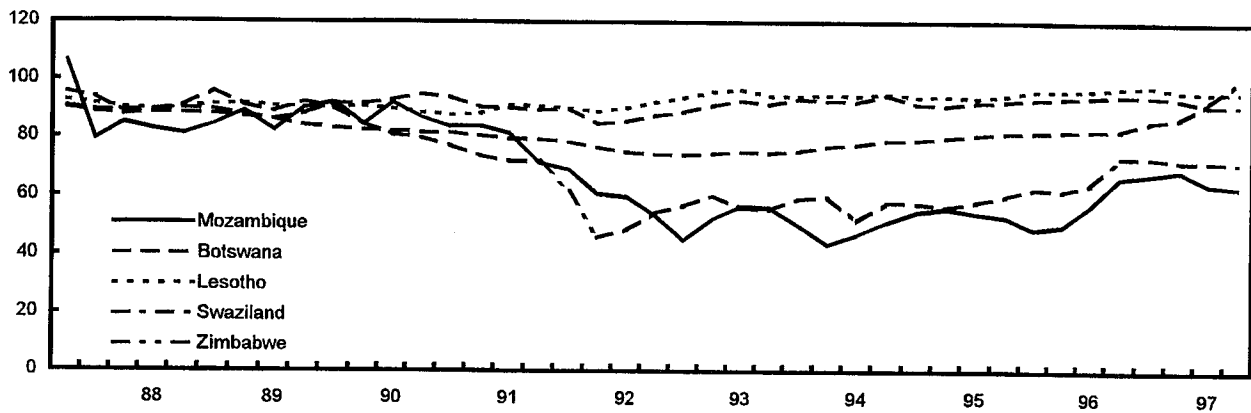
Source: IMF, Information Notice System.

Figure 11b. Mozambique: Price-Based Competitiveness, 1987:Q2-1997:Q2  
(Index, 1980:Q1=100)

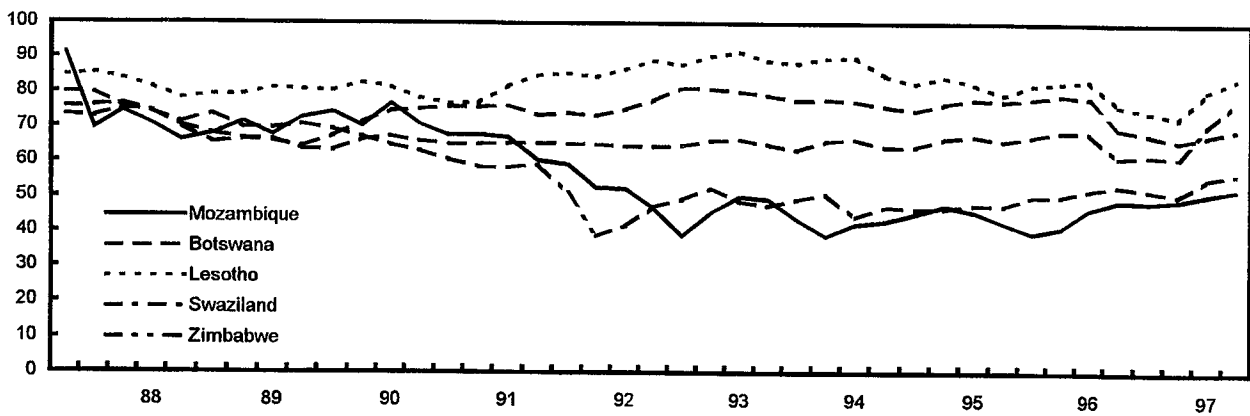
Competitiveness vis-à-vis All Major Trading Partners



Competitiveness vis-à-vis South Africa



Competitiveness vis-à-vis All Major Trading Partners, Excluding South Africa



Source: IMF, Information Notice System.

when the metical was sharply devalued (bottom panel, Figures 11a and 11b). Since then Mozambique improved its competitiveness only slightly through 1992, reaching an almost stable position afterward. During 1996, Mozambique's competitiveness weakened somewhat and further deteriorated in the first half of 1997, reflecting mainly the strong depreciation of the European currencies against the dollar. From 1992 onward, Mozambique was more competitive vis-à-vis its major trading partners, excluding South Africa, than were Botswana, Lesotho, and Swaziland, and it was broadly as competitive as Zimbabwe.

### **Cost-based competitiveness**

72. The unit labor cost index (ULCI) for Mozambique was calculated for the period 1987–96 and compared with South Africa's (Table 8). The index is defined as the ratio of the index of hourly compensation per worker in the industrial sector to the index of production per man-hour. Owing to weaknesses in the data, particularly their limited coverage, the results based on the ULCI must be considered with caution. Over the period 1987–96, Mozambique's ULCI declined by 53 percent. The significant improvement in competitiveness in 1988 can be mainly attributed to the decline in labor costs relative to prices, which rose rapidly following the liberalization of prices at the end of 1987. In the period 1995–96, however, the decline of ULCI can be attributed mainly to the productivity that was gained after the privatization program began taking hold.

73. In contrast, the ULCI for South Africa grew by 163 percent from 1987 to 1996. This sharp increase was due to a rapid growth in labor costs, brought about mostly by South Africa's effort to improve the balance of payments through an import substitution policy that relied extensively on import restrictions.

### **Profitability-based competitiveness in manufacturing**

74. An indicator of profitability-based competitiveness for Mozambique was calculated by dividing the ratio of the CPI to the ULCI for Mozambique by the ratio of the CPI to ULCI for South Africa. This indicator measures whether Mozambique's economy is becoming more profitable, compared with that of South Africa. As suggested by this indicator (Table 9), Mozambique's profitability-based competitiveness improved remarkably during the period 1987–96. The rate at which Mozambique's CPI growth outpaced its ULCI growth was higher than that of South Africa. In 1996, the level of Mozambique's profit margins relative to South Africa's was 64 times higher than in 1987.

75. In order to measure the external competitiveness of Mozambique within the South African market, a profit-based competitiveness indicator, estimated as the ratio of South Africa's deflator in manufacturing to Mozambique's ULCI, was considered (Table 10). According to this indicator, the gain of Mozambique's competitiveness in the South African market was remarkable during the period under review: the 1996 level was six times higher than that of 1987. This improvement in Mozambique's competitiveness is even more

Table 8. Mozambique and South Africa: Unit Labor Cost Index, 1987-96  
(Index, 1987=100)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Mozambique	100	67	93	93	70	62	78	73	49	47
South Africa	100	120	135	155	178	206	225	243	252	263

Sources: For Mozambique, Ministry of Planning and Finance; for South Africa, South African Reserve Bank.

Table 9. Mozambique: Profitability Relative to South Africa, 1987-96  
(Index, 1987=100)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Mozambique	100	240	235	348	615	1,022	1,148	1,990	4,372	6,463

Sources: For Mozambique, Ministry of Planning and Finance; for South Africa, South African Reserve Bank.

Table 10. Mozambique and South Africa: Profitability in the South African Market, 1987-96  
(Index, 1987=100)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Mozambique	100	170	157	176	263	319	275	321	527	600
South Africa	100	94	108	106	103	96	96	96	102	106

Sources: For Mozambique, Ministry of Planning and Finance; for South Africa, South African Reserve Bank.

remarkable when compared with South Africa's profitability, which remained generally flat during the period under consideration.

### **E. Conclusions**

76. On the basis of a set of indicators based on price, cost, and profitability indices, Mozambique's competitiveness deteriorated sharply from 1980 to 1986, followed by an improvement through 1995. The evidence on Mozambique's competitiveness in 1996 is mixed. Despite a dramatic reduction in inflation, the REERs based on the CPI and the GDP deflator show an appreciation, while the REER based on the export deflator indicates a gain in competitiveness. Different factors, as reflected by the different indicators, can account for this mixed evidence, including the sharp devaluation of the rand, the stabilization of the metical, and the strong increase in exports related mainly to favorable weather conditions.

### **References**

- Dornbusch, Rudiger, 1974, "Tariffs and Nontraded Goods," *Journal of International Economics*, Vol. 4 (May), pp.177-85.
- Lipschitz, Leslie, and Donogh McDonald, 1991, "Real Exchange Rates and Competitiveness: A Clarification of Concepts, and Some Measurements for Europe," IMF Working Paper 91/25 (Washington: International Monetary Fund).
- Marsh, Ian W., and Stephen P. Tokarick, 1994, "Competitiveness Indicators: A Theoretical and Empirical Assessment," IMF Working Paper 94/29 (Washington: International Monetary Fund).
- Turner, Phillip, and Jozef Van't dack, 1993, "Measuring International Price and Cost Competitiveness," BIS Economic Papers, No. 39 (Basle, Switzerland: Bank for International Settlements).

## VI. POVERTY AND SOCIAL EXPENDITURES IN MOZAMBIQUE<sup>20</sup>

### A. Introduction

77. Mozambique is one of the poorest countries in the world with an estimated GNP per capita of about US\$90 in 1996.<sup>21</sup> Given the modest income per capita, sustainable economic growth with low inflation is the only way to improve the living conditions of the population. The government's poverty reduction strategy focuses on (i) promoting faster smallholder agricultural growth; (ii) developing the country's human resources through increased provision and better quality of social services (health and education) and (iii) strengthening safety nets aimed at assisting the most vulnerable population groups. The government is committed to expanding the share of the social sectors in total expenditure and to improving the effectiveness of social sector expenditures through the development of integrated sector programs, such as those in agriculture and rural development (PROAGRI), health and education. Progress toward the medium-term social goals will be assessed by the use of objective indicators of the delivery of social services.

78. This chapter looks into three issues: the existing social conditions (Section B), the government expenditures in the social sectors (Section C), and the social safety nets that complement the government's structural adjustment program (Section D).

### B. Poverty and Social Indicators

79. Since the signing of the Rome Peace Accords in 1992, Mozambique is undergoing fast economic and social transformation. The end of the war has allowed the return of a significant part of the population to the land, the traditional source of its livelihood.<sup>22</sup> In addition, the intensification of economic reform, including the near completion of the government's privatization program has given new dynamism to the economy. Finally, the decline in inflation since 1995 should have contributed to a decline in poverty levels.

80. Even with adequate policies, the improvement in social and poverty indicators tends to be a gradual process, particularly in a country such as Mozambique where poverty is widespread. Moreover, it is often difficult to measure the progress made in poverty reduction as the compilation of socio-economic and demographic statistics poses difficult technical questions and can be an expensive undertaking, which a poor country can seldom afford. Mozambique's poverty profile and poverty reduction strategy are based on data for the early

---

<sup>20</sup>This chapter was prepared by Kori Udovički.

<sup>21</sup>According to the methodology of the World Bank Atlas.

<sup>22</sup>More than 5 million refugees and internally displaced persons were resettled after the war, most of them in the rural sector.



1990s (Fortes, 1995).<sup>23</sup> For the urban population, the data source is a household expenditure survey of Maputo in 1991–92 and a similar survey of the provincial capitals in 1992–93 (Direcção Nacional de Estatísticas, 1992–94). For the rural population, the sources are regional or local agricultural surveys also conducted in the early 1990s. The first post-war nationwide household expenditure and income survey (HES) and the first nationwide health and demographic survey were conducted in 1996. Preliminary results from these two surveys became available early in 1998. This section makes inferences about social and poverty conditions on the basis of these preliminary results. It concludes that there has been some progress in improving social conditions and reducing poverty since the early nineties. This result should, however, be accepted with caution as the margins for error are large and considerable work remains to be done to complete data analysis.

81. Table 11 shows Mozambique's and Maputo's households according to the level of their monthly expenditures per capita in 1996. These results are compared to those obtained in a 1991 household expenditure survey for the city of Maputo. In order to translate the 1996 data into estimates of poverty levels, a poverty line needs to be defined. Two options are available: to update the poverty line estimated for Maputo in 1991 or the one estimated for the population receiving cash transfers in the provincial capitals and Maputo in 1995.<sup>24</sup> Both these poverty lines were defined as the expenditures needed to purchase a basket that would provide a minimum caloric intake of 2,100 kcal per person per day and meet some other basic needs. When updated for inflation (using changes in the Maputo consumer price index), these two poverty lines amounted in 1996 to approximately Mt 217,000 and Mt 135,000 per capita per month. Because of differences in their definition and coverage, these two poverty lines provide upper and lower bounds for the actual absolute poverty line in Maputo today.<sup>25</sup> The poverty line for Mozambique as a whole is lower than that for Maputo because of regional price differences.<sup>26</sup>

82. Using the interval given by the two described poverty lines, the proportion of absolutely poor households in Maputo declined in the period 1991-1996 from 28-52 percent

---

<sup>23</sup>These results have been summarized in SM/96/284.

<sup>24</sup>The poverty line for Maputo was estimated in Sahn and others, 1994, and the one for households receiving cash transfers in Datt and others, 1995.

<sup>25</sup> Explanations for the large difference between the two poverty lines include differences in survey specific characteristics, such as the number of children in households, as well as possible changes in relative prices in the four years intervening between the two surveys.

<sup>26</sup> Poverty lines estimated for four regional groups of provincial capitals stood, respectively at 81.6, 73.2, 55.8 and 66.6 percent of the poverty line for Maputo.

Table 11. Mozambique: Households by Expenditure per Capita Interval

Monthly expenditures per capita (in meticaais)	In percent of total			Cumulative Percentage		
	1996 1/		1991 2/ 3/	1996		1991 2/ 3/
	Mozambique	City of Maputo	City of Maputo	Mozambique	City of Maputo	City of Maputo
0 - 49,000	17.3	1.7	3.1	17.3	1.7	3.1
50,000 - 149,000	47.3	18.1	28.2	64.6	19.8	31.2
150,000 - 249,000	16.5	18.6	27.3	81.1	38.4	58.5
250,000 - 349,000	7.6	15.2	13.7	88.7	53.5	72.2
350,000 - 449,000	4.3	13.6	9.5	93.0	67.1	81.8
450,000 - 549,000	1.9	6.5	4.7	95.0	73.6	86.5
550,000 - 649,000	1.3	5.9	3.8	96.3	79.5	90.3
650,000 - 749,000	1.0	4.7	2.1	97.3	84.2	92.5
750,000 - 849,000	0.5	2.0	1.7	97.8	86.2	94.1
850,000 - 949,000	0.7	3.9	2.0	98.4	90.1	96.1
950,000 -1,049,000	0.3	1.5	0.5	98.7	91.6	96.6
1,050,000 - and above	1.3	8.4	3.4	100.0	100.0	100.0

Sources: Inquérito Nacional aos Agregados Familiares Sobre Condições de Vida. INE, Maputo 1996, Unpublished tables; Table 159. "Relatório Sobre os Resultados do 2º Módulo do Inquérito às Famílias na Cidade de Maputo," DNE, Maputo, Julho, 1992; and Fund Staff estimates.

1/ The intervals 850,000-949,000 and 950,000-1,049,000 have been merged for comparability with the 1991 survey.

2/ Numbers for the 1991 survey of Maputo refer to household in sample.

3/ Expenditure intervals for Maputo in 1991 were adjusted by the average inflation March 96-April 97/ August -November 1991; to obtain the same interval spacing as in 1996, it was assumed that the distribution of households inside an interval is uniform.

Table 12. Mozambique: Households by Monthly Income Interval

Household monthly income (in meticaais)	In percent of total 1/			Cumulative Percentage		
	1996		1991 3/	1996		1991 1/
	Mozambique	City of Maputo	City of Maputo	Mozambique	City of Maputo	City of Maputo
0 - 150,000	14.9	6.3	1.5	14.9	6.3	1.5
150,001 - 299,999	14.8	1.5	7.3	29.8	7.7	8.8
300,000 - 499,999	17.9	6.7	16.8	47.7	14.5	25.7
500,000 - 749,999	17.4	14.2	18.3	65.0	28.6	43.9
750,000 - 999,999	10.6	8.7	13.9	75.6	37.3	57.8
1,000,000 - 1,499,999	11.0	20.8	19.3	86.6	58.1	77.1
1,500,000 - 2,999,999	9.0	23.2	16.0	95.6	81.3	93.1
3,000,000 - 4,499,999	2.7	11.0	2.7	98.3	92.3	95.8
4,500,000 - 7,499,999 3/	1.0	4.2	1.4	99.3	96.5	97.2
7,500,000 - 9,999,999	0.3	1.1	1.4	99.6	97.6	98.6
10,000,000 - 19,999,999	0.3	1.7	1.4	99.9	99.3	100.0
20,000,000 and above	0.1	0.7	--	100.0	100.0	

Sources: Inquérito Nacional aos Agregados Familiares Sobre Condições de Vida. INE, Maputo 1996, Unpublished tables; Table 144. "Relatório Sobre os Resultados do 2º Módulo do Inquérito às Famílias na Cidade de Maputo," DNE, Maputo, Julho, 1992; and Fund staff estimates.

1/ Numbers for the 1991 survey of Maputo refer to percent of households in sample

2/ Expenditure intervals for Maputo in 1991 were adjusted by the average inflation March 96-April 97/ August -November 1991; to obtain the same interval spacing as in 1996, it was assumed that the distribution of households inside an interval is uniform.

3/ For 1991 Maputo survey interval is open. Upper limit is derived from information on average income for all households.

to 17-32 percent of the total.<sup>27</sup> However, the proportion of the population that is poor is likely to be higher than the proportion of poor households in the total because poor households tend to be larger than the average household. The improvement in the purchasing power of Maputo's households is evident across the entire expenditure spectrum. The percentage of households in each of the two lowest expenditure brackets declined by about a third, the percentage of households with expenditure below Mt 349,000 per month (about US\$31) declined by close to 20 percent, and the percentage of households with monthly expenditures per capita higher than Mt 649,000 per month (about US\$57) doubled.

83. The average household consumption over the rest of the country is much lower than that in Maputo, even after allowances are made for price differentials. About 65 percent of Mozambique's households consumed less than Mt 149,000 (about US\$13) per capita per month and nearly 90 percent consumed less than Mt 349,000 (about US\$31) compared with only 20 percent and 54 percent of Maputo's households respectively in these two brackets.

84. No comparison with earlier periods can be made for the country as a whole. Moreover, it is difficult to make an assessment of the figures available for 1996 because the per capita monthly expenditures of 47 percent of households belong to one single interval, that between Mt 50,000 and Mt 149,000. However, if one assumes that the distribution of households within each expenditure interval is uniform then a minimum of 35 percent and a maximum of 58 percent of all households in Mozambique were still below the absolute poverty line in 1996.<sup>28</sup>

85. Data on household income and its distribution are shown in Table 12.<sup>29</sup> The average monthly household income in Maputo, at just over Mt 2 million (about US\$189), is 2.4 times higher than the average for Mozambique, and it has increased by 49 percent since 1991.<sup>30</sup> Of

---

<sup>27</sup> In order to estimate the proportion of households in an expenditure interval narrower than those shown in survey results, it was assumed that the distribution of households across an expenditure interval was uniform. It is interesting to note that these poverty indicators for the early 1990s also seem better than what has been quoted in the literature until recently.

<sup>28</sup>Based on regional poverty lines obtained by applying the factors described in footnote 26 to the poverty lines for Maputo.

<sup>29</sup>Income figures are based on declared income, which generally excludes imputed income from subsistence consumption.

<sup>30</sup> Average incomes for 1996 were calculated on the basis of the tabular data. The highest income interval was closed by assuming that the top income in the interval is equal to the bottom. This biases the figure downwards; the error is probably small since only 0.1 percent of households belong to this category.

all households in Mozambique, 76 percent had monthly income below about Mt 1 million; in Maputo this proportion was only 37 percent.

86. Income distribution is unequal, as can be expected in a country with virtually no middle class. Sixty-five percent of all households receive 25 percent of the income, and one half of these receive only 5 percent of the total income. The richest 5 percent receive nearly 50 percent of the income. The distribution is somewhat less unequal in Maputo. The Gini coefficients for Mozambique and Maputo in 1996 were 0.52 and 0.47 respectively. These results are comparable with the 1991 Gini coefficient for Maputo of 0.48. When compared with other countries in Sub-Saharan Africa these results, if confirmed, would indicate that Mozambique has an income distribution that is more unequal than the average (see Table 13 and Figure 12).<sup>31</sup>

87. Most social indicators for Mozambique stand well below averages for Sub-Saharan Africa (see Table 14). Present estimates show a low gross primary enrollment rate (62 percent of the respective age group) and a very high illiteracy rate (60 percent); the corresponding figures for Sub-Saharan Africa are 71 percent and 43 percent. Health indicators also compare unfavorably; the life expectancy at birth is 47 and the infant mortality rate (per 1,000 live births) is 134, compared with respectively 52 and 92 for Sub-Saharan Africa.

88. Preliminary results from the 1996 health and demographic survey show that the infant mortality rate is somewhat lower than was expected and that the child mortality rate is somewhat higher than was expected (199 per thousand children under age 5). The preliminary results also show a prenatal coverage of 71.8 percent (43.5 percent of births are institutional) and full vaccination coverage of 47.1 percent.<sup>32</sup>

---

<sup>31</sup>It is interesting to note that in 1996 the income distribution within the civil service was very equal, with a Gini coefficient of 0.22.

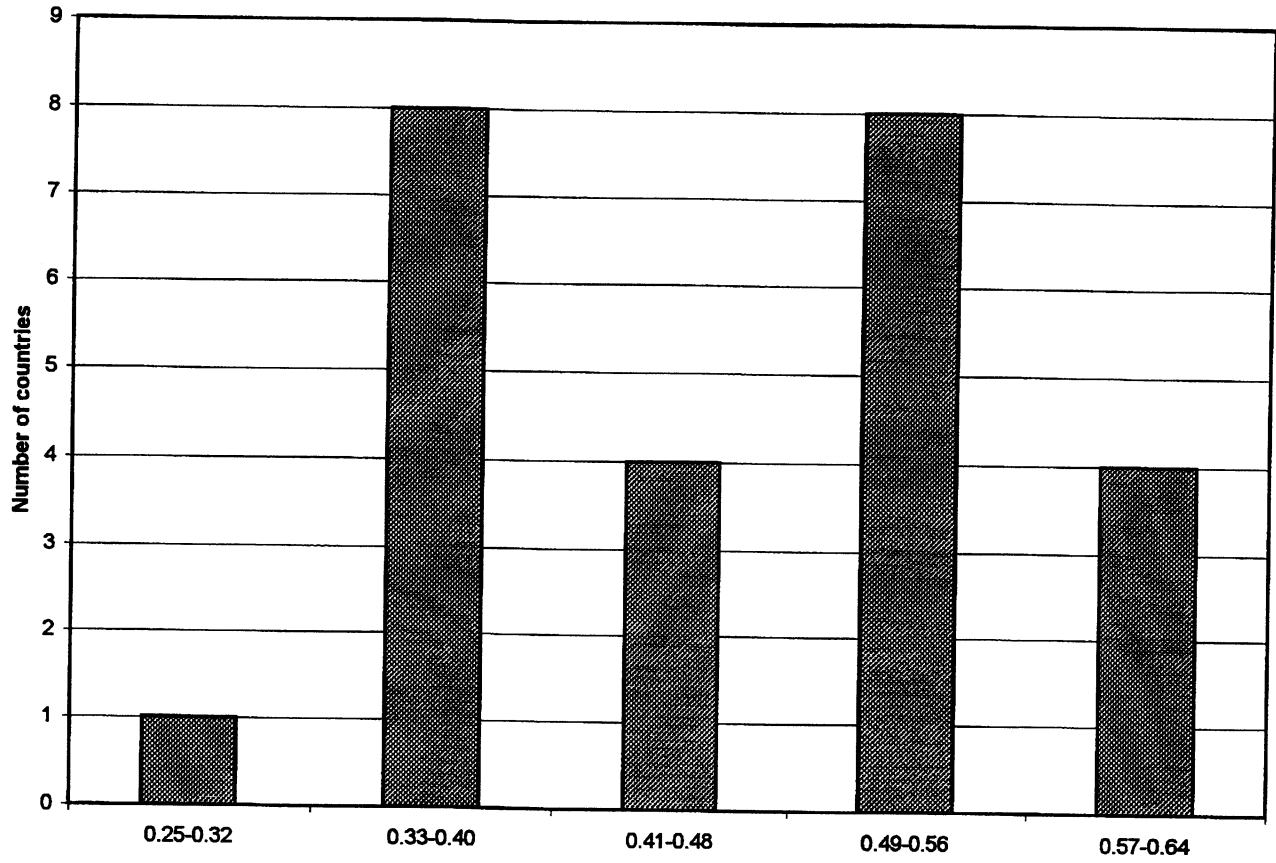
<sup>32</sup>That is DPT3, BCG, OPV, and measles.

Table 13. Sub-Saharan Africa: Gini Coefficients

	No. Obs.	Gini			First year	Last year
		Average	Minimum	Maximum		
Botswana	1	54.21	54.21	54.21	1986	1986
Central African Republic	1	55.00	55.00	55.00	1992	1992
Cote d'Ivoire	4	39.18	36.89	41.21	1985	1988
Cameroon	1	49.00	49.00	49.00	1983	1983
Gabon	2	61.23	59.27	63.18	1975	1977
Ghana	4	35.13	33.91	36.74	1988	1992
Guinea-Bissau	1	56.12	56.12	56.12	1991	1991
Kenya	1	54.39	54.39	54.39	1992	1992
Lesotho	1	56.02	56.02	56.02	1987	1987
Madagascar	1	43.44	43.44	43.44	1990	1990
Mauritania	1	42.53	42.53	42.53	1988	1988
Mauritius	3	40.67	36.69	45.70	1980	1991
<b>Mozambique</b>	<b>1</b>	<b>52.00</b>	<b>52.00</b>	<b>52.00</b>	<b>1996</b>	<b>1996</b>
Niger	1	36.10	36.10	36.10	1992	1992
Nigeria	3	38.55	37.02	41.15	1986	1992
Rwanda	1	28.90	28.90	28.90	1983	1983
Senegal	1	54.12	54.12	54.12	1991	1991
Seychelles	2	46.50	46.00	47.00	1978	1984
Sierra Leone	1	60.79	60.79	60.79	1968	1968
Sudan	1	38.72	38.72	38.72	1971	1971
Tanzania	3	40.37	38.10	44.00	1969	1993
Uganda	2	36.89	33.00	40.78	1989	1992
South Africa	1	62.30	62.30	62.30	1992	1992
Zambia	2	47.26	43.51	51.00	1976	1991
Zimbabwe	1	56.83	56.83	56.83	1990	1990
Sub-Saharan Africa	41	44.88	28.90	63.18	1988	1996

Source: Deininger, K. and L. Squire, "Measuring Income Inequality: A New Data-Base," Harvard Institute for International Development, Development Discussion Paper No. 537, Conference Paper Series, May 1996; INE, Household Expenditure and Income Survey, Preliminary Results, 1996.

**Figure 12. Sub-Saharan Africa, Gini Coefficients, Frequency**



Source: Deininger and Squire (1996)

Table 14. Social Indicators for Mozambique and Sub-Saharan Africa<sup>33</sup>

Mozambique		Sub-Saharan Africa
90	GNP per capita (US\$, 1996)	490
47	Life expectancy at birth (years)	52
134	Infant mortality (per 1,000)	92
1,100	Maternal mortality (per 100,000)	700
60	Illiteracy (% population age 15+)	43
62	Gross primary enrollment (% age group)	71
45	Of which: Female	64

Source: Government of Mozambique and World Bank staff estimates.

Box 1 presents a summary of the main findings of a rural poverty profile prepared by the Poverty Alleviation Unit of the Ministry of Plan and Finance in 1996.

### C. Social Expenditures

89. In the last ten years, total social expenditures excluding foreign financed investment and grant financed medicines have fluctuated between 5.0 and 7.3 percent of GDP (see Tables 15, 35, and Figure 13). In 1993 and 1994, social expenditures declined sharply as available resources were diverted to resettlement, elections, demobilization and demining (special programs). Since then, however, social expenditures have accounted on average for 14.3 percent of total expenditures and net lending. Health and education expenditures have comprised the bulk of these expenditures (91 percent in 1997). The remainder has consisted of price subsidies, cash transfers (discussed below) and some rural development programs. Data on the execution of foreign-financed investment in health and education are not available. On the assumption that the proportion of foreign to local financing of such investment is the same as that projected in the government's three-year investment program, in 1997 total expenditure on education and health was nearly twice that shown in Table 15.

<sup>33</sup>Unless otherwise noted, these indicators are for the most recent available year.

Table 15. Mozambique: Expenditure on the Social Sectors, 1987-1997

	1987-1997	1987-1989 1/	1990-1992	1993-1994	1995-1997
	(In percent of GDP)				
Current expenditure on social sectors	5.3	5.0	6.4	4.5	4.8
Education	2.9	2.7	3.3	2.4	2.9
Health	1.3	1.2	1.6	1.2	1.4
Rural development	0.4	--	0.6	0.3	0.3
Price subsidies	0.5	1.2	0.5	0.1	0.0
Social subsidies 2/	0.4	--	0.4	0.4	0.2
<b>Total expenditure on social sectors 3/ 4/</b>	<b>6.1</b>	<b>6.0</b>	<b>7.1</b>	<b>5.4</b>	<b>5.5</b>
Of wich: <b>Education</b>	<b>3.4</b>	<b>3.3</b>	<b>3.8</b>	<b>3.0</b>	<b>3.3</b>
<b>Health</b>	<b>1.7</b>	<b>1.6</b>	<b>1.8</b>	<b>1.5</b>	<b>1.6</b>
	(In percent of current expenditure)				
Current expenditure on social sectors	24.5	21.1	26.7	20.5	28.3
Education	13.5	11.3	13.7	11.0	17.0
Health	6.3	4.8	6.6	5.6	7.9
Rural development	2.0	--	2.6	1.6	1.9
Price subsidies	2.0	4.9	1.9	0.3	0.1
Social subsidies 2/	1.7	--	1.8	2.0	1.4
	(In percent of total expenditure and net lending)				
Total expenditure on social sectors	13.8	12.7	14.7	12.1	14.3
Education	7.7	7.2	7.8	6.8	8.6
Health	3.8	3.4	3.7	3.4	4.2
Rural development	1.0	--	1.3	0.8	0.8
Price subsidies	1.0	2.6	1.0	0.2	0.0
Social subsidies 2/	0.8	--	0.9	1.0	0.6

Source: Appendix table 25.

1/ Total expenditures refer to 1989 only.

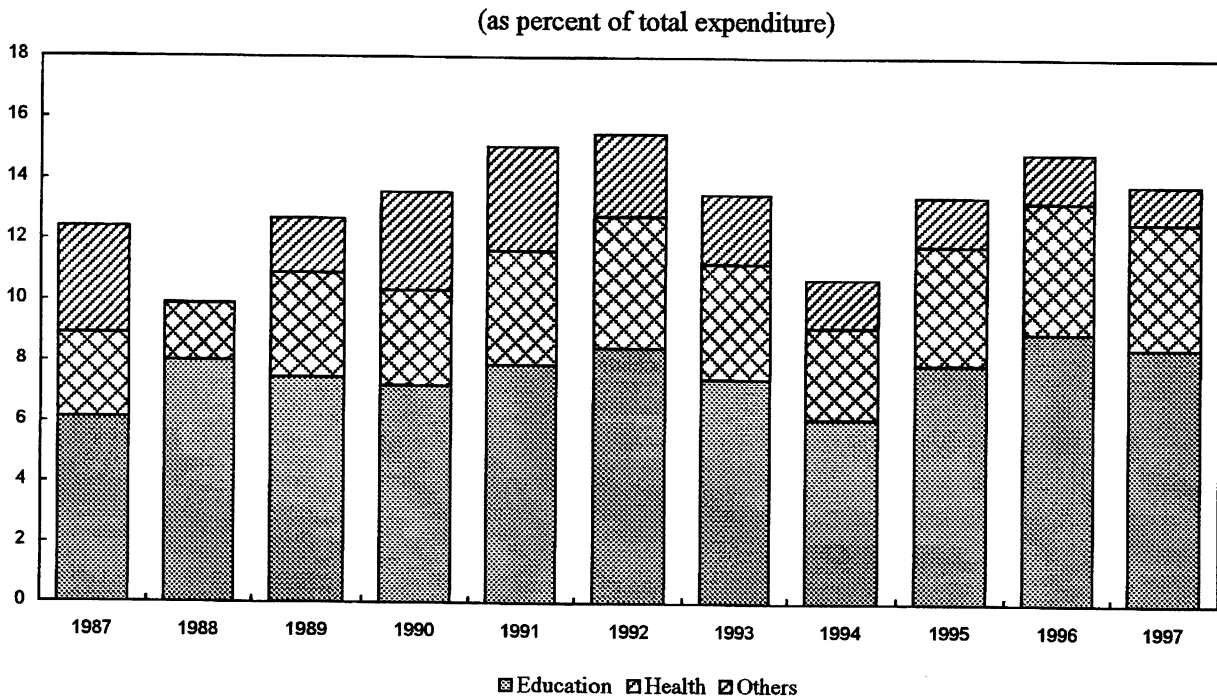
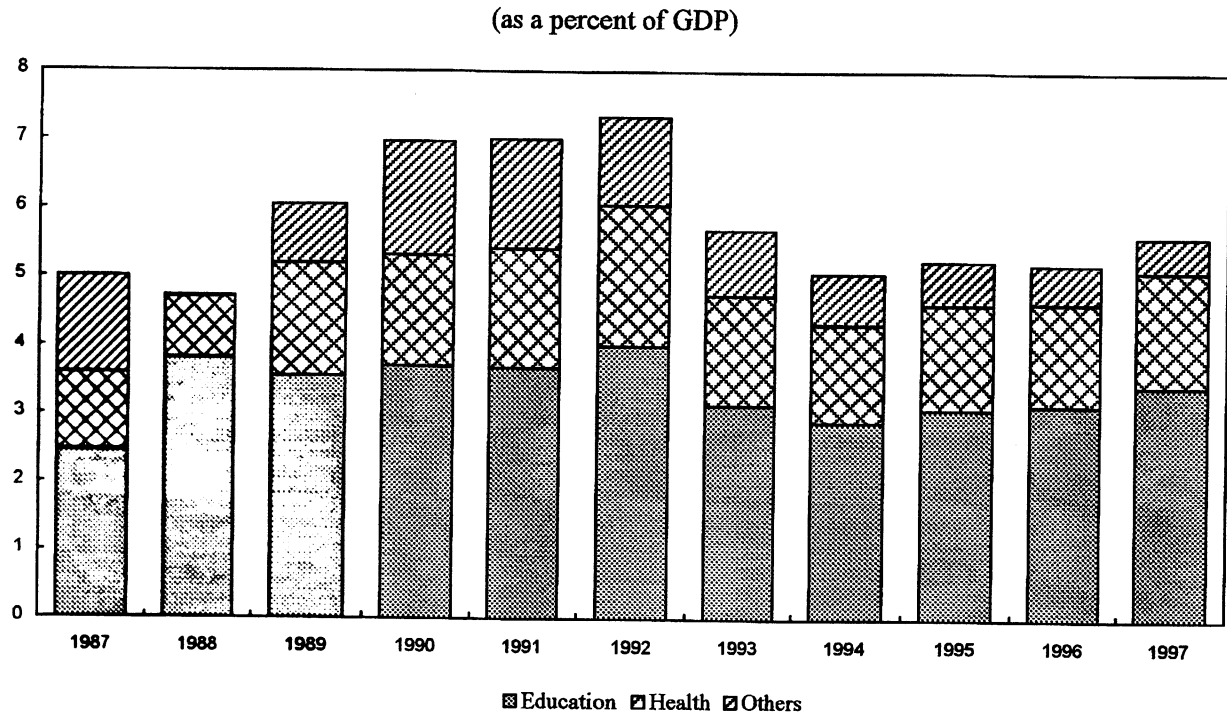
2/ GAPVU's activities: transfers and administrative costs.

3/ Capital expenditure includes locally financed expenditure only.

4/ Includes special expenditures in 1994.



Figure 13. Mozambique: Social Expenditures, 1987-97



Source: Table 15.

### **Box 1. Mozambique: Rural Poverty Profile—Main findings**

- Around 19 percent of the rural households are headed by women (30 percent in the south, 20 percent in the center and 12 percent in the north), and these households possess less land than those headed by men.
- At the national level some 29 percent of rural households cultivate less than one hectare. In the north this figure is 20 percent, in the center 38 percent and in the south 40 percent.
- Rural households in the south report an average of 5.0 months of food insecurity. The figure is 3.3 months in the center and 2.5 months in the north.
- Although the incidence of growth faltering and malnutrition amongst children are high (15 percent and 25 percent respectively), they are similar to rates in neighboring countries.
- About 25 percent of smallholder plots were allocated by traditional authority, 9 percent by formal authority, 9 percent is borrowed land, 28 percent is occupied land, 27 percent is purchased land mostly without titles (26 percent)
- Estimated cotton yields range between 300-400 kgs per hectare, far lower than the 1100-1300 kgs per hectare obtained in West Africa..
- Only 7 percent of all farming households use fertilizers. Only 5 percent of plots are irrigated, and of those that are, only 10 percent are mechanically irrigated.
- The average rural household had between 4 and 5 persons according to the national demographic survey of 1991.

Source: Ministry of Plan and Finance (1996).

90. Current budgetary expenditure in the social sectors is the only available measure of the provision of social services in Mozambique.<sup>34</sup> It is not a perfect indicator, however. Its coverage is incomplete, for it does not include social services in the areas of housing and communal services, recreation and culture, nor does it include services misclassified as investments in the social sector, and those financed outside the government's budget—all believed to be significant.

---

<sup>34</sup> See Box 2 for caveats.

91. Since 1987, current social sector expenditure has fluctuated in the range of 4.0-6.5 percent of GDP (Tables 15 and 35, and Figure 13). On average, expenditure in education and health has amounted to about 2.9 percent and 1.3 percent, respectively. Price subsidies accounted for 1.5 percent of GDP in 1987, but were gradually eliminated and have been less than ½ percent of GDP since 1991. The GDP share of the other social expenditure programs in Table 15 has declined from 0.9 percent of GDP in 1990 to 0.5 in 1997.

92. In real per capita terms, current social expenditure increased by 45 percent between 1987 and 1997 (Figure 14); it peaked in 1992, before declining 24 percent over 1993 and 1994, and gradually recovering thereafter.

93. Real per capita social expenditures can be viewed as the product of four factors: real GDP per capita, the share of total expenditures in GDP, the share of social expenditures in total expenditures, and relative prices:

$$\psi = y \cdot E/Y \cdot S/E \cdot P/P^s$$

where  $\psi$  represents real current social expenditure per capita; S is nominal current social expenditure; E is nominal current total expenditure; y is real GDP per capita; Y is nominal GDP; P represents the GDP deflator; and  $P^s$  represents the social service price index.

94. Therefore, over any period the change in social expenditure<sup>35</sup> (and thus the change in government social services per capita), can be decomposed as follows:

$$\begin{aligned} \Delta\psi = & \Delta y \cdot (E/Y \cdot S/E \cdot P/P^s)_0 + \\ & + \Delta(E/Y) \cdot (S/E \cdot P/P^s \cdot y)_0 + \\ & + \Delta(S/E) \cdot (E/Y \cdot P/P^s \cdot y)_0 + \\ & + \Delta(P/P^s) \cdot (E/Y \cdot S/E \cdot y)_0 + \\ & + \text{residual} \end{aligned}$$

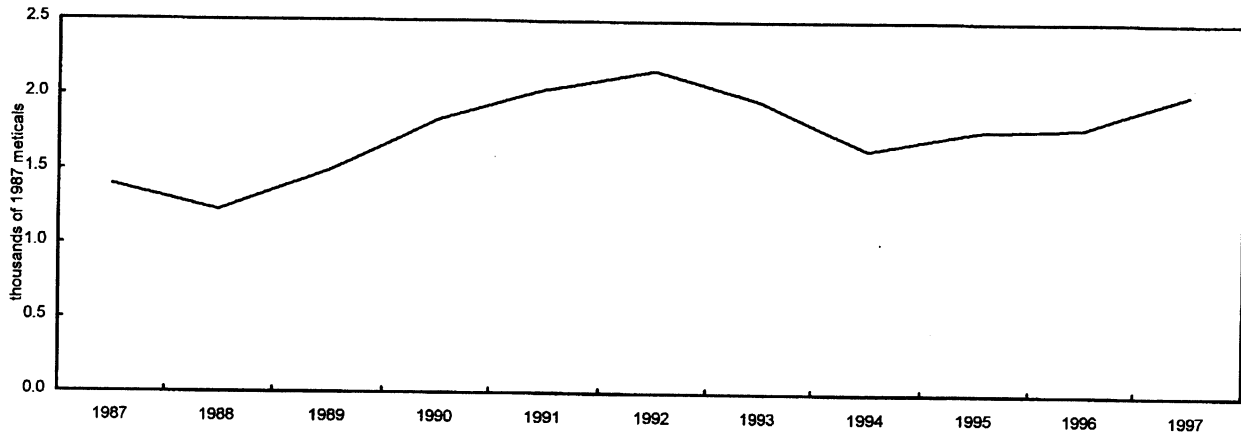
where the first term represents the contribution of real income per capita, the second term represents the contribution of the share of expenditures in GDP, the third term represents the contribution of the share of social services in total expenditures, the fourth term represents the effect of relative prices and the last term is a second order residual.

95. The second panel in Figure 14 shows how these factors contributed to the increase in social expenditures from year to year, while the third panel shows their accumulated effects over the whole ten year period. The decline in social expenditures in 1993-1994 can be largely attributed to a temporary shift in budget priorities towards the special programs mentioned above. The increase in social expenditure since the early 1990s was also dampened by cuts in

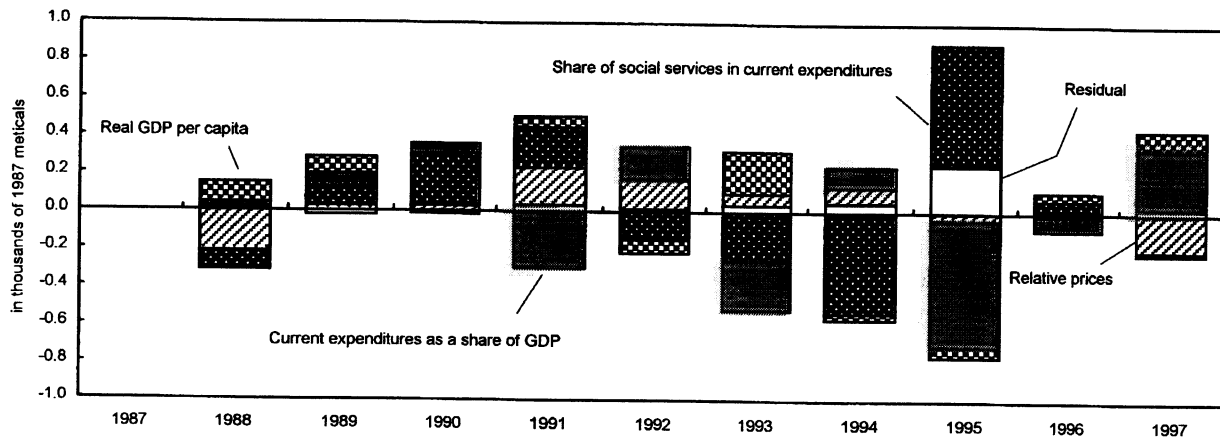
---

<sup>35</sup> In the remainder of this section, the term “social expenditure” refers to real current social expenditures per capita.

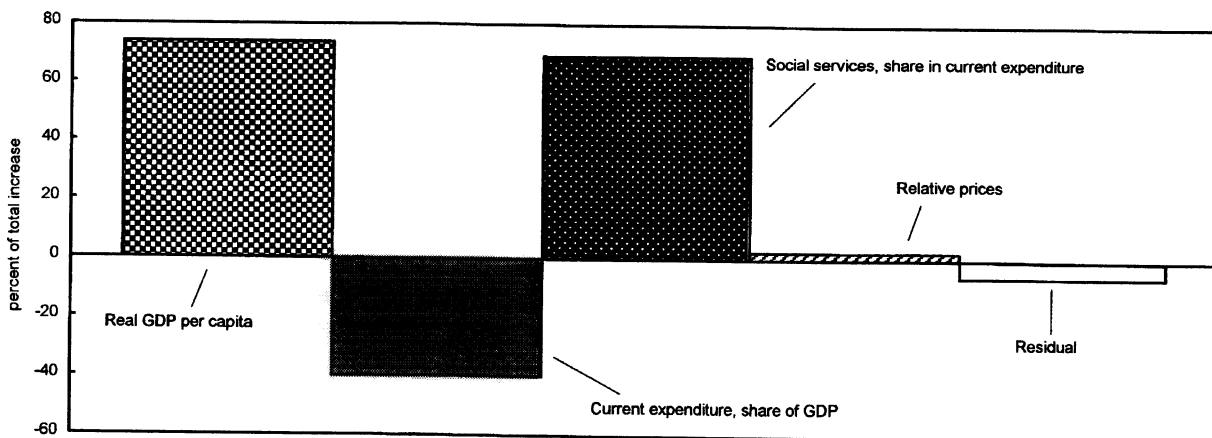
Figure 14. Mozambique: Real Current Social Expenditures per Capita, 1987-1997



Factor Contribution to Annual Increase



Cummulative Factor Contribution, 1987-1997



Sources: Ministry of Plan and Finance; Fund staff estimates.

overall expenditure level and by very fast population growth (estimated at 22 percent over 1992-1996) owing to the return of refugees. The latter reduced the positive effect on social expenditures that the fast pace of GDP growth in this period had.

96. Over the whole period of economic reform, the strong growth of the economy (33 percent accumulated increase in real GDP per capita) was the main component of the increase in social expenditure, representing 74 percent of the total increase in social expenditures. The share of current social expenditure in total current expenditure increased by nearly 7 percentage points over 1987-97 and was also a large component of the increase in social expenditure (69 percent). The increase in the share of current social expenditure in total current expenditures more than offset the negative effect (40 percent of the overall increase in real current social expenditure per capita) of a decline in total current expenditures as a share of GDP. While the effect of relative prices was significant in some of the observed years (in 1988, for example, the component representing changes in relative prices was responsible for a sizeable decline in social expenditure), major changes in relative prices tended to reverse themselves within a few years, resulting in an insignificant cumulative effect.

### **Box 2. Provision of Social Services in Mozambique: Caveats**

- The analysis of real recurrent expenditures per capita in the social sectors is an attempt to assess the volume of social services provided by the government. It is not an assessment of the total government expenditures in the social sectors, which should include capital expenditures, nor is it an estimate of the total social services provided by the economy (as it excludes services provided by private clinics and schools, as well as those provided by non-governmental and religious organizations).
- The data for recurrent social expenditures in Mozambique excludes:
  - recurrent expenditures recorded within investment expenditures.
  - the value of grant-financed medicines.
  - off-budget foreign aid-financed recurrent expenditures in the social sectors.
  - social expenditures other than those in health, education, price and social subsidies, and some rural development programs. Evidence from a new budgetary classification introduced in 1998 seems to indicate that the excluded recurrent social expenditures in the present data are not marginal.
  - expenditures on agriculture and sanitation that may have a direct effect on the well-being of the population, such as the provision of clean water.
- Population statistics are projections based on the 1980 census. A new census was conducted in 1997, and together with a household expenditure survey recently completed, seems to indicate that fertility rates and population are overstated in the population series used in this analysis.
- There is no available price index for recurrent social expenditures. The price index used was an average of a wage index for the public sector (weighted by share of the wage bill in recurrent social expenditure) and the consumer price index (weighted by the share of nonwage expenditure in recurrent social expenditure).

### **D. Social Safety Nets**

97. Formal social safety nets are government schemes to protect population groups that are vulnerable to natural calamities or adverse circumstances, including those resulting from

the implementation of structural reforms. Informal social safety nets serve similar purposes, but are provided by private bodies, such as NGOs, religious organizations, or families. For example, a traditionally important source of informal support has been the remittances of workers abroad. These remittances are estimated to have been in excess of US\$60 million in 1996 and 1997. According to the 1996 household expenditure and income survey, these remittances represented over 5 percent of monthly household income of the surveyed population and were received by 12 percent of the population that had an income.

98. Early in 1997, the government completed an evaluation of the formal social safety nets in Mozambique (Ministério do Plano e Finanças, 1997). This section draws heavily on the findings of this evaluation. The government is also conducting a review of the informal social safety nets, but this review will only be completed by mid-1998. The review of the formal social safety nets is part of a larger effort to coordinate government assistance to the vulnerable population so as to ensure that their most pressing needs are met. While the government gives high priority to providing a safety net to the most vulnerable population groups, it is well aware that its resources are limited and that it needs to narrowly define the target groups for its assistance. Moreover, it needs to ensure that the operation of its social safety nets does not interfere with production incentives or with the operation of informal safety nets.

### **The Cash Transfer Program**

99. In September 1990 the government instituted a program of cash transfers to very low-income households. Until 1997 the program was administered by the Office of Assistance to the Poor (GAPVU), a unit of the Ministry of Coordination of Social Action. In 1997 GAPVU was abolished and was replaced by the National Institute of Social Action (INAS). The latter remains under the umbrella of the Ministry.

100. The program's principal objective is to reduce urban poverty. The target population is urban households with one or more of the following: pregnant women or children less than 5 years old, with nutritional deficiencies associated with health risk factors; unemployed persons more than 60 years old, living alone or with others of non-working age; physically disabled or chronically ill persons who are unable to work and who live alone or are heads of household with no one of working age; and single mothers with five or more children and who are heads of household with no other person of working age. Currently, such households must have a per capita income of Mt 32,000 (about US\$3) per month or less, and no working-age family members living abroad. To ensure the program does not encourage rural-urban migration, household members must have been resident in the area for at least one year. Qualifying households are entitled to Mt 32,000 per month per family member, for up to five family members.

101. The identification of beneficiaries in the case of elderly and disabled people relies heavily on *bairro* (neighborhood) chiefs or *quarteirão* (block) secretaries, who inform households about the program's existence and verify their income and residence in the absence

of salaried employment and/or residence cards. The outreach for malnourished children and pregnant women, as well as the certification that they qualify for the program, is done by neighborhood clinics. INAS staff are required to visit applicants at home to verify the information provided, before approving an application.

102. From its inception until 1996, the program expanded rapidly, reaching 92,000 households in thirteen cities in the latter year (though some of the expansion was fraudulent) (see Table 36). However, in early 1997 the government completed an audit of the scheme, which uncovered a number of irregularities in administration. On the basis of the evaluation, the number of household beneficiaries was reduced to 39,964 in September 1997 and the program is being reformed.

103. The government's evaluation of the program was largely based on a 1995 survey of the consumption of beneficiary households (Datt and others, 1995). The survey looked at the contribution of the cash transfer to consumption, the distribution of the transfer among types of beneficiary households, and the demographic and economic characteristics of these households. It was based on a sample of 515 households in all the towns where the scheme is operating. It did not compare beneficiary and non-beneficiary households, and so could not give definitive conclusions on the scheme's success in reaching the targeted social groups. Moreover, its conclusions have to be interpreted with caution, because the sampling was based on lists of beneficiaries that were later found to have been fraudulent.

104. At the time of the survey, the target population was defined as those households with a monthly per capita income of Mt 24,000 or less. This was a very restrictive amount, since it was only 27 percent of the estimated poverty line for Maputo in 1995 (Mt 89,000). For this reason, the income test seems to have been largely ignored in practice. Since the survey, the threshold qualifying income was raised to Mt 32,000, but as a percentage of the poverty line updated to 1997 prices it declined to 23 percent.

105. While no definitive judgment can be made on the effectiveness with which the targeted population was reached, indicators of nutrition, morbidity, housing conditions, access to potable water, and use of electricity all indicate that the beneficiary households were more deprived than the urban population in general. For example, only 7.5 percent of beneficiary households in the survey had electricity and 79 percent had access to safe water, compared to 22 percent and 89 percent, respectively, in the general urban population; and nearly 50 percent did not own a table. Twenty-nine percent of beneficiaries were estimated to be non-poor, but in the absence of comparisons between the beneficiary and the non-beneficiary populations the significance of this leakage cannot be assessed.<sup>36</sup> There are other indicators of lax

---

<sup>36</sup>Estimates of poverty lines are heavily affected by survey-specific factors. For example, the poverty line estimated by Sahn, D. and C. Del Ninno (1994), expressed at 1994-95 Maputo prices, is 60 percent higher than that estimated by the survey of INAS beneficiaries, and

(continued...)



implementation, however. For example, households of elderly beneficiaries were found to have on average 0.7 working-age adults; and the majority of preschool children receiving assistance were not malnourished.

106. The survey found that the actual transfer received per capita (US\$1 per month) was 35 percent below the entitlement.<sup>37</sup> This may have reflected weaknesses in administration. Only 7 percent of beneficiaries knew the amount of the transfer they were entitled to; 31 percent of the beneficiaries experienced an average of 2 months of interruption in their receipts; and 90 percent of beneficiaries walked to INAS offices to receive their monthly payments and, once there, had to wait an average of 7 hours to collect them. The high cost of collection (in terms of time and inconvenience) of the transfer, combined with the small amount, probably discouraged some households from collecting. This may have been particularly true of disabled persons or those in poor physical condition, and may explain why the number of recipients with severe disability was so small.

107. Nevertheless, the survey concluded that the transfer had a significant impact on the consumption of beneficiary households, accounting for 15 percent of the beneficiaries' mean net (before-transfer) consumption expenditure. The contribution to expenditure was as much as a third for the bottom three deciles of the beneficiary population. However, the transfer received was insufficient for it raised beneficiaries' daily caloric intake from 1,300-1,400 kcal to only 1,700 kcal, compared with a normative minimum of 2,100 kcal per day. The survey estimated that 65 percent of the beneficiary population lived in absolute poverty, that is, their income was below that needed to secure the normative caloric intake. In the absence of the transfer, this proportion would have been 71 percent.<sup>38</sup> The entitlement was raised to its current level after the survey.

108. The government attributes the program's weaknesses to shortcomings in design and to the extremely low cost of operation. It is inherently difficult to implement a program whose goal is to reach two very different types of population (one being the malnourished and the other being the elderly and severely disabled). The adequacy of addressing nutrition problems with a cash transfer is also questioned, as little can be done to ensure that the transfer reaches the undernourished family members or that it is spent on food. These problems were compounded by the unrealistically low administrative cost of the program (2.1 percent of total

---

<sup>36</sup>(...continued)

75 percent higher than the mean per capita expenditure for INAS beneficiaries.

<sup>37</sup>At the time of the survey in 1995, the entitlement was Mt 24,000 per month for the first beneficiary, and decreased for each additional household member.

<sup>38</sup> The poverty line is estimated based on the survey's consumption and price data, as the cost of a reference consumption bundle, needed to insure a normative food consumption threshold of 2,100 kcal per person per day.

transfers in 1995 and an underpaid staff of only 92). The latter concern was underscored late in 1996 when widespread fraud was discovered: program administrators had been adding fictitious names to beneficiary lists.

109. The government was quick to act, replacing and reorganizing the entire administration of the scheme. The pay and number of administrators has been increased, and work has been organized around teams to ensure that single staff are not in control of information. Separate teams of workers have been charged with addressing the information campaign, verification that recipients meet the program's requirements, and verification that payments are actually being made. The information system has been computerized. The system of rewards for nurses and local leaders in charge of identifying potential program beneficiaries has also been overhauled, to reduce the incentive for delivering households that do not meet the criteria.

110. The reforms have increased the program's administrative cost per transfer to nearly the value of the transfer amount. This high relative cost probably reflects the low amount of the transfer at present, and the fact that the program is operating below capacity following the elimination of unqualified and fictitious households from beneficiary lists. The total annual cost of the program (including transfers) in 1996 was US\$4.1 million (1.3 percent of recurrent fiscal expenditure); in 1997 it declined to US\$2.9 million (0.8 percent of recurrent fiscal expenditures) as the increased cost of operation was more than offset by the reduction in household coverage.

111. INAS is also improving the program's design. The goal is to separate assistance provided to people capable of working from that provided to the elderly and severely disabled, who cannot work and to find new modalities of addressing nutritional problems. Cash transfers to those who can work will not be terminated until new programs are put in place. A work-for-food program is being developed, aimed at single mothers and mothers of malnourished children. Also, a tender has been issued for projects that would attract destitute urban residents back into rural areas where they are more likely to be able to provide for themselves. The tender is inviting projects in the areas of agriculture, food-for-work, informal trade, and artisan industries.

### **Caixa Escolar**

112. The *Fundo de Acção Social Escolar* (Fund for Social Action in Education), or *Caixa Escolar* (School Fund) was established in 1989 to encourage better enrollment and attendance rates in schools at all levels of education. The program was expected to provide aid in kind, consisting of books, educational tools, and food and clothing to students in need. However, little was done until 1995 owing to lack of financing. In 1995 the distribution of free textbooks to approximately 15 percent of pupils enrolled in the first and second grade of elementary school was made possible by Dutch and Swedish grants. In 1996, the coverage of first and second grade students increased to over 95 percent (approximately 3 million pupils) while IDA financing made possible the distribution of texts for an estimated 70 percent of

pupils in grades 3 through 7. The books in the later grades are considered a loan to be used by the students over a period of three years.

113. The texts were distributed to pupils regardless of the need criteria stipulated in the statutes of the School Fund. It was deemed that a vast majority of pupils do not have the capacity to buy books. The estimated total cost of the program in 1996 was US\$8.1 million, financed mainly by bilateral donors (US\$5.2 million) and by IDA (US\$2.9 million). The Ministry of Education administers the program with its regular resources. While the costs do not appear to be high, particularly considering the logistic problems involved in a nationwide operation of this scale, the program did suffer from problems such as low quality of the books for the older grades (they are not expected to last three years), distribution of wrong titles, and delays in delivery.

114. The evaluation report recommended that the distribution of books should continue, but that the beneficiaries should be selected according to need, so that savings could be applied to educational tools and food for the poorest pupils. To make such discrimination possible, the assessment envisages greater involvement of local communities and a reassessment of the needs criteria stipulated in the program's statute. In 1997 the coverage of first and second grade students attained 98 percent. The distribution of books was more timely than in earlier years and some of the low quality books for the older grades were replaced.

### **School Lunch Program**

115. The school lunch program, consisting of the free distribution of lunches to elementary school pupils in Maputo City, operated during 1990–95 with the exception of 1994. In 1994 and since 1996, the program has been dormant because of lack of financing. Coverage peaked in 1992 when lunch was distributed to 203,586 pupils during all 195 school days. In subsequent years the coverage of schools increased but the number of days when lunch was distributed declined owing to problems with the logistics of lunch production, distribution, and financing. Lunches were distributed to all pupils and teachers in a school, irrespective of need, but some targeting was achieved by selecting schools in poorer neighborhoods. The lunch, which consisted of a bun enriched with oil and sugar, provided about 370 kcal, a considerable amount for a child's daily diet. While no formal survey was conducted, the program is believed by all those involved to have had the desired impact on children's application and productivity in school. In all but the first year of operation the program was financed by external aid, and its costs are estimated to have been low. The cost per pupil for the school year was as low as US\$2.29 in 1992, the year when the greatest number of lunches was distributed. The evaluation report recommended that the program should be continued and expanded to other areas of the country, that it should be applied selectively to pupils in need, (in accordance to the criteria defined by the School Fund), and that the contents of the lunch should be diversified.

### **Nutritional Rehabilitation Program**

116. This program distributes milk, oil, and sugar throughout Mozambique to people hospitalized for acute malnourishment. It was developed in response to the intensification of malnutrition during the war, as a supplement to regular clinical treatment. It is financed by FAO, and in the period May 1995–December 1996 its cost was US\$13,817 per month. It is not, strictly speaking, a safety net for its effects are entirely clinical and, in the absence of other preventive measures, likely to be of temporary nature. The evaluation report underlines the need to develop a program that would take a preventive approach to malnutrition.

### **Social Fund for Medicines (FSM)**

117. This is a program of free distribution of medicines. In principle, eligible patients should be referred by health services staff to pharmacies in the National Health System (NHS). In practice, the operation of the program is haphazard, with decisions on eligibility usually made by pharmacy staff on an ad hoc basis. The costs are born by the NHS, which covers them largely from foreign aid. Data on costs are not available, for the program is integral to other NHS operations. The rationale of the program is questionable, since medicines in the NHS are already highly subsidized. More problematic is that medicines are often not available in NHS pharmacies, in which case patients have to use the far more costly commercial pharmacies.

### **Emergency relief**

118. Up until the end of the war, the government's poverty alleviation effort was largely absorbed by the need to provide emergency assistance to the population affected by the war or by natural disasters, as Mozambique is recurrently affected by floods, cyclones and droughts. Emergency relief operations reached a peak in 1992, the last year of the war, benefiting approximately 3.8 million people. The bulk of the aid was provided by international organizations and NGOs but its delivery was coordinated by a special government relief department, Departamento de Prevenção e Combate às Calamidades Naturais (DPCCN). The DPCCN shared with the United Nations the coordination of humanitarian aid during the resettlement of displaced population until 1995. Since then, the agency has been significantly downsized, and its focus re-oriented to its original purpose, the provision emergency relief in the face of natural disasters.

### **References**

- Datt, Gaurav, Ellen Payongayong, James L. Garrett, and Marie Ruel, "The GAPVU Cash Transfer Program in Mozambique: An Assessment," FCND Discussion Paper No. 36. IFPRI, Washington, D.C., 1995.
- Direcção Nacional de Estatísticas, "Inquérito às Famílias na Cidade de Maputo" and "Inquérito às Famílias nas Capitais Provinciais," Série Inquérito às Famílias, Vol. II and III, 1992–94.

- Fortes, Iolanda. "O Perfil da Pobreza em Moçambique," Documento de Apoio para a "Estratégia de Redução de Pobreza em Mozambique," Ministério do Plano e Finanças, PAU, February 1995.
- Ministério do Plano e Finanças, Unidade de Alívio à Pobreza/Unidade de População e Planificação, "Rede Formal de Protecção Social. Relatório de Avaliação," Mimeo. Maputo, February 1997.
- Ministry of Plan and Finance, Poverty Alleviation Unit, "Mozambique Rural Poverty Profile," April 1996.
- Sahn, D. and C. Del Ninno, "Living Standards and the Determinants of Poverty and Income Distribution in Maputo, Mozambique," Working Paper 56, Ithaca, N.Y., USA: Cornell Food and Nutrition Policy Program, Cornell University, 1994.

Table 16. Mozambique: Gross Domestic Product, 1993-97

	1993	1994	1995	1996	1997
(In billions of meticaís)					
Total consumption	4,894	8,160	10,819	15,331	17,377
Private consumption	3,979	6,429	9,162	13,013	14,096
Public consumption	915	1,731	1,657	2,318	3,281
Total investment 1/	2,973	4,412	6,753	9,326	10,141
Public investment	898	1,808	2,502	3,187	4,340
Private investment	2,075	2,604	4,251	6,139	5,801
Domestic demand	7,867	12,572	17,572	24,658	27,518
Exports of goods and nonfactor services	1,162	2,101	3,617	5,340	5,924
Imports of goods and nonfactor services	3,566	6,022	7,994	10,635	10,996
Gross domestic product	5,463	8,652	13,195	19,363	22,446
(In percent)					
Real rates of change 2/					
Private consumption	12.8	5.9	-5.2	0.7	1.9
Public consumption	5.8	28.3	-37.7	0.7	23.4
Total investment	26.8	-7.3	1.2	4.6	2.3
Exports of goods and nonfactor services	3.3	11.8	11.0	17.3	7.4
Imports of goods and nonfactor services	8.2	3.7	-13.8	3.5	0.4
Gross domestic product	18.8	4.5	1.4	6.2	7.9
Deflators					
Private consumption	49.8	52.5	50.4	41.0	7.0
Public consumption	44.7	47.5	53.6	38.9	14.7
Investment	53.7	60.1	51.3	32.0	4.0
Exports	52.0	61.8	55.0	25.9	3.3
Imports	57.5	62.9	54.0	28.5	3.0
Gross domestic product	47.1	51.6	50.4	38.1	7.4
(In percent of GDP)					
Total consumption	89.6	94.3	82.0	79.2	77.4
Private consumption	72.8	74.3	69.4	67.2	62.8
Public consumption	16.7	20.0	12.6	12.0	14.6
Total investment	54.4	51.0	51.2	48.2	45.2
Public investment	16.4	20.9	19.0	16.5	19.3
Private investment	38.0	30.1	32.2	31.7	25.8
Domestic demand	144.0	145.3	133.2	127.3	122.6
Exports of goods and nonfactor services	21.3	24.3	27.4	27.6	26.4
Imports of goods and nonfactor services	65.3	69.6	60.6	54.9	49.0
Gross domestic product	100.0	100.0	100.0	100.0	100.0
Memorandum item:					
Net exports	-44.0	-45.3	-33.2	-27.3	-22.6

Sources: Mozambican authorities; and Fund staff estimates.

1/ Grant-financed technical assistance not included.

2/ Volume growth rates based on growth of value at previous year's prices.

Table 17. Mozambique: Savings and Investment, 1993-97

	1993	1994	1995	1996	1997
	(In billions of meticaís)				
Gross domestic savings (GDS) 1/	569	492	2,376	4,031	5,069
Public sector 2/	112	-307	554	827	836
Private sector 3/	457	799	1,822	3,204	4,234
Net factor income from abroad 4/ and net unrequited transfers					
Net factor income	-666	-1,195	-1,640	-1,853	-2,028
Public sector	...	-241	-368	-615	-496
Private sector	...	-954	-1,272	-1,238	-1,532
Net unrequited transfers	1,874	3,341	3,015	3,151	4,094
Public sector	...	1,857	2,090	2,291	3,226
Private sector	...	1,484	925	860	868
Gross national savings (GNS) 5/	1,777	2,639	3,752	5,329	7,136
Public sector	...	1,309	2,277	2,503	3,566
Private sector	...	1,329	1,475	2,826	3,570
Foreign savings 6/	1,196	1,773	3,001	3,997	3,005
Gross savings	2,973	4,412	6,753	9,326	10,141
Gross investment 2/	2,973	4,412	6,753	9,326	10,141
Public sector	898	1,808	2,502	3,187	4,340
Private sector	2,075	2,604	4,251	6,139	5,801
	(In percent of GDP)				
GDS 1/	10.4	5.7	18.0	20.8	22.6
Public sector 2/	2.1	-3.5	4.2	4.3	3.7
Private sector 3/	8.4	9.2	13.8	16.5	18.9
Net factor income from abroad 4/ and net unrequited transfers					
Net factor income	-12.2	-13.8	-12.4	-9.6	-9.0
Net unrequited transfers	34.3	38.6	22.9	16.3	18.2
GNS 5/	32.5	30.5	28.4	27.5	31.8
Public sector	...	15.1	17.3	12.9	15.9
Private sector	...	15.4	11.2	14.6	15.9
Foreign savings 6/	21.9	20.5	22.7	20.6	13.4
Gross savings	54.4	51.0	51.2	48.2	45.2
Gross investment 7/	54.4	51.0	51.2	48.2	45.2
Public sector	16.4	20.9	19.0	16.5	19.3
Private sector	38.0	30.1	32.2	31.7	25.8

Sources: Mozambican authorities; and Fund staff estimates.

1/ GDS = GDP - total consumption = gross investment + exports of goods and nonfactor services - imports of goods and nonfactor services.

2/ Current budgetary revenue less current budgetary expenditure net of net factor income from abroad.

3/ Residual.

4/ External interest payments on a commitment basis.

5/ GNS = GDS + net factor income from abroad + net unrequited transfers.

6/ External current account deficit.

7/ Grant-financed technical assistance not included.

Table 18. Mozambique: Availability and Uses of Resources, 1993-97

	1993	1994	1995	1996	1997
	(In percent of GDP)				
1. GDP at market prices	100.0	100.0	100.0	100.0	100.0
2. Resource gap 1/	44.0	45.3	33.2	27.3	-22.6
3. Domestic demand (current sources = current uses) 2/	144.0	145.3	133.2	127.3	122.6
4. Total consumption	89.6	94.3	82.0	79.2	77.4
a. Public consumption	16.7	20.0	12.6	12.0	14.6
b. Private consumption	72.8	74.3	69.4	67.2	62.6
5. Total savings	54.4	51.0	51.2	48.2	45.2
a. Public savings	...	15.1	17.3	12.9	15.9
b. Private savings	...	15.4	11.2	14.6	15.9
c. Foreign savings	21.9	20.5	22.7	20.6	13.4
6. Total investment 3/	54.4	51.0	51.2	48.2	45.2
a. Public investment	16.4	20.9	19.0	16.5	19.3
b. Private investment	38.0	30.1	32.2	31.7	25.8

Sources: Tables 1 and 2.

1/ Imports of goods and nonfactor services minus exports of goods and nonfactor services.

2/ (3) = (1) + (2) = (4) + (5).

3/ Grant-financed technical assistance not included.



Table 19. Mozambique: Gross Output, 1993-97

	1993	1994	1995	1996	1997 Prel.
(In billions of meticaais)					
Agriculture and livestock	2,125	3,127	5,018	8,043	8,918
Industry and fishing	1,250	1,903	3,395	5,335	6,048
Construction	849	1,484	2,405	3,437	3,807
Transport and communications	1,157	1,621	2,454	3,133	3,837
Services	2,671	4,370	6,411	9,330	11,237
Wholesale and retail trade	583	948	1,486	2,081	2,324
Restaurants and hotels	244	391	563	1,012	1,109
Production services	743	1,345	2,191	3,219	3,733
Government services	915	1,340	1,657	2,318	3,281
Domestic services	186	346	514	702	791
Gross output	8,051	12,505	19,685	29,279	33,847
(In percent of gross output)					
Agriculture and livestock	26.4	25.0	25.5	27.5	26.3
Industry and fishing	15.5	15.2	17.2	18.2	17.9
Construction	10.5	11.9	12.2	11.7	11.2
Transport and communications	14.4	13.0	12.5	10.7	11.3
Services	33.2	34.9	32.6	31.9	33.2
Wholesale and retail trade	7.2	7.6	7.5	7.1	6.9
Restaurants and hotels	3.0	3.1	2.9	3.5	3.3
Production services	9.2	10.8	11.1	11.0	11.0
Government services	11.4	10.7	8.4	7.9	9.7
Domestic services	2.3	2.8	2.6	2.4	2.3
Gross output	100.0	100.0	100.0	100.0	100.0
(Annual percentage change)					
Real rates of change 1/					
Agriculture and livestock	21.3	4.8	6.9	9.1	5.9
Industry and fishing	-6.7	-6.0	16.3	11.6	9.1
Construction	7.0	7.5	7.0	8.0	7.0
Transport and communications	16.7	3.8	13.3	7.6	11.3
Services	22.3	15.0	-12.1	7.4	8.4
Wholesale and retail trade	34.5	1.3	2.9	3.8	5.0
Restaurants and hotels	72.0	0.1	-5.4	33.0	3.0
Production services	26.6	12.7	7.0	8.8	3.0
Government services	5.8	28.9	-38.0	0.7	23.4
Domestic services	20.7	18.1	-4.5	5.3	1.3
Gross output	14.3	6.6	2.1	8.7	8.0
Deflators					
Agriculture and livestock	49.2	40.4	50.2	46.9	4.7
Industry and fishing	57.4	62.0	53.4	40.8	3.9
Construction	50.4	62.7	51.5	32.3	3.5
Transport and communications	41.9	35.0	33.7	18.7	10.0
Services	46.8	55.3	52.9	35.5	11.1
Wholesale and retail trade	47.5	60.5	52.3	35.0	6.4
Restaurants and hotels	47.5	60.5	52.3	35.0	6.4
Production services	47.5	60.5	52.3	35.0	12.6
Government services	44.7	47.4	53.7	38.9	14.7
Domestic services	50.9	58.1	55.4	29.6	11.2
Gross output	48.6	50.3	49.4	36.8	7.0

Sources: Ministry of Plan and Finance; and staff estimates.

1/ Volume growth rates based on growth of value at previous year's prices.

Table 20. Mozambique: Production of Major Marketed Crops, 1992/93-1996/97

	1992/93	1993/94	1994/95	1995/96	1996/97 Prel.
(In thousands of tons)					
<b>Export crops</b>					
Cotton	47.0	49.5	51.0	50.5	53.0
Copra	23.6	28.8	26.4	22.3	33.1
Tea (leaf)	1.7	1.5	1.0	1.7	1.5
Sugar	184.5	234.0	313.2	315.9	331.0
Cashew nuts	23.9	29.4	33.4	66.5	41.8
Citrus	7.6	11.3	11.0	8.0	10.2
<b>Basic food crops</b>					
Maize	142.7	146.0	168.6	252.7	264.0
Rice	17.8	29.0	13.6	21.2	44.0
Sorghum	2.4	2.0	1.7	3.9	3.7
Cassava	31.7	30.2	36.2	31.4	54.7
Peanuts	14.9	9.0	18.2	28.9	39.1
Beans	23.3	16.0	30.4	39.0	40.8
Vegetables	42.5	44.1	30.5	33.3	39.0
Onions	5.8	5.4	7.6	7.9	8.5
<b>Industrial inputs</b>					
Sisal	24.0	24.0	24.0	24.0	24.0
Tobacco	5.5	6.8	1.1	0.7	0.7
Mafurra	1.1	0.5	1.8	2.6	0.4
Tomatoes	16.6	16.8	22.9	11.7	12.2
Sunflowers	0.2	0.6	0.2	0.5	0.6
(In billions of meticaïs)					
<b>Export crops</b>					
Cotton	64.1	113.1	174.9	471.5	481.7
Copra	28.2	47.6	68.8	174.2	169.6
Copra	7.4	14.4	21.1	37.9	56.3
Tea (leaf)	0.1	0.1	0.1	0.1	0.1
Sugar	9.1	16.2	32.5	43.0	48.6
Cashew nuts	13.2	21.8	33.4	199.5	184.0
Citrus	6.2	12.9	19.0	16.8	23.0
<b>Basic food crops</b>					
Maize	168.8	226.9	379.9	770.9	1,011.5
Maize	60.6	80.6	143.3	311.4	396.0
Rice	10.3	29.0	17.0	53.1	110.0
Sorghum	0.8	1.0	1.3	3.8	3.7
Cassava	15.5	20.8	37.3	45.4	79.1
Peanuts	14.9	13.5	43.6	130.1	176.0
Beans	24.4	21.6	63.9	128.8	134.5
Vegetables	34.7	50.6	52.5	69.8	81.6
Onions	7.5	9.8	21.0	28.5	30.6
<b>Industrial inputs</b>					
Sisal	25.7	36.1	73.1	52.8	57.7
Sisal	0.4	0.6	0.8	1.1	1.1
Tobacco	2.4	4.2	8.5	8.7	9.2
Mafurra	0.3	0.1	0.6	1.1	0.2
Tomatoes	21.7	30.8	63.1	40.6	45.7
Sunflowers	1.0	0.4	0.2	1.2	1.4
<b>Total production</b>	<b>258.6</b>	<b>376.0</b>	<b>628.0</b>	<b>1,295.2</b>	<b>1,550.9</b>
<b>Memorandum item:</b>					
<b>Total production (in millions of U.S. dollars) 1/</b>	<b>69.5</b>	<b>63.5</b>	<b>70.6</b>	<b>116.3</b>	<b>134.3</b>

Source: Ministry of Plan and Finance.

1/ Metical-dollar conversion made at official annual average rates up to 1995/96; market exchange rates used thereafter.

Table 21. Mozambique: Commercialized Crop Production by  
the Family Sector, 1992/93-1996/97

(As a percentage of total marketed production)

	1992/93	1993/94	1994/95	1995/96	1996/97 Prel.
<b>Export crops</b>					
Cotton	51.3	60.1	66.0	68.9	70.6
Copra	44.4	52.4	67.9	59.8	59.8
Cashew nuts	100.0	100.0	100.0	100.0	100.0
Citrus	4.2	2.2	2.3	3.5	2.8
<b>Basic food crops</b>					
Maize	77.5	73.4	79.2	83.4	83.0
Rice	57.4	49.9	49.6	59.2	81.8
Sorghum	86.6	59.4	73.4	82.9	77.3
Cassava	90.0	71.3	65.5	64.6	78.1
Peanuts	96.1	90.9	95.6	97.2	97.4
Beans	94.1	89.8	86.0	76.4	75.5
Vegetables	12.2	13.6	19.7	24.0	23.1
Onions	22.7	24.6	17.2	16.7	17.6
<b>Industrial inputs</b>					
Tobacco	0.0	0.0	0.0	0.0	0.0
Mafurra	100.0	100.0	100.0	100.0	100.0
Sunflowers	44.4	0.0	0.9	11.9	27.3

Source: Ministry of Plan and Finance.

Table 22. Mozambique: Prices of Major Marketed Crops,  
1992/93-1996/97

	1992/93	1993/94	1994/95	1995/96	1996/97 Prel.
(In thousands of meticaïs per ton)					
Export crops					
Cotton	600	963	1,350	3,450	3,200
Copra	315	500	800	1,700	1,700
Tea (leaf)	39	55	61	85	92
Sugar	49	69	104	136	147
Cashew nuts	550	743	1,000	3,000	4,400
Basic food crops					
Maize	425	550	850	1,233	1,500
Rice	580	1,000	1,250	2,500	2,500
Sorghum	355	499	748	978	978
Cassava	489	689	1,033	1,446	1,446
Peanuts	1,000	1,500	2,400	4,500	4,500
Citrus	816	1,148	1,722	2,093	2,260
Beans	1,050	1,350	2,100	3,300	3,300
Vegetables	816	1,148	1,722	2,093	2,093
Onions	1,305	1,836	2,754	3,599	3,599
Other crops					
Sisal	16	23	33	46	46
Tobacco	4,318	6,133	7,533	12,125	13,167
Mafurra	240	240	320	448	484
Tomatoes	1,305	1,836	2,754	3,470	3,748
Sunflower	539	700	110	2,600	2,600
(Annual percentage changes)					
Export crops					
Cotton	25.4	60.5	40.2	155.6	-7.2
Copra	50.0	58.7	60.0	112.5	0.0
Tea (leaf)	50.2	40.3	10.9	39.3	8.2
Sugar	50.0	40.2	50.7	30.8	8.1
Cashew nuts	19.6	35.1	34.6	200.0	46.7
Basic food crops					
Maize	54.5	29.4	54.5	45.1	21.7
Rice	54.7	72.4	25.0	100.0	0.0
Sorghum	50.2	40.6	49.9	30.7	0.0
Cassava	49.9	40.9	49.9	40.0	0.0
Peanuts	56.3	50.0	60.0	87.5	0.0
Citrus	50.1	40.7	50.0	21.5	8.0
Beans	54.4	28.6	55.6	57.1	0.0
Vegetables	50.1	40.7	50.0	21.5	0.0
Onions	50.0	40.7	50.0	30.7	0.0
Other crops					
Sisal	46.8	43.8	43.5	39.4	0.0
Tobacco	54.5	42.0	22.8	61.0	8.6
Mafurra	45.5	0.0	33.3	40.0	8.0
Tomatoes	50.0	40.7	50.0	26.0	8.0
Sunflower	54.7	29.9	-84.3	2,263.6	0.0
Memorandum items:					
Private consumption deflator	49.8	52.5	50.4	41.0	7.0
Exchange rate (Mt/US\$)	53.0	59.0	50.2	25.3	2.2

Sources: Ministry of Agriculture; and Ministry of Plan and Finance.

Table 23. Mozambique: Marketed Livestock, 1993-97  
(In units stated)

	1993	1994	1995	1996	1997 Prel.
<b>Production volume</b>					
Beef (in tons)	988	918	845	900	1,000
Pork (in tons)	1,200	1,011	285	220	220
Chicken (in tons)	1,640	2,592	3,700	3,700	4,100
Eggs (in thousands)	3,643	5,788	6,044	2,900	4,400
Milk (in thousands of liters)	761	1,540	920	650	800
<b>Production value (in millions of meticaïs)</b>					
Beef	4,211	5,660	7,503	11,188	14,295
Pork	5,116	6,234	2,531	2,735	3,145
Chicken	6,325	14,522	29,724	41,614	53,030
Eggs	703	1,614	2,427	1,631	2,845
Milk	695	2,035	1,750	1,731	2,451
<b>Total</b>	<b>17,050</b>	<b>30,065</b>	<b>43,935</b>	<b>58,899</b>	<b>75,766</b>
<b>Average prices</b>					
Beef 1/	4,263	6,166	8,879	12,431	14,295
Pork 1/	4,263	6,166	8,881	12,432	14,295
Chicken 1/	3,857	5,603	8,034	11,247	12,934
Eggs 2/	193	279	402	562	647
Milk 3/	913	1,321	1,902	2,663	3,064

Sources: Ministry of Agriculture; and Ministry of Plan and Finance.

1/ Meticaïs per kilogram.

2/ Meticaïs per unit.

3/ Meticaïs per liter.

Table 24. Mozambique: Industrial Production by Branch, 1993-96

	1993	1994	1995	1996
(Current prices, in millions of meticaïs)				
Industry and fisheries	1,365,098	1,894,339	3,274,166	5,145,229
Fisheries	586,350	583,062	964,863	1,433,122
Mining	24,731	46,216	60,412	78,707
Manufacturing	722,588	1,146,937	2,059,608	3,386,184
Food processing	136,319	242,559	573,660	858,178
Processed animal feed, tea, and cashew nuts	31,862	30,624	45,110	215,246
Beverages	90,904	115,761	348,064	641,870
Tobacco	17,404	24,520	47,807	90,828
Textiles	115,165	182,625	207,353	342,904
Clothing	38,150	59,817	76,305	92,678
Leather and furs	13	725	132	...
Footwear	2,086	4,280	2,352	3,370
Wood and cork	12,560	73,381	170,708	222,316
Furniture	1,335	2,276	3,700	6,372
Paper	15,877	24,156	26,881	32,562
Chemical products	13,488	17,782	33,562	41,661
Other chemicals	48,649	60,023	81,717	161,296
Oil refineries	7,089	39,631	14,824	20,133
Rubber	16,771	66,821	87,826	150,243
Plastics	19,499	10,424	11,735	34,543
Glass	8,381	5,584	6,822	2,824
Other nonmetallic mineral products	39,156	63,668	140,193	285,224
Metalworking (iron and steel)	33,479	38,597	52,763	37,231
Metalworking (noniron)	2,853	6,298	5,621	6,929
Metallurgy (except machinery)	33,754	29,200	32,293	16,619
Nonelectrical machinery	3,093	967	12,069	2,654
Appliances and electrical machinery	16,558	21,038	20,627	27,779
Transport machinery	17,651	17,999	52,849	86,115
Tools and instruments (professional, scientific, photography and optical)	156	6,653	192	...
Other manufacturing	338	1,528	4,443	5,741
Electricity	31,429	118,124	189,283	247,216

Table 24. Mozambique: Industrial Production by Branch, 1993-96 (concluded)

	1993	1994	1995	1996
	(Growth of volume, in percent) 1/			
Industry and fisheries	-6.7	-3.3	16.3	11.6
Fisheries	2.2	9.9	1.0	7.1
Mining	94.2	-13.7	6.4	-28.7
Manufacturing	-11.6	-99.9	722.6	273.5
Food processing	-27.1	20.9	11.8	-4.4
Processed animal feed, tea, and cashew nuts	-51.7	-41.6	350.0	252.6
Beverages	-11.7	-18.8	93.1	44.0
Tobacco	-5.4	-29.7	14.0	60.7
Textiles	-19.3	-34.2	-16.7	-0.8
Clothing	-23.4	-20.0	-28.0	-51.2
Leather and furs	71.3	249.8	...	...
Footwear	-55.9	-47.3	-62.4	-15.8
Wood and cork	-1.2	0.0	10.5	3.9
Furniture	-10.1	127.5	17.0	11.4
Paper	-35.7	-2.0	-10.6	25.4
Chemical products	33.0	-35.8	6.8	6.7
Other chemicals	-2.2	0.4	19.3	-3.0
Oil refineries	-1.7	38.1	6.6	7.1
Rubber	43.2	18.9	-14.3	27.5
Plastics	-8.5	-53.5	-22.5	-1.6
Glass	-6.1	-40.7	-17.4	-49.2
Other nonmetallic mineral products	-6.9	7.9	114.6	24.1
Metalworking (iron and steel)	-26.7	-32.4	14.4	-41.0
Metalworking (noniron)	-17.7	-29.8	-19.7	10.6
Metallurgy (except machinery)	104.2	-41.9	-13.2	-36.3
Nonelectrical machinery	-27.5	-71.8	93.9	-71.4
Appliances and electrical machinery	151.1	-15.6	-23.7	16.3
Transport machinery	424.2	-46.1	119.5	52.8
Tools and instruments (professional, scientific, photography and optical)	-61.4	166.2	-99.3	...
Other manufacturing	-17.4	110.6	178.9	5.1
Electricity	2.7	-14.8	6.8	20.3

Source: Mozambican authorities.

1/ Volume growth rates based on growth of value at previous year's prices.

Table 25. Mozambique: Transport and Communications Activity, 1993-97

(In units indicated)

	1993	1994	1995	1996	1997 Prel.
<b>Freight transport</b>					
<b>Rail</b>					
In millions of ton-kilometers	648.9	655.0	892.7	982.8	844.8
In billions of meticaïs	164.1	217.6	366.0	541.1	638.6
Unit tariff 1/	252.9	332.2	410.0	550.6	755.9
<b>Road</b>					
In millions of ton-kilometers	42.6	49.3	76.1	128.7	120.0
In billions of meticaïs	13.3	26.2	47.9	97.3	106.1
Unit tariff 1/	312.2	531.4	629.4	756.0	884.2
<b>Maritime</b>					
In millions of ton-kilometers	225.2	345.2	83.3	65.8	95.0
In billions of meticaïs	20.1	36.9	14.1	12.2	20.6
Unit tariff 1/	89.3	106.9	169.3	185.4	216.8
<b>Air</b>					
In millions of ton-kilometers	13.5	9.5	8.6	7.9	15.0
In billions of meticaïs	25.5	25.3	32.1	30.5	67.9
Unit tariff 1/	1,888.9	2,663.2	3,732.6	3,860.8	4,526.7
<b>Port throughput</b>					
In thousands of shipping tons	6,052.9	6,167.3	7,508.4	8,404.7	8,186.4
In billions of meticaïs	59.7	72.9	109.2	177.3	231.4
Unit tariff 2/	9.9	11.8	14.5	21.1	28.3
<b>Oil pipeline throughput</b>					
In millions of ton-kilometers	311.3	320.0	308.9	279.2	300.0
In billions of meticaïs	75.5	130.9	186.4	230.6	332.0
Unit tariff 1/	242.5	409.1	603.4	825.9	1,106.7
<b>Total freight receipts 3/</b>	<b>358.2</b>	<b>509.8</b>	<b>755.7</b>	<b>1,089.0</b>	<b>1,396.6</b>
<b>Passenger transport</b>					
<b>Rail</b>					
In millions of passenger-kilometers	71.3	123.5	312.0	325.5	451.9
In billions of meticaïs	5.9	10.7	37.8	40.7	66.1
Unit tariff 4/	82.7	86.6	121.2	125.0	146.3
<b>Road</b>					
In millions of passenger-kilometers	10,661.4	10,483.5	14,746.9	17,575.7	16,139.6
In billions of meticaïs	414.0	409.2	715.7	924.8	1,001.1
Unit tariff 4/	38.8	39.0	48.5	52.6	62.0
<b>Air</b>					
In millions of passenger-kilometers	443.5	434.2	384.0	362.2	724.4
In billions of meticaïs	145.6	240.3	308.1	334.1	895.3
Unit tariff 4/	328.3	553.4	802.3	922.4	1,235.9
<b>Maritime</b>					
In millions of passenger-kilometers	0.7	3.5	4.6	5.1	4.8
In billions of meticaïs	0.1	1.3	2.3	2.6	2.8
Unit tariff 4/	142.9	371.4	500.0	509.8	583.3
<b>Total passenger receipts</b>	<b>565.6</b>	<b>661.5</b>	<b>1,063.9</b>	<b>1,302.2</b>	<b>1,965.3</b>
<b>Communications receipts 3/</b>	<b>233.4</b>	<b>447.0</b>	<b>634.7</b>	<b>741.9</b>	<b>850.3</b>
<b>Total transport and communications receipts 3/</b>	<b>1,157.2</b>	<b>1,618.3</b>	<b>2,454.3</b>	<b>3,133.1</b>	<b>4,212.2</b>

Source: Mozambican authorities.

1/ Meticaïs per ton-kilometer.

2/ In millions of meticaïs per ton.

3/ In billions of meticaïs.

4/ Meticaïs per passenger-kilometer.



Table 26. Mozambique: Maputo Monthly Consumer Price Index, December 1989-December 1997

	Consumer Price Index (CPI) 1/ (December 1994=100)	Monthly Percentage Changes	Accumulated in Year (In percent)	Annual Percentage Changes 2/	Annual Percentage Changes (Period average) 3/
1989 Dec.	13	0.8	28.4	28.4	42.1
1990 Dec.	20	5.4	47.1	47.1	43.7
1991 Dec.	26	2.5	35.2	35.2	33.3
1992 Dec.	41	5.5	54.5	54.5	45.1
1993 Dec.	59	9.1	43.6	43.6	42.3
1994 Jan.	64	9.3	9.3	48.4	42.3
Feb.	69	6.6	16.5	56.4	43.8
Mar.	73	6.1	23.6	58.9	45.3
Apr.	74	1.3	25.2	58.5	47.2
May	74	0.6	25.9	55.6	48.7
June	76	2.1	28.6	59.7	50.6
July	79	4.8	34.8	64.8	52.8
Aug	85	7.4	44.8	77.8	55.7
Sept	85	0.0	44.9	66.3	57.0
Oct	88	2.8	48.9	68.2	58.8
Nov	90	3.1	53.5	67.6	61.0
Dec.	100	10.8	70.1	70.1	63.1
1995 Jan	104	4.4	4.4	62.5	64.1
Feb.	104	-0.9	3.5	51.1	63.2
Mar	107	3.7	7.3	47.6	61.8
Apr.	111	3.0	10.5	50.1	60.8
May	113	2.4	13.2	52.9	60.3
June	118	4.0	17.7	55.6	59.8
July	121	2.8	21.0	52.6	58.8
Aug.	123	1.4	22.7	44.1	56.1
Sept.	127	3.3	26.7	48.8	54.8
Oct.	136	7.4	36.1	55.4	54.0
Nov.	144	5.7	43.9	59.4	53.8
Dec.	157	9.1	57.0	57.0	53.1
1996 Jan.	163	4.1	4.1	56.5	52.9
Feb.	180	10.4	14.9	74.3	55.1
Mar.	183	1.6	16.8	70.8	57.2
Apr.	184	0.6	17.5	66.9	58.7
May	178	-3.5	13.4	57.2	58.9
June	178	0.2	13.6	51.5	58.4
July	179	0.4	14.0	47.9	57.7
August	179	0.1	14.1	46.0	57.5
Sept.	179	0.0	14.1	41.4	56.5
Oct.	180	0.3	14.5	32.0	54.1
Nov.	183	1.6	16.2	26.8	51.0
Dec.	183	0.0	16.2	16.2	46.9
1997 Jan.	190	4.1	4.1	16.3	42.9
Feb.	196	3.4	7.6	8.9	37.0
Mar.	195	-0.7	6.9	6.4	31.5
Apr.	193	-1.1	5.7	4.6	26.5
May	190	-1.7	3.9	6.6	22.6
June	189	-0.2	3.7	6.1	19.2
July	188	-0.4	3.2	5.3	16.1
August	188	-0.3	3.0	4.9	13.3
Sept.	187	-0.6	2.4	4.2	10.7
Oct.	188	0.4	2.8	4.4	8.8
Nov.	190	1.3	4.1	4.1	7.2
Dec.	193	1.6	5.8	5.8	6.4

Source: Mozambican authorities.

1/ In December 1995, the National Statistics Institute (INE) began compiling a new CPI series with December 1994 as base period. The new index became the official consumer price index starting January 1997. The new index was extended backward using the growth rates of the previous CPI.

2/ Compared with same month one year earlier.

3/ Monthly average of the previous 12 months.

Table 27. Mozambique: Major Consumer Price Index (CPI) Categories,  
December 1995-December 1997 1/

	1995	1996	1997
	(December 1994=100)		
Total CPI	157	183	193
Foods, drinks, and tobacco	161	175	181
Clothing	161	175	181
Firewood and furniture	158	239	260
Health	144	469	487
Transportation and communication	148	169	244
Education, recreation, and culture	130	186	212
Other goods and services	138	163	178
Changes from previous period	(In percent)		
Total CPI	57.0	16.2	5.8
Foods, drinks, and tobacco	61.0	8.8	3.3
Clothing	61.0	8.8	3.2
Firewood and furniture	58.0	51.3	8.6
Health	44.0	226.0	3.8
Transportation and communication	48.0	13.9	44.5
Education, recreation, and culture	30.0	43.3	13.9
Other goods and services	37.5	18.3	9.7

Source: Mozambican authorities.

1/ In 1995, the National Statistics Institute (INE) started the compilation of this index, which became the official price index starting January 1997.

Table 28. Mozambique: Minimum Agricultural Producer Prices 1/

1992/3-1996/97 2/

	1992/93	1993/94	1994/95	1995/96	1996/97
(In meticaís per kilogram unless otherwise indicated)					
Cotton seed					
Grade I	700	1,100	1,500	3,900	3,300
Grade II	350	825	1,200	3,000	3,100
Peanuts 3/	990	1,500	2,400	4,500	...
Whole rice 3/	580	1,100	1,250	2,500	...
Cashew nuts	550	700	1,500	3,000	3,500
Copra	325	500	800	1,700	1,700
Beans 3/					
Type I	1,050	1,600	2,500	4,000	...
Type II	710	1,100	1,700	2,600	...
Sunflowers 4/	540	700	1,100	...	...
Mafurra 4/	240	240	240	...	...
White maize 3/	425	550	950	1,500	...
Tobacco	4,850	7,000	8,600	15,000	15,000
(Annual percentage change)					
Cotton seed					
Grade I	46.4	57.1	36.4	160.0	-15.4
Grade II	45.8	135.7	45.5	150.0	3.3
Peanuts	54.7	51.5	60.0	87.5	...
Whole rice	54.7	89.7	13.6	100.0	...
Cashew nuts	19.6	27.3	114.3	100.0	16.7
Copra	54.8	53.8	60.0	112.5	0.0
Beans					
Type I	54.4	52.4	56.3	60.0	...
Type II	54.3	54.9	54.5	52.9	...
Sunflowers	55.2	29.6	57.1	...	...
Mafurra	52.9	0.0	0.0	...	...
White maize	54.5	29.4	72.7	57.9	...
Tobacco	54.5	44.3	22.9	74.4	0.0
Memorandum items:					
Private consumption deflator	49.8	52.5	50.4	41.0	7.0
Exchange rate (Mt/US\$) 5/	53.0	59.0	44.0	14.8	2.2

Source: Mozambican authorities.

1/ All minimum agricultural prices have become indicative prices in 1996.

2/ Prices are set in the fall before the planting season.

3/ Prices were liberalized in 1996.

4/ Prices were liberalized in 1995.

5/ Exchange rate at the time of the minimum price increase.

Table 29. Mozambique: Administered Prices of Petroleum Products, 1993-97

	1993 Jan.	1993 June	1993 Nov.	1994 Jan.	1994 April	1994 Aug.	1994 Dec.	1995 Feb.	1995 May	1995 Aug.	1996 Feb.	1996 April	1996 Aug.	1996 Nov.	1997 Feb.	1997 April	1997 June	1997 July	1997 Oct.
Butane (kg)	2,200	2,500	3,909	3,909	3,909	3,909	3,909	3,909	4,363	5,363	6,368	6,364	6,545	6,545	6,546	6,633	6,638	6,651	6,765
Jet A1	1,110	1,100	1,354	1,318	1,295	1,295	1,295	1,574	1,950	2,403	2,883	2,989	3,263	3,814	3,800	3,250	3,374	3,322	3,356
Kerosene	780	815	1,350	1,350	1,326	1,326	1,326	1,620	1,820	2,260	2,690	2,790	2,910	3,580	3,540	2,850	2,980	2,910	2,920
Diesel	930	1,080	1,700	1,700	1,700	1,700	1,700	1,860	2,270	2,860	3,500	4,180	4,560	5,640	5,550	4,980	5,150	5,110	5,240
Fuel oil 1/	658	655	982	982	910	928	910	1,296	1,686	2,120	2,644	2,650	2,757	2,757	2,717	3,207	2,637	2,883	2,577
(In metric tons per liter, unless otherwise indicated)																			
Memorandum items:																			
Representative exchange rate (Mt/US\$; beginning of period) 2/	2,742	2,761	5,047	5,238	5,580	6,121	6,452	6,790	7,767	9,581	10,832	10,978	11,329	11,323	11,517	11,525	11,521	11,536	11,573
Premium gasoline (US\$/U.S. gallon)	3.5	3.4	2.4	2.3	2.2	2.0	1.9	2.0	2.0	2.0	2.0	2.0	2.2	2.2	2.2	2.2	2.2	2.2	2.3
Diesel (US\$/U.S. gallon)	1.3	1.5	1.3	1.2	1.2	1.1	1.0	1.0	1.1	1.1	1.2	1.4	1.5	1.9	1.8	1.6	1.7	1.7	1.7
Ratio of domestic to import price (in percent)	4.5	5.6	4.9	5.5	4.7	4.1	3.7	4.3	4.3	3.8	3.9	4.0	3.6	3.6	3.4	3.6	3.6	3.8	3.9
Premium gasoline	1.6	2.6	2.3	2.6	2.5	2.1	2.0	2.0	2.2	2.1	2.3	2.7	2.5	2.6	2.4	2.9	2.9	2.9	3.0
Diesel																			
(Percentage changes)																			
Butane (kg)	5.2	13.6	56.4	0.0	0.0	0.0	0.0	0.0	11.6	22.9	18.7	-0.1	2.8	0.0	0.0	1.3	0.1	0.2	1.7
Jet A1	12.1	-0.9	23.1	-2.7	-1.7	0.0	0.0	21.5	23.9	23.2	20.0	3.7	9.2	16.9	-0.4	-14.5	3.8	-1.5	1.0
Kerosene	56.0	4.5	65.6	0.0	-1.8	0.0	0.0	22.2	12.3	24.2	19.0	3.7	4.3	23.0	-1.1	-19.5	4.6	-2.3	0.3
Diesel	22.4	16.1	57.4	0.0	0.0	0.0	0.0	9.4	22.0	26.0	22.4	19.4	9.1	23.7	-1.6	-10.3	3.4	-0.8	2.5
Fuel oil 1/	42.1	-0.5	49.9	0.0	-7.3	2.0	-1.9	42.4	30.1	25.7	24.7	0.2	4.0	0.0	-1.4	18.0	-17.8	9.4	-10.6
Memorandum items:																			
Representative exchange rate (Mt/US\$; beginning of period) 2/	0.8	0.7	82.8	3.8	6.5	9.7	5.4	5.2	14.4	23.4	13.1	1.3	3.2	-0.1	0.4	0.1	0.0	0.1	0.3
Premium gasoline (US\$/U.S. gallon)	26.5	-0.7	-30.0	-3.7	-6.1	-8.8	-5.1	3.9	0.4	0.4	2.1	1.2	9.5	1.0	-2.1	1.3	-0.3	-0.1	3.1
Diesel (US\$/U.S. gallon)	21.4	15.3	-13.9	-3.7	-6.1	-8.8	-5.1	4.0	6.7	2.1	8.2	17.8	5.7	23.7	-3.3	-10.3	3.4	-0.9	2.2

Source: Mozambican authorities.

1/ Wholesale price.

2/ Before January 1997, the representative exchange rate was the official rate; market rate used thereafter.

Table 30. Mozambique: Import Prices of Oil Products, 1993-97

Products	1993	1994	1995	1996	1997
(U.S. dollars per unit indicated)					
Liquefied petroleum gas (butane) (ton)	451.8	299.4	261.2	268.9	240.8
Aviation gasoline (cubic meter)	298.8	360.2	305.2	291.9	178.8
Premium gasoline (cubic meter)	135.9	130.7	133.7	159.4	157.1
Jet A1 (cubic meter)	151.5	128.2	188.4	189.4	190.4
Diesel (cubic meter)	151.8	129.3	137.5	172.3	153.4
Fuel oil (cubic meter)	82.6	92.0	123.8	124.8	125.8
Memorandum items:	(Ratio of import to international prices) 1/				
Premium gasoline	0.96	1.03	1.00	1.03	1.01
Jet fuel/kerosene	1.03	0.97	1.39	1.11	1.23
Diesel	1.08	1.04	1.07	1.06	1.04
Fuel oil	1.28	1.12	1.33	1.22	1.37

Sources: Petromoc; and *International Energy Agency Monthly Oil Market Report*.

1/ International prices refer to Rotterdam.

Table 31. Mozambique: Price Structure of Petroleum Products, Fourth Quarter 1997

	Butane 1/	Premium Gasoline	Jet A1	Kerosene	Diesel	Fuel Oil
(Meticais per liter)						
Cost (c.i.f.)	2,944.1	1,746.5	2,150.6	2,134.4	1,863.2	1,082.3
Customs charges	142.7	86.1	92.1	92.1	84.0	51.8
Special fixed tax	284.0	3,307.8	430.2	0.0	1,825.0	328.3
Importer/distributor's margin	1,869.8	671.7	671.7	671.7	671.7	671.7
Tax and surcharge	524.1	581.2	0.0	0.0	444.4	213.4
Wholesale price, net	5,764.7	6,393.3	3,344.6	2,898.2	4,888.3	2,347.5
Transport differential	117.4	39.2	39.2	39.2	39.2	39.2
Wholesale price, gross	5,882.1	6,432.5	3,383.8	2,937.4	4,927.5	2,386.7
Retailer's margin	594.0	201.2	201.2	201.2	201.2	0.0
Retail price, net	6,476.1	6,633.7	3,585.0	3,138.6	5,128.7	2,386.7
Tax (1 percent)	64.8	66.3	35.9	31.4	51.3	0.0
Calculated retail price, gross 2/	6,540.9	6,700.0	3,620.9	3,170.0	5,180.0	2,386.7
Memorandum items:						
Total taxes	1,015.6	4,041.4	558.2	123.5	2,404.7	593.5
Total margins	2,463.8	872.9	872.9	872.9	872.9	671.7
Retail price (in US\$/liter) 3/	0.558	0.572	0.309	0.270	0.442	0.204
(In percent of retail price)						
Import cost	45.0	26.1	59.4	67.3	36.0	45.3
Margins and taxes	6.5	50.7	14.4	2.9	36.9	15.9
Wholesale price	89.9	96.0	93.5	92.7	95.1	100.0
Retail price	100.0	100.0	100.0	100.0	100.0	100.0
Memorandum items:						
Total taxes	15.5	60.3	15.4	3.9	46.4	24.9
Total margins	37.7	13.0	24.1	27.5	16.9	28.1
Total taxes and margins	53.2	73.3	39.5	31.4	63.3	53.0

Source: Mozambican authorities.

1/ Meticais per kilogram.

2/ Adopted retail prices shown in Table 30 for some products differ slightly from recommended prices shown here.

3/ In the case of butane, U.S. dollars per kilogram.

Table 32. Mozambique: Increases in Minimum Monthly Wage Scale, 1993-97

	1993 Oct.	1994 June	1995 Jan.	1995 Dec.	1996 June	1997 April
<b>Nominal wage (in meticaís)</b>						
Agricultural worker	53,000	88,000	105,600	145,200	180,000	209,960
Nonagricultural worker	70,600	117,500	158,650	218,650	271,126	311,794
Technical/administrative worker	70,600	117,500	158,650	218,650	271,126	311,794
<b>Real wage index (Jan 1991=100)</b>						
Agricultural worker	675	771	671	613	669	722
Nonagricultural worker	674	772	756	693	756	804
Technical/administrative worker	674	772	756	693	756	804
<b>Nominal wage (in U.S. dollars)</b>						
Agricultural worker	11	15	16	13	16	18
Nonagricultural worker	14	20	23	20	24	27
Technical/administrative worker	14	20	23	20	24	27
<b>Memorandum items:</b>						
Consumer price index (CPI) (Dec 1994=100)	52	76	104	157	178	193
Exchange rate (Mt/US\$, end of period)	5,047	5,878	6,792	10,776	11,363	11,609
(Percentage change)						
<b>Nominal wage (in meticaís)</b>						
Agricultural worker	20.2	66.0	20.0	37.5	24.0	16.6
Nonagricultural worker	20.1	66.4	35.0	37.8	24.0	15.0
Technical/administrative worker	20.1	66.4	35.0	37.8	24.0	15.0
<b>Real wage index</b>						
Agricultural worker	-17.2	14.3	-13.1	-8.6	9.2	7.8
Nonagricultural worker	-17.3	14.6	-2.2	-8.4	9.2	6.3
Technical/administrative worker	-17.3	14.6	-2.2	-8.4	9.2	6.3
<b>Nominal wage (in U.S. dollars)</b>						
Agricultural worker	-34.8	42.6	3.9	-13.3	17.6	14.2
Nonagricultural worker	-34.9	42.9	16.9	-13.1	17.6	12.6
Technical/administrative worker	-34.9	42.9	16.9	-13.1	17.6	12.6
<b>Memorandum items:</b>						
CPI	45.1	45.3	38.0	50.4	13.6	8.2
Exchange rate (meticaís/US\$)	84.4	16.5	15.5	58.7	5.4	2.2

Source: Ministry of Labor.

Table 33. Mozambique: Evolution of Public Enterprise Reform Program, 1989-97

	1989	1990	1991	1992	1993	1994	1995	1996	1997
Enterprises sold or liquidated	52	33	27	39	35	125	164	122	115
Enterprises restructured as joint ventures	0	0	18	6	0	0	82	40	5
Public enterprises leased to private sector	1	3	19	13	8	6	15	6	3
Public enterprises with independent management	0	0	0	0	0	0	0	0	6
Total enterprises restructured	53	36	64	58	43	131	261	168	129
Net privatization receipts (in millions of meticals)	263	1,662	2,073	2,633	4,733	20,841	8,489	8,195	...

Source: Mozambican authorities.

1/ Privatization of small- and medium-scale enterprises only.



Table 34. Mozambique: Status of Public Enterprise Reform Program

(As of December 31, 1997)

	Methods Employed				Total
	Sales and liquidations	Joint ventures	Leasing contracts	Independent public enterprises 1/	
Agriculture and fishing	127	31	14	0	172
Industry and commerce	357	64	35	0	456
Construction	123	21	2	0	146
Transport and communications	29	33	4	3	69
Other	24	2	18	3	47
Total	660	151	73	6	890

Source: Mozambican authorities.

1/ The management is an independent board.

Table 35. Mozambique: Expenditure on the Social Sectors, 1987-97

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
(In billions of meticaís)											
Total social expenditure	...	...	60	94	144	230	311	439	693	1006	1328
Current expenditure	20	30	53	87	129	201	273	349	606	884	1208
Salaries and wages 1/	...	...	29	51	78	118	155	201	346	524	706
Education	...	...	22	34	50	77	106	139	252	379	509
Health	...	...	7	10	19	29	36	46	73	114	156
Rural development	--	--	--	7	9	12	13	15	21	31	41
Goods and services 1/	...	...	15	23	31	59	86	111	217	310	462
Education	...	...	8	11	15	27	39	51	103	157	232
Health	...	...	7	9	13	27	40	48	94	126	196
Rural development	--	--	--	3	3	5	7	12	20	27	34
Price subsidies	6	7	9	10	9	8	5	5	4	3	3
Social subsidies 2/	--	--	--	3	12	15	27	32	39	47	37
Capital expenditure 3/ 4/	...	...	7	7	15	29	38	90	87	122	120
Education 4/	--	7	5	4	10	21	26	61	52	71	73
Health 4/	...	...	2	3	5	8	12	29	35	51	47
Memorandum items:											
Current expenditure on education and health	14	23	44	64	97	160	221	285	522	776	1093
Education	9	17	30	45	65	104	145	190	355	536	741
Health	4	6	14	19	31	57	76	95	167	240	352
Total expenditure on education and health	...	...	51	71	111	189	259	374	609	898	1213
Education	10	24	35	50	76	125	172	251	407	607	814
Health	...	...	16	22	36	64	87	123	202	291	399
(In percent of GDP)											
Current expenditure on social sectors	5.0	4.7	5.3	6.5	6.3	6.4	5.0	4.0	4.6	4.6	5.4
Education	2.4	2.7	3.0	3.4	3.2	3.3	2.7	2.2	2.7	2.8	3.3
Health	1.1	0.9	1.4	1.4	1.5	1.8	1.4	1.1	1.3	1.2	1.6
Rural development	--	--	--	0.7	0.6	0.6	0.4	0.3	0.3	0.3	0.3
Price subsidies	1.5	1.1	0.9	0.7	0.4	0.3	0.1	0.1	0.0	0.0	0.0
Social subsidies	--	--	--	0.2	0.6	0.5	0.5	0.4	0.3	0.2	0.2
Total expenditure on social sectors	...	...	6.0	7.0	7.0	7.3	5.7	5.1	5.2	5.2	5.9
Education	2.5	3.8	3.6	3.7	3.7	4.0	3.1	2.9	3.1	3.1	3.6
Health	...	...	1.6	1.6	1.7	2.1	1.6	1.4	1.5	1.5	1.8
Rural development	--	--	--	0.7	0.6	0.6	0.4	0.3	0.3	0.3	0.3
Price subsidies	1.5	1.1	0.9	0.7	0.4	0.3	0.1	0.1	0.0	0.0	0.0
Social subsidies	--	--	--	0.2	0.6	0.5	0.5	0.4	0.3	0.2	0.2
(In percent of current expenditure)											
Current expenditure on social sectors	21.7	20.0	21.4	25.3	28.3	26.5	23.4	17.7	27.7	28.7	28.5
Education	10.4	11.4	12.2	13.2	14.2	13.7	12.4	9.6	16.2	17.4	17.5
Health	4.9	3.8	5.8	5.6	6.9	7.5	6.5	4.8	7.6	7.8	8.3
Rural development	--	--	--	2.7	2.7	2.3	1.7	1.4	1.9	1.9	1.8
Price subsidies	6.5	4.9	3.5	2.9	1.9	1.1	0.4	0.3	0.2	0.1	0.1
Social subsidies	--	--	--	0.9	2.6	2.0	2.3	1.6	1.8	1.5	0.9
(In percent of total expenditure and net lending)											
Total expenditure on social sectors	...	...	12.7	13.6	15.0	15.5	13.5	10.7	13.4	14.9	14.6
Education	6.1	8.0	7.5	7.2	7.9	8.4	7.4	6.1	7.9	9.0	9.0
Health	...	...	3.4	3.1	3.7	4.3	3.8	3.0	3.9	4.3	4.4
Rural development	--	--	--	1.3	1.3	1.2	0.9	0.7	0.8	0.9	0.8
Price subsidies	3.7	2.4	1.8	1.4	0.9	0.5	0.2	0.1	0.1	0.0	0.0
Social subsidies	--	--	--	0.4	1.3	1.0	1.2	0.8	0.8	0.7	0.4

Source: Ministry of Plan and Finance.

1/ Salaries and wages correspond to the budget entry "salaries and wages" for the corresponding sectors; the same holds for goods and services.

2/ Consists entirely of cash transfers to urban households, see table 36.

3/ Locally financed expenditure only.

4/ Includes special expenditures in 1994.

Table 36. Mozambique: Number of Households Receiving Food Subsidy Assistance, December 1993-September 1997

	1993			1994			1995			1996			1997			
	Dec.	March	June	Dec.	March	June	Dec.	March	June	Dec.	March	June	Dec.	March	June	Sep.
Maputo	8,466	8,573	8,512	9,328	9,808	10,160	11,036	12,572	13,640	14,141	15,097	15,117	...	...	...	...
Beira	7,453	9,128	6,983	5,958	5,994	3,047	3,155	3,833	4,061	4,207	3,811	3,919	...	...	...	...
Nampula	6,288	5,363	6,016	6,703	5,187	5,500	6,175	6,522	6,815	8,335	9,943	10,916	...	...	...	...
Tete	8,798	7,301	8,665	9,987	10,210	10,614	11,037	11,705	12,562	13,475	13,883	14,334	...	...	...	...
Quelimane	4,710	4,857	5,198	4,857	6,321	3,545	3,360	3,790	4,230	4,150	4,589	4,850	...	...	...	...
Nacala	6,777	8,637	8,406	8,856	10,183	10,554	11,656	11,561	13,843	13,711	14,131	14,678	...	...	...	...
Lichinga	3,309	4,300	4,819	4,659	4,533	4,329	4,499	5,051	5,607	6,117	6,733	7,066	...	...	...	...
Inhambane	2,523	2,792	2,952	2,814	2,932	2,950	2,950	2,950	2,950	3,067	3,123	3,067	...	...	...	...
Xai-Xai	1,825	2,082	2,215	2,299	2,250	2,264	2,438	2,553	2,586	2,681	2,592	2,541	...	...	...	...
Pemba	2,370	2,391	2,810	2,835	2,921	2,884	2,663	2,830	2,840	3,030	3,576	3,305	...	...	...	...
Chimoio	5,366	5,898	6,597	7,215	7,756	5,198	5,884	7,068	7,375	7,692	8,334	8,291	...	...	...	...
Maxidi	2,143	3,145	3,487	3,315	3,577	3,392	3,580	3,544	3,647	3,798	3,999	4,015	...	...	...	...
Total households	60,028	64,535	66,660	69,808	71,672	64,439	68,433	74,255	80,111	84,404	89,811	92,099	92,111	37,519	38,835	39,964
Eligible on account of																
Malnourished children 1/	23,967	25,871	25,598	26,961	27,243	23,218	25,730	28,904	30,529	32,478	34,933	34,985	34,985	3,565	4,648	5,125
Underweight pregnant women 2/	7,259	7,161	6,510	6,853	6,820	4,540	4,584	5,057	5,962	5,961	6,171	6,221	6,221	826	826	788
Destitute elderly 3/	26,760	29,116	31,810	33,033	34,428	33,873	35,236	37,055	39,384	41,051	43,265	45,088	45,088	29,587	29,587	29,182
Handicapped 4/	2,042	2,387	2,742	2,961	3,181	2,807	2,877	2,996	3,052	3,297	3,372	3,452	3,452	2,368	2,368	3,221
Unspecified 5/	...	...	...	...	...	...	...	221	1,184	1,617	2,070	2,338	2,338	1,114	1,344	1,577

Source: Ministry of Plan and Finance, Office for Vulnerable Population Initiatives (GAPVU).

- 1/ Malnourished children up to 5 years of age.
- 2/ Pregnant women who are underweight relative to their gestation period.
- 3/ Elderly people without means of subsistence living alone or in households with no wage earners.
- 4/ Seriously handicapped people over 18 years old living in poverty and without physical capacities to make a living.
- 5/ Households headed by women with more than five children, and chronically ill persons.

Table 37. Mozambique: Budget Subsidies to Loss-Making Enterprises, 1993-97

(In millions of meticals, unless otherwise specified)

	1993		1994		1995		1996		1997	
	Outturn	In percent of total	Outturn	In percent of total	Outturn	In percent of total	Outturn	In percent of total	Est.	In percent of total
Agriculture	11,340	51.5	22,500	68.2	8,600	29.7	6,531	21.1	11,521	29.5
Sugar	5,040	22.9	14,500	43.9	3,000	10.4	1,700	5.5	7,616	19.5
Tea and copra	1,450	6.6	4,000	12.1	1,500	5.2	3,250	10.5	1,000	2.6
Other enterprises	4,850	22.0	4,000	12.1	4,100	14.2	1,581	5.1	2,905	7.4
Mineral resources	2,000	9.1	4,500	13.6	2,343	8.1	2,100	6.8	2,000	5.1
Coal (Carbomoc)	2,000	9.1	4,500	13.6	2,343	8.1	2,000	6.5	2,000	5.1
Other minerals	0	0.0	0	0.0	0	0.0	100	0.3	0	0.0
Other industries	8,660	39.4	6,000	18.2	18,012	62.2	22,369	72.2	25,500	65.4
Electricity (EDM)	2,100	9.5	3,000	9.1	0	0.0	0	0.0	0	0.0
Construction material	2,500	11.4	0	0.0	0	0.0	0	0.0	0	0.0
Other enterprises	4,060	18.5	3,000	9.1	4,200	14.5	2,000	6.5	3,000	7.7
Information services	0	0.0	0	0.0	13,812	47.7	20,369	65.7	22,500	57.7
Total subsidies	22,000	100.0	33,000	100.0	28,957	100.0	31,000	100.0	39,021	100.0

Source: Ministry of Plan and Finance.

Table 38. Mozambique: Government Finances, 1993-97

	1993	1994	1995	1996	1997
	(In billions of meticaais)				
Total revenue	1,093	1,526	2,413	3,479	4,584
Tax revenue	995	1,397	2,202	3,193	4,233
Taxes on income and profits	157	273	400	633	879
Taxes on goods and services	535	739	1,153	1,727	2,388
Taxes on international trade	279	343	579	693	812
Other taxes	25	42	70	140	154
Nontax revenue	98	129	211	286	351
Total expenditure and net lending	2,305	4,097	5,157	6,773	9,098
Current expenditure	1,167	1,978	2,188	3,077	4,244
Budget year	1,174	2,003	2,267	3,085	4,318
Wages and salaries	233	295	495	712	935
Salary bonus	6	34	0	14	0
Goods and services	230	602	617	769	995
Defense and security	417	762	522	704	840
Interest on public debt	199	151	344	473	530
Domestic	12	6	15	47	34
External	186	145	329	425	496
Pensions	...	25	116	205	354
Price subsidies	5	5	3	3	3
Enterprise subsidies	22	33	28	31	39
Poverty alleviation	27	32	40	47	37
Political parties subsidies	0	0	35	45	51
Other	36	65	67	82	264
Net float	-6	-25	-79	-8	-74
Current balance	-74	-452	225	402	340
Capital expenditure	1,097	2,119	2,863	3,669	4,817
Budget year	1,225	2,408	3,040	3,926	4,033
External project grants	649	1,183	1,393	1,330	1,679
External project loans	228	719	847	1,701	1,542
Locally-financed	348	507	595	778	797
Donor-financed outside budget	0	0	205	117	15
Net float	-128	-289	-177	-257	784
Net lending	40	0	106	27	37

Table 38. Mozambique: Government Finances, 1993-97 (continued)

	1993	1994	1995	1996	1997
	(In billions of meticaís)				
Overall balance before grants	-1,212	-2,571	-2,744	-3,294	-4,514
Grants received	932	1,857	2,090	2,291	3,226
Project	578	1,052	1,306	1,346	1,977
Nonproject	354	805	784	945	1,249
Overall balance after grants	-280	-714	-654	-1,003	-1,288
External borrowing (net)	204	788	816	1,377	1,869
Disbursements	285	935	1,097	1,745	2,292
Project	204	597	794	1,479	1,878
Nonproject	81	339	303	266	414
Cash amortization	81	147	281	368	423
Domestic financing (net)	76	-74	-162	-374	-581
Banking system	79	-22	-137	-433	-568
Other (including residual)	-3	-52	-25	60	-13
Memorandum items:					
Primary current balance 2/	124	-301	569	875	870
Primary overall balance before grants 3/	-973	-2,420	-2,295	-2,794	-3,947
Overall balance excluding foreign-financed expenditures 4/	5	221	443	742	1,004

Table 38. Mozambique: Government Finances, 1993-97 (concluded)

	1993	1994	1995	1996	1997
	(Annual percentage changes)				
Total revenue	65.4	39.6	58.1	44.2	31.8
Tax revenue	73.3	40.4	57.6	45.0	32.6
Taxes on income and profits	52.1	74.6	46.2	58.4	38.8
Taxes on goods and services	89.9	38.2	56.0	49.8	38.3
Taxes on international trade	65.1	23.2	68.8	19.7	17.1
Nontax revenue	12.3	31.6	64.2	35.4	23.0
Total expenditure and net lending	55.4	77.7	25.9	31.3	34.3
Current expenditure	54.1	69.4	10.6	40.6	37.9
<i>Of which (budget-year basis):</i>					
Wages and salaries	63.2	26.7	68.0	43.8	31.3
Goods and services	33.2	162.1	2.5	24.6	29.4
Defense and security	60.9	82.6	-31.5	34.9	19.3
Interest on public debt	75.1	-24.2	128.6	37.4	12.1
Capital expenditure	59.4	93.1	35.1	28.1	31.3

Sources: Mozambican authorities; and Fund staff estimates.

1/ Provision for payment of interest on debt to non-Paris Club creditors.

2/ Current revenue minus noninterest current expenditure.

3/ Overall balance plus interest payments and net lending.

4/ Overall balance plus external grants and project disbursements.

Table 39. Mozambique: Government Finances, 1993-97

	1993	1994	1995	1996	1997
	(In percent of GDP)				
Total revenue	20.0	17.6	18.3	18.0	20.4
Tax revenue	18.2	16.1	16.7	16.5	18.9
Taxes on income and profits	2.9	3.2	3.0	3.3	3.9
Taxes on goods and services	9.8	8.5	8.7	8.9	10.6
Taxes on international trade	5.1	4.0	4.4	3.6	3.6
Other taxes	0.5	0.5	0.5	0.7	0.7
Nontax revenue	1.8	1.5	1.6	1.5	1.6
Total expenditure and net lending	42.2	47.3	39.1	35.0	40.5
Current expenditure	21.4	22.9	16.6	15.9	18.9
Budget year	21.5	23.1	17.2	15.9	19.2
Wages and salaries	4.3	3.4	3.8	3.7	4.2
Salary bonus	0.1	0.4	0.0	0.1	0.0
Goods and services	4.2	7.0	4.7	4.0	4.4
Defense and security	7.6	8.8	4.0	3.6	3.7
Interest on public debt	3.6	1.7	2.6	2.4	2.4
Domestic	0.2	0.1	0.1	0.2	0.2
External	3.4	1.7	2.5	2.2	2.2
Pensions	0.0	0.3	0.9	1.1	1.6
Price subsidies	0.1	0.1	0.0	0.0	0.0
Enterprise subsidies	0.4	0.4	0.2	0.2	0.2
Poverty alleviation	0.5	0.4	0.3	0.2	0.2
Political parties subsidies	0.0	0.0	0.3	0.2	0.2
Special expenditure	0.0	0.0	0.0	0.0	1.2
Other	0.7	0.7	0.5	0.4	1.2
Complementary period (net)	-0.1	-0.1	-0.1	-0.1	-0.1
Current balance	-1.4	-5.2	1.7	2.1	1.5
Investment expenditure	20.1	24.5	21.7	18.9	21.5
Budget year	22.4	27.8	23.0	20.3	18.0
External project grants	11.9	13.7	10.6	6.9	7.5
External project loans	4.2	8.3	6.4	8.8	6.9
Locally financed	6.4	5.9	4.5	4.0	3.6
Donor-financed outside budget	0.0	0.0	1.6	0.6	0.1
Complementary period (net)	-2.3	-3.3	-1.3	-1.3	3.5
Net lending	0.7	0.0	0.8	0.1	0.2
Overall balance before grants	-22.2	-29.7	-20.8	-17.0	-20.1
Grants received	17.1	21.5	15.8	11.8	14.4
Project	10.6	12.2	9.9	7.0	8.8
Nonproject	6.5	9.3	5.9	4.9	5.6
Overall balance after grants	-5.1	-8.3	-5.0	-5.2	-5.7
External borrowing (net)	3.7	9.1	6.2	7.1	8.3
Disbursements	5.2	10.8	8.3	9.0	10.2
Project	3.7	6.9	6.0	7.6	8.4
Nonproject	1.5	3.9	2.3	1.4	1.8
Cash amortization	1.5	1.7	2.1	1.9	1.9
Domestic financing (net)	1.4	-0.9	-1.2	-1.9	-2.6
Banking system	1.4	-0.3	-1.0	-2.2	-2.5
Other (including residual)	-0.1	-0.6	-0.2	0.3	-0.1

Sources: Mozambican authorities; and Fund staff estimates.



Table 40. Mozambique: Government Revenue, 1993-97

	1993	1994	1995	1996	1997
(In billions of meticaais)					
Total revenue	1,093	1,526	2,413	3,479	4,584
Tax revenue	995	1,397	2,202	3,193	4,233
Taxes on income and profits	157	273	400	633	879
Companies	81	136	184	278	388
Individuals	76	138	216	355	491
Taxes on goods and services	535	739	1,153	1,727	2,388
Turnover tax	320	463	678	993	1,329
Consumption taxes	151	147	279	399	431
Tobacco	12	15	20	32	31
Beer & soft drinks	55	29	104	181	201
Textiles, clothing, & shoes	0	4	4	4	0
Other domestic goods	10	10	23	32	21
Imported products	74	90	129	150	179
Tax on petroleum products	63	128	195	334	627
Taxes on international trade	279	343	579	693	812
Other taxes	25	42	70	140	154
Stamp taxes	17	26	37	58	71
Poll taxes	1	2	1	3	6
Other taxes and duties	7	14	32	79	78
Nontax revenue	98	129	211	286	351
Rents from real estate	32	37	61	94	109
Fees and charges	15	16	29	36	36
Social security contributions	16	23	33	50	85
Fishing license fees	19	30	55	66	68
Other nontax revenues	15	22	33	40	53
(In percent of total revenue)					
Total revenue	100.0	100.0	100.0	100.0	100.0
Tax revenue	91.0	91.6	91.3	91.8	92.3
Taxes on income and profits	14.3	17.9	16.6	18.2	19.2
Taxes on goods and services	48.9	48.4	47.8	49.6	52.1
Taxes on international trade	25.5	22.5	24.0	19.9	17.7
Other taxes	2.3	2.8	2.9	4.0	3.4
Nontax revenue	8.9	8.4	8.7	8.2	7.7

Sources: Mozambican authorities; and Fund staff estimates.

Table 41. Mozambique: Locally Financed Public Investment by Sector, 1993-97

	1993	1994	1995	1996	1997
(In billions of meticaís)					
Agriculture and fishing	22.7	27.0	27.8	22.1	39.3
Industry, energy, and mining	7.2	5.6	7.6	6.0	17.5
Construction and water	39.8	124.5	138.8	230.9	182.6
Transport and communications	11.0	16.9	11.6	14.4	14.4
Education	26.3	60.6	52.2	70.9	73.0
Health	11.6	28.8	34.5	51.1	46.8
Government	205.4	287.0	325.5	382.7	322.6
<b>Total</b>	<b>324.0</b>	<b>550.4</b>	<b>598.0</b>	<b>778.1</b>	<b>696.2</b>
(In percent of total)					
Agriculture and fishing	7.0	4.9	4.6	2.8	5.6
Industry, energy, and mining	2.2	1.0	1.3	0.8	2.5
Construction and water	12.3	22.6	23.2	29.7	26.2
Transport and communications	3.4	3.1	1.9	1.9	2.1
Education	8.1	11.0	8.7	9.1	10.5
Health	3.6	5.2	5.8	6.6	6.7
Government	63.4	52.1	54.4	49.2	46.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Mozambican authorities.

Table 42. Mozambique: Monetary Survey, 1993-1997

	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	1997 Dec. Prel.
	(In billions of meticaís)				
Stocks					
Net foreign assets	709	1,147	2,486	4,501	6,269
Foreign assets	1,968	2,836	5,413	7,206	9,192
Foreign liabilities	-1,259	-1,688	-2,927	-2,705	-2,923
Net domestic assets	1,310	2,033	2,434	1,458	1,200
Credit to government, net	39	-87	-320	-748	-1,347
Credit to the economy	1,095	1,711	2,536	3,565	5,209
Government earmarked funds	-825	-804	-1,493	-2,514	-3,298
Medium- and long-term foreign liabilities	-5,386	-4,294	-6,005	-6,120	-6,390
Other items, net	6,387	5,507	7,715	7,275	7,027
Money and quasi money (M2)	2,019	3,181	4,920	5,958	7,469
Money	1,796	2,895	4,493	5,237	6,208
Currency outside banks	469	762	1,130	1,394	1,545
Demand and savings deposits	1,326	2,133	3,363	3,843	4,663
<i>Of which</i> : in foreign currency	469	805	1,604	1,743	1,881
Quasi money	223	286	427	721	1,261
Flows (year to date, at program exchange rates) 1/					
Net foreign assets	-75	289	485	2,102	1,701
Net domestic assets	786	728	731	-1105	-187
Credit to Government, net	79	-74	-137	-433	-605
Credit to the economy	197	616	825	1,103	1,697
Government earmarked funds	-33	133	-294	-1,059	-746
Medium- and long-term foreign liabilities	84	45	247	235	-203
Other items, net	458	8	90	-885	-330
Money and quasi-money (M2)					
Adjusted M2 flow	711	1,017	1,217	997	1,515
Change in M2 stock	889	1,162	1,739	1,038	1,511
Flows (year to date, at program exchange rates) 1/					
	(In percent of opening stock)				
Net foreign assets	-16.4	40.7	42.3	84.6	37.8
Credit to the economy	21.9	56.2	48.2	43.5	47.6
Money and quasi-money (M2)					
Adjusted M2 flow	63.0	50.4	38.2	20.3	25.4
Change in M2 stock	78.8	57.6	54.7	21.1	25.4
Flows (year to date, at program exchange rates) 1/					
	(In percent of opening M2)				
Net foreign assets	-6.6	14.3	15.3	42.7	28.6
Net domestic assets	69.6	36.1	23.0	-22.5	-3.1
Credit to government, net	7.0	-3.7	-4.3	-8.8	-10.2
Credit to the economy	17.5	30.5	25.9	22.4	28.5
Government earmarked funds	-3.0	6.6	-9.2	-21.5	-12.5
Medium- and long-term foreign liabilities	7.5	2.3	7.8	4.8	-3.4

Sources: Bank of Mozambique; and Fund staff estimates and projections.

1/ Flows adjusted for exchange valuation up to end-1995 at actual rates; thereafter, at program rates. Flow to March 1997 included at new program rates.

Table 43. Mozambique: Summary Accounts of the Bank of Mozambique, 1993-97

(In billions of meticalais)

	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	1997 Dec. Prel.
Net foreign assets	183	-22	249	2,315	4,277
Foreign assets	1,175	1,367	2,424	4,359	6,459
Foreign liabilities 1/	-992	-1,389	-2,175	-2,045	-2,182
Net domestic assets	703	1,501	1,706	119	-1,448
Domestic credit	347	244	124	-347	-872
<i>of which:</i> credit to government, net	344	241	72	-396	-927
Claims on government	546	579	663	498	394
Government deposits	-202	-338	-591	-894	-1,321
In domestic currency	-102	-156	-419	-663	-1,044
In foreign currency	-100	-181	-172	-230	-278
Credit to the economy	3	3	51	48	55
Claims on banks	478	781	735	769	567
Government earmarked funds (GEF)	-802	-706	-1,258	-2,266	-3,090
Earmarked funds	-796	-518	-1,125	-2,151	-2,986
In foreign currency	-547	-518	-963	-1,327	-1,360
In domestic currency	-250	0	-162	-824	-1,625
Treasury's claims on GEF	-6	-188	-133	-114	-104
Medium- and long-term liabilities	-5,386	-4,294	-6,005	-6,120	-6,159
Valuation adjustment, acctg. net	5,383	5,664	8,340	8,683	8,733
Other items, net (assets +)	683	-187	-229	-601	-625
Capital	-579	-897	-970	-1,201	-1,332
Outside adjustments	178	384	153	11	-104
Other accounts, net	1,085	325	587	590	810
Reserve money	886	1,479	1,955	2,433	2,830
Currency in circulation	584	930	1,300	1,664	1,826
Currency in banks	114	168	170	270	281
Currency outside banks	469	762	1,130	1,394	1,545
Banks' reserve deposits	302	549	655	769	1,003
Memorandum items:					
Reserve money, (percent change, year to date)	76.4	67.0	32.2	24.4	16.3
Multiplier	2.28	2.15	2.52	2.45	2.64
Currency preference	0.303	0.315	0.298	0.306	0.261
Reserve ratio	0.269	0.296	0.218	0.228	0.217

Sources: Bank of Mozambique; and Fund staff estimates and projections.

1/ Entirely to the IMF.

Table 44. Mozambique: Balance of Payments 1993-97  
(In millions of U.S. dollars, unless otherwise specified)

	1993	1994	1995	1996	1997
Trade balance	-697.9	-717.0	-552.7	-556.5	-540.6
Exports (f.o.b.)	131.8	164.0	174.3	226.1	234.4
Imports (c.i.f.)	-829.7	-881.0	-727.0	-782.6	-775.0
<i>Of which: special programs</i> 1/	-33.5	-189.1	-14.5	-10.0	-15.3
Services (net)	-126.6	-147.3	-124.1	-85.3	-74.3
Receipts	239.9	245.9	291.7	314.2	342.3
Transportation	78.3	67.1	50.2	59.1	62.8
Compensation of employees	59.6	54.8	59.1	61.0	63.6
Other service receipts	102.0	124.0	182.4	194.1	215.9
Expenditures	-366.5	-393.2	-415.8	-399.5	-416.6
Interest 2/	-170.1	-152.3	-144.2	-143.0	-141.6
Transportation	-51.3	-48.2	-35.0	-33.5	-30.2
Compensation of employees	-21.3	-19.4	-20.6	-15.7	-22.9
Investment services	-47.0	-85.0	-78.8	-68.7	-74.7
Other service expenditure	-76.8	-88.3	-137.2	-138.6	-147.2
Current account, excluding grants	-824.5	-864.3	-676.8	-641.7	-614.9
Unrequited official transfers 3/	503.3	564.6	339.2	282.9	354.6
<i>Of which: special programs</i> 1/	33.5	189.1	14.5	10.0	15.3
Current account, including grants	-321.2	-299.7	-337.6	-358.8	-260.3
Capital account	-107.0	-9.7	63.8	238.6	163.3
Foreign borrowing	185.5	260.3	282.3	347.4	294.2
Amortization	-324.5	-305.0	-263.5	-181.3	-195.2
Direct investment (net)	32.0	35.0	45.0	72.5	64.4
Short-term capital and errors and omissions (net)	-8.0	11.3	23.2	57.7	18.8
Overall balance	-436.2	-298.0	-250.6	-62.5	-78.2
Financing	436.2	298.0	250.6	62.5	78.2
Net foreign assets	46.2	-52.4	-59.6	-159.3	-136.6
Assets (increase -)	13.0	-58.4	-69.1	-134.3	-162.6
Liabilities	33.2	6.0	9.5	-24.9	26.0
<i>Of which: Use of IMF credit (net)</i>	15.4	10.6	-14.3	-14.0	19.9
Net change in arrears (increase +)	177.8	147.3	189.4	-64.5	-3,932.7
Financing gap	212.2	203.2	120.9	286.3	4,147.5
Debt relief 4/	212.2	203.2	120.9	286.3	4,147.5
Memorandum items:					
Current account deficit 5/					
Before grants	221.8	243.4	166.3	133.9	119.8
After grants	86.4	84.4	83.0	74.9	50.7
Gross foreign assets of the central bank (in months of imports)	2.3	2.2	2.7	4.4	6.4
Gross foreign assets of the banking system (in months of imports)	4.4	4.6	6.0	7.3	9.1
Debt-service ratio 5/					
Before debt relief	160.4	131.7	103.7	74.4	68.6
After debt relief	98.5	74.5	74.0	47.4	23.9
Actual payments	35.5	33.0	27.5	28.1	23.2

Source: Bank of Mozambique; and Fund staff estimates.

1/ Includes demobilization, elections, resettlement, and land mine removal.

2/ Excludes interest accrued on loans to the Cahora Bassa hydropower project.

3/ Excludes technical assistance.

4/ Includes only concluded agreements.

5/ In percent of exports of goods and nonfactor services.

Table 45. Mozambique: Foreign Trade Indicators, 1993-97 1/

	1993	1994	1995	1996	1997
(Indices, 1990=100)					
Exports					
Value	104.3	129.8	137.9	178.9	185.5
Prices 2/	99.6	100.5	109.9	108.9	109.0
Volume 3/	104.7	129.2	125.4	164.3	170.2
Imports					
Value	106.4	112.9	93.2	100.3	99.4
Prices 4/	95.9	98.9	109.3	108.7	98.6
Volume 3/	110.9	114.2	85.3	92.3	100.7
Terms of trade	103.9	101.6	100.6	100.2	110.5
(Annual percent changes)					
Exports					
Value	-5.4	24.4	6.3	29.8	3.7
Prices 2/	0.7	0.8	9.4	-0.9	0.1
Volume 3/	-6.0	23.4	-2.9	31.0	3.6
Imports					
Value	11.4	6.2	-17.5	7.6	-1.0
Prices 4/	-5.9	3.1	10.5	-0.5	-9.3
Volume 3/	18.4	3.0	-25.3	8.2	9.2
Terms of trade	7.0	-2.2	-1.0	-0.4	10.3

Source: Staff estimates, based on data from the Bank of Mozambique and IMF *International Financial Statistics*.

1/ Values and prices in U.S. dollar terms.

2/ Weighted average of unit values with constant weights according to the share of each item in the total of 1990.

3/ Implicit volume derived from value and prices.

4/ From international price indices (e.g., cost and prices of partner suppliers) and estimates of the Research Department, IMF.

Table 46. Mozambique: Commodity Composition of Exports, 1993-97 1/  
(Value in million of U.S. dollars; volume in thousands of metric tons;  
and unit values in U.S. dollars per metric ton)

	1993	1994	1995	1996	1997
Total exports, f.o.b.	131.8	164.0	174.3	226.1	234.4
Prawns, value	68.8	62.8	73.1	70.3	90.2
Volume	8.6	8.5	8.2	9.3	11.8
Unit value	7998.3	7390.4	8882.5	7555.0	7669.0
Cashew nuts, value	8.2	3.3	6.9	17.2	14.1
Volume	2.3	0.9	2.0	4.5	3.8
Unit value	3543.8	3662.1	3533.0	3818.6	3713.1
Cotton, value	11.1	18.9	19.8	26.8	22.2
Volume	13.3	15.3	16.7	18.8	15.6
Unit value	834.6	1234.4	1181.3	1427.7	1419.4
Tea, value	0.0	0.4	0.0	0.0	0.6
Volume	0.1	1.2	0.2	0.0	0.6
Unit value	149.4	381.7	141.2	141.2	959.3
Sugar, value	0.0	11.0	7.3	12.8	12.8
Volume	0.0	26.8	16.8	31.7	31.9
Unit value	401.0	410.1	433.5	404.1	402.5
Copra, value	2.5	3.4	6.1	3.7	4.6
Volume	11.2	12.5	20.8	11.8	14.1
Unit-value	223.8	272.8	294.0	312.7	326.4
Citrus, value	0.9	1.3	1.3	1.0	0.8
Volume	3.6	5.7	5.5	4.8	2.6
Unit value	249.9	226.1	233.4	209.4	286.8
Petroleum, value 2/	6.7	14.6	4.5	2.6	2.4
Volume	12.7	28.0	8.0	4.5	4.5
Unit value	527.3	520.4	562.0	570.0	535.2
Coal, value	0.0	0.2	0.5	0.4	0.3
Volume	0.4	9.5	19.0	22.0	18.5
Unit value	28.0	21.9	26.1	16.7	14.0
Miscellaneous, value	33.1	48.1	54.9	91.4	86.5
Unprocessed cashew nuts	11.8	11.4	5.6	29.3	15.1
Timber	1.0	2.2	9.6	9.8	13.8
Minerals 3/	4.2	4.4	6.0	3.3	4.6
Fishery products 4/	5.0	5.3	3.6	9.0	7.2
Manufacturing products	7.0	3.2	5.1	8.3	19.9
Tires and tubes	2.0	2.8	2.7	2.4	3.3
Other	2.1	18.9	22.2	29.3	22.6

Sources: Bank of Mozambique; Ministry of Commerce, Industry and Tourism; Ministry of Plan and Finance; and staff estimates.

1/ Information on export volumes and prices is not available from the National Statistics Institute (INE). These figures were obtained from the Ministry of Commerce, Industry and Tourism and differ from the export figures presented in the balance of payments which are based on INE.

2/ Petroleum products, including bunkers.

3/ Excludes coal.

4/ Excludes prawns.

Table 47. Mozambique: Exports by Country of Destination, 1993-97

(In percent of total exports)

	1993	1994	1995	1996	1997 1/
OECD countries	63.3	57.9	60.7	54.8	62.3
Japan	15.7	14.7	14.2	7.6	9.1
Netherlands	0.5	0.7	1.8	1.5	3.9
Portugal	12.7	8.9	8.4	7.7	7.4
Spain	28.0	19.3	20.9	21.1	20.5
United Kingdom	0.1	1.9	0.5	1.3	0.7
United States	3.6	8.4	5.5	11.4	13.7
Other	2.7	4.1	9.4	4.1	6.9
Former centrally planned economies	0.0	0.0	0.0	0.0	0.0
Former Soviet Union	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Other countries	36.7	42.1	39.3	45.2	37.7
South Africa	15.2	17.5	23.6	19.3	16.3
Zimbabwe	3.0	4.5	4.5	4.3	2.3
Other	18.5	20.1	11.2	21.6	19.1
Total	100.0	100.0	100.0	100.0	100.0
Memorandum item:					
Total exports (millions of U.S. dollars)	131.8	164.0	174.3	226.1	175.2

Sources: National Statistics Institute.

1/ Based on exports January-September 1997.



Table 48. Mozambique: Imports by Country of Origin, 1993-97 1/

(In percent of total imports)

	1993	1994	1995	1996	1997 1/
OECD countries	57.4	54.2	46.7	39.6	36.6
France	12.2	7.7	3.3	4.4	3.5
Japan	6.3	6.7	5.1	4.0	4.6
Netherlands	1.7	2.6	2.4	2.0	1.5
Portugal	6.1	5.0	9.0	6.3	6.3
United Kingdom	5.6	8.4	3.6	2.3	2.1
United States	5.6	6.4	6.9	4.2	5.2
Other	19.9	17.4	16.5	16.3	13.4
Former centrally planned economies	0.1	0.1	0.0	0.0	0.0
Former Soviet Union	0.0	0.0	0.0	0.0	0.0
Other	0.1	0.1	0.0	0.0	0.0
Other countries	42.5	45.7	53.3	60.4	63.4
South Africa	31.8	35.4	25.9	33.2	32.1
Zimbabwe	3.0	3.1	4.2	3.9	2.1
Other	7.7	7.2	23.2	23.3	29.2
Total	100.0	100.0	100.0	100.0	100.0
Memorandum item:					
Total imports (millions of U.S. dollars)	-829.7	-881.0	-727.0	-782.6	-537.8

Sources: National Statistics Institute.

1/ Based on imports January-September 1997.

Table 49. Mozambique: External Debt by Lender, End-1997

(In millions of U.S. dollars)

	Disbursed debt outstanding 1/	Arrears		Total
		Principal	Interest	
Total debt outstanding	5,518.5	521.8	97.5	619.3
Multilateral 2/	1,813.6	0.0	0.0	0.0
Bilateral 3/				
OECD countries	1,920.8	0.0	0.0	0.0
Austria	30.9	0.0	0.0	0.0
Spain	44.8	0.0	0.0	0.0
United States	50.1	0.0	0.0	0.0
France	444.3	0.0	0.0	0.0
Italy	470.2	0.0	0.0	0.0
Japan	51.1	0.0	0.0	0.0
Germany	199.8	0.0	0.0	0.0
Sweden	22.3	0.0	0.0	0.0
Portugal	463.4	0.0	0.0	0.0
United Kingdom	144.1	0.0	0.0	0.0
Other Paris Club Members	870.1	0.0	0.0	0.0
Brazil	361.0	0.0	0.0	0.0
Russia 4/	509.1	0.0	0.0	0.0
Other Countries	733.6	488.6	92.2	580.7
Commercial banks	180.4	33.2	5.3	38.6
Of which: Bank of Brazil	151.9	0.0	0.0	0.0

Sources: Bank of Mozambique; and Fund staff estimates.

1/ Includes arrears; it does not include loans to the Cahora Bassa hydropower project.

2/ Includes the Fund.

3/ Government, government agencies, insured banks, and insured suppliers.

4/ Debt reconciled by the Mozambican and Russian authorities in January 1998, after an up-front discount of 80 percent.

Table 50. Mozambique: Exchange Rates, 1980-97

		Real Effective Exchange Rate 2/	Nominal Effective Exchange Rate 2/	Official Mt / US\$ 1/		Market Mt / US\$ 1/		Parallel Market Mt / US\$ Maputo average
				End of period	Period average	End of period	Period average	
<b>Annual</b>								
1980		117.6	1572.8	33	32	...	...	...
1981		115.3	1663.3	36	35	...	...	...
1982		134.2	1822.9	38	38	...	...	...
1983		163.4	1880.4	41	40	...	...	...
1984		220.2	2099.7	44	42	...	...	...
1985		306.3	2431.2	41	43	...	...	...
1986		377.4	2305.3	39	40	...	...	...
1987		147.7	437.3	404	292	...	...	1,096
1988		95.6	160.3	626	529	...	...	1,183
1989		99.2	125.8	820	745	...	...	1,755
1990		100.0	100.0	1,038	929	1,879	...	2,155
1991		85.0	72.0	1,845	1,434	2,033	1,945	2,193
1992		65.5	43.1	2,742	2,433	2,951	2,550	2,917
1993		63.9	33.7	5,238	3,723	5,343	3,874	4,500
1994		61.8	23.1	6,553	5,918	6,651	6,039	6,679
1995		59.1	15.4	10,776	10,760	10,890	10,908	11,300
1996		67.9	12.4					
1997		77.9	13.2					
<b>Quarterly</b>								
1991	Q1	96.9	89.9	1,135	1,049	1,943	1,913	2,085
	Q2	85.4	73.1	1,515	1,393	1,934	1,909	2,100
	Q3	83.2	67.7	1,709	1,588	1,965	1,938	2,272
	Q4	74.6	57.3	1,845	1,771	2,033	2,021	2,320
1992	Q1	73.9	53.6	2,164	1,933	2,267	2,068	2,450
	Q2	66.8	44.5	2,600	2,318	2,572	2,366	2,767
	Q3	56.2	36.1	2,720	2,744	2,862	2,843	3,162
	Q4	65.3	38.1	2,742	2,736	2,951	2,924	3,197
1993	Q1	70.6	40.0	2,764	2,744	3,017	2,977	3,600
	Q2	69.8	38.1	3,529	2,964	3,565	3,183	3,933
	Q3	61.1	31.2	4,723	4,084	4,919	4,137	4,867
	Q4	54.1	25.6	5,238	5,098	5,343	5,200	5,600
1994	Q1	58.4	25.1	5,580	5,416	5,688	5,521	6,330
	Q2	60.1	24.2	5,878	5,680	5,999	5,809	6,621
	Q3	63.1	22.1	6,296	6,151	6,432	6,277	6,750
	Q4	65.7	20.9	6,553	6,426	6,651	6,548	7,013
1995	Q1	63.5	19.2	7,443	6,964	7,581	7,086	7,895
	Q2	59.8	16.3	8,977	8,013	9,087	8,162	8,940
	Q3	55.6	13.5	10,546	9,843	10,710	9,969	10,510
	Q4	57.5	12.4	10,776	10,738	10,890	10,870	11,100
1996	Q1	65.0	12.5	10,978	10,875	11,100	11,026	11,654
	Q2	68.9	12.5	11,363	11,090	11,378	11,248	12,110
	Q3	68.6	12.3	11,214	11,282	11,482	11,437	12,037
	Q4	69.1	12.4	11,295	11,311	11,337	11,463	11,837
1997	Q1	70.0	12.8	11,400	11,354	11,493	11,512	11,733
	Q2	71.7	13.0	11,421	11,382	11,395	11,529	11,700
	Q3	76.3	13.4	11,396	11,388	11,655	11,561	11,700
	Q4	93.4	13.6	11,604	11,454	11,543	11,580	11,700

Sources: Bank of Mozambique; and IMF, *International Financial Statistics*.

1/ Midpoint official exchange rates; buying and selling rates +/- 1 percent.

2/ Per metical; index 1990=100.

Mozambique: Summary of Major Taxes as of January 31, 1998 1/

Tax	Nature of Tax	Exemptions and Deductions	Rates
1. Taxes on income and profits			
1.1 Business profits tax			
(Contribuição Industrial)			
Decree 3 of January 30,			
1987--Income Tax Code,			
Title II, and Ministerial			
Order 16/87, as amended by			
Decree 28 of October 30,			
1987, Decree 18 of			
December 28, 1988, and			
Decree 31 of December 7,			
1990, Decrees 30 and 32 of			
December 30, 1993, Decree			
47 of October 12, 1994, and			
Decree 17 of May 3, 1995.)			
All entities and individuals carrying on commercial and industrial activities are chargeable with tax on net profits and capital gains accrued in Mozambique in the base year ending on the preceding December 31. The tax base comprises all taxable income from any sources in Mozambique, plus one-third of gross income before taxes received from abroad by a resident company. Taxpayers with regular accounts (Group A) file returns in May or July, which are used to determine the tax base. Mandatorily included in Group A are (a) state enterprises;	Exempted are (a) the state and its agencies; (b) social security institutions; (c) income of production or services cooperatives subject to the Labor Income Tax, Section B; (d) cultural, recreational, physical education, or sports associations having approved charters; (e) income of social assistance, public health, charitable, educational, scientific, literary, artistic, sports, recreational, and cultural heritage preservation and restoration associations or other entities.	Groups A and B 35 percent for agriculture; 40 percent for industry; and 45 percent for other businesses.	
(b) companies and limited partnerships;	Deductible are (Group A only) (a) required contributions (not including payments made to nonresidents unless it can be proven that these payments are essential for the generation of income); (b) expenditure incurred in providing various types of medical and social assistance to employees and their families; (c) taxes other than the business profits tax; (d) losses from the three previous years; (e) donations up to the equivalent of 8 percent of taxable income in the previous year (grants to the state are fully deductible); and (f) straight-line depreciation at rates established by the Ministry of Finance or calculated according to another method authorized by the Tax Department.	Quittance rate 15 percent withheld at source by the paying entity or enterprise on the gross amount before taxes of any payment to commercial enterprises or entities not showing proof of tax registration.	
(c) taxpayers having domicile or main offices abroad; (d) taxpayers whose average turnover in the three preceding years exceeded Mt 125 million; and (e) other taxpayers whose accounts are kept by a certified accountant and who are authorized to register in the group. Taxpayers not keeping regular accounts (Group B) file a simplified return in February. Group C covers small businesses of self-employed individuals not falling within the scope of the Labor Income Tax whose average actual or presumptive sales or output in the three preceding years did not exceed Mt 500,000 a month. The tax offices are responsible for tax assessment, which for Group B taxpayers depends on prior determination of the tax base by an income-determination committee.	Group C Specific rates are established by each provincial government by October 31 of the preceding year in amounts that are at least equal to and at most twice those determined by the Ministry of Finance. Examples of rates determined by the Ministry of Finance are the following:  (In thousands of meticals) Maputo/ Zambézia/ Sofala Nampula Other	Group C Basket or mat maker 20 20 20 Artisan 20 10 10 Photographer, without studio 30 20 10 Ivory artisan, construction electrician 20 30 20	

Mozambique: Summary of Major Taxes as of January 31, 1998 (continued)

Tax	Nature of Tax	Exemptions and Deductions	Rates
	<p>The tax is collected in four ways:</p> <ul style="list-style-type: none"> <li>in two equal installments, in February and May, in respect of the provisional assessment calculated by December 10 on the basis of 75 percent of taxable profits in the preceding year (Groups A and B);</li> <li>in one installment in October, in the case of any adjustment made once the preceding year's actual profit is ascertained (Groups A and B);</li> <li>in four equal installments, in March, June, September, and December (Group C). Proceeds from this group go to provincial treasuries; and</li> <li>in eight installments, beginning in May, in the case of prepayment of the provisional assessment by Group A taxpayers whose average turnover exceeded Mt. 125 million in the preceding year as determined on the basis of estimated current year profits in accordance with a financial plan submitted by the taxpayer by March 31.</li> </ul>		
		Watch repairman, shoe repairman, confectioneer, barber	60 40 30
		Motorcycle mechanic, bricklayer, tinsmith	80 50 40
		Housepainter or whitewasher, hairdresser, tailor	120 80 60
		Street photographer, upholsterer	150 100 80
		Dressmaker, auto mechanic, electric and electronic appliance repairman	200 140 100
		Carpenter or cabinetmaker	250 150 80

Mozambique: Summary of Major Taxes as of January 31, 1998 (continued)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.2 Taxes on individual income			
1.2.1	Labor income tax ( <i>Imposto sobre os Rendimentos do Trabalho</i> ) - Sections A and B (Decree 3 of January 30, 1987--Income Tax Code, Title III, as amended by Decree 8 of May 13, 1988, Decree 18 of December 28, 1988, Decree 31 of December 7, 1990, Decrees 30 and 32 of December 30, 1993, Decree 8 of February 27, 1995, and Decree 25 of June 26, 1995).	<p>Section A Tax withheld by employers on salaries and other remuneration paid in cash or in kind to citizens or noncitizens. Also taxable are professional fees, retainers, bonuses, profit sharing, prizes, and similar income; representation and travel allowances; scholarships; remuneration of individual owners or partners that is accounted for as salary; and taxes and required contributions withheld by employers or paid on self-employment income.</p> <p>Section A Exempted are (a) government employees whose salaries are paid from the state budget; (b) foreign diplomats who are nationals of the country they represent, provided there is reciprocity; (c) personnel of foreign or international organizations; (d) taxpayers whose monthly remuneration is less than Mt 324,000 or not higher than the minimum wage.</p>	<p>Section A A. Wages Monthly income (In meticais) Marginal rates (In percent) Up to 390,000 6 From 390,000 to 1,170,000 15 Above 1,170,000 30</p>

Mozambique: Summary of Major Taxes as of January 31, 1998 (continued)

Tax	Nature of Tax	Exemptions and Deductions	Rates
	<p>The tax office assesses the tax owed by workers who render remunerated services under retainer or similar arrangements. In this case, the taxpayer files his return in January, has his income determined by a committee by May 31, and pays tax in July. The same applies if tax cannot be legally withheld, and the return is filed in March.</p>	<p>After deduction of the tax, disposable income cannot be less than the exemption ceiling.</p> <p>The following are excluded from the tax base: (a) retirement and disability pensions; (b) cash-shortage allowances, up to the ceiling established for government employees earning equivalent remuneration; (c) family and separation allowances; (d) wages of occasional farm workers and household servants; and (e) income subject to the Labor Income Tax--Section A--at the quittance rate of 30 percent.</p>	<p>Thirty percent for remuneration posted in the books as paid to owners of personal corporations or paid for any reason to partners, board members or managers, fiscal board members, general meeting bureaus, or other bodies of corporations, or to partners;</p> <p>Thirty percent for fees, retainers, attendance fees, bonuses, percentages, commissions, profit-sharing, and any other similar income;</p> <p>Thirty percent for retainer or equivalent fees received from one or more enterprises;</p>
			<p>Thirty percent for self-employment income.</p>
			<p>Quittance rate of 30 percent on labor income paid to aliens, if all or part of it is paid in a freely convertible currency.</p>
			<p>B. Other income 15 percent (such as occasional income of wage earners, honoraria received by partners and owners, and payments for services rendered.)</p>

Mozambique: Summary of Major Taxes as of January 31, 1998 (continued)

Tax	Nature of Tax	Exemptions and Deductions	Rates
Section B	<p>Tax on presumptive income of production or service cooperatives and of individuals carrying on agricultural, forestry, and livestock operations exceeding size and development criteria established by the Minister of Finance in consultation with the Minister of Agriculture. These criteria refer to the size of the operation, the use of tractors, and number of employees, according to the activity. The tax is assessed by the tax office and paid in up to four quarterly installments in July, October, January, and April.</p>	<p>Section B</p> <p>The code provides for temporary exemption of taxpayers who are unable to meet tax obligations because of natural disasters; exemption is granted by the Minister of Finance upon proposal of provincial governments.</p>	<p>Section B</p> <p>Rates that vary from 1 percent to 30 percent according to the province, type of activity, location, and exploitation regime. They are established annually by the Minister of Finance in consultation with the provincial governments</p>



Mozambique: Summary of Major Taxes as of January 31, 1998 (continued)

Tax	Nature of Tax	Exemptions and Deductions	Rates
<p>1.2.2 Complementary Tax (<i>Imposto Complementar</i>) (Decree 3 of January 30, 1987--Income Tax Code, Title IV, as amended by Decree 18 of December 28, 1988, Decree 30 of December 7, 1990, and Decrees 30 and 32 of December 30, 1993)</p>	<p>A progressive surtax levied annually on (a) overall individual income, excluding income subject to the Labor Income Tax--Section A, received by Mozambican residents from Mozambican sources; (b) capital income generated in Mozambique, even if the payee cannot be individually identified or if earned by legal entities. The sum of profits from commercial and industrial activities and capital income is taxable. Taxpayers are assessed on aggregate household income; and (c) capital gains from equity sales, including their amortization.</p> <p>In the case of a company subject to the Business Profits Tax (Group B), the Complementary Tax is chargeable to the company on the difference between taxable profits, net of the corresponding tax, and the declared distribution of earnings.</p> <p>Payment is made in November.</p> <p>Labor income earners are subject to withholding at source of the Complementary Tax on the excess of their yearly income (grossed up by income of other household members, if any, and net of the Labor Income Tax--Section A) over the applicable personal allowance.</p> <p>Also subject to withholding at source are: capital income paid to legal entities, at 18 percent; profits attributed to partners, at 18 percent; certain amounts paid as professional fees, retainers, bonuses, and similar income; artists' remuneration; and capital income other than the above, at 5 percent.</p>	<p>Exempted are: (a) salaries of foreign diplomatic and consular officials and of personnel in their missions; (b) interest on treasury bills and government securities; (c) interest on demand and time deposits; (d) income subject to the Labor Income Tax --Section B; (e) income of taxpayers subject to the Business Profits Tax--Group C; and (f) other income specifically exempted by special provision.</p> <p>Other deductions from overall income are: (a) Business Profits Tax paid on overall income; (b) social assistance and other associations or entities, up to 15 percent of the previous year's taxable income; and (c) donations to the State and any of its agencies or establishments.</p>	<p>Taxable annual income Marginal rates (In millions of meticals) (In percent)</p> <p>Up to 10,000 8            From 10,000 to 40,000 15            From 40,000 to 80,000 27            Above 80,000 40</p> <p>Quittance rates (withheld at source):</p> <p>- 18 percent, in the case of dividends paid to nonresidents or when individual taxpayers cannot be determined; and</p> <p>- 30 percent on self-employment income.</p>

Tax	Nature of Tax	Exemptions and Deductions	Rates
2. Taxes on goods and services			
2.1 Turnover Tax ( <i>Imposto de Circulação</i> ) (Decree 1 of January 1987 -- Turnover Tax Code, as amended by Decree 3 of March 9, 1988, Decree 4 of March 29, 1989, Decree 4 of December 29, 1990, Decree 13 of June 19, 1991, Decree 29 of September 22, 1992, Law 2 of April 1986--Mining Law, Decree 31 of December 30, 1993, Decree 11 of April 19, 1994, Ministerial Decision of April 25, 1994, Decree 47 of October 12, 1994, and Decree 4 of January 24, 1995, Decree 4 of February 7, 1995, Ministerial Decision 15 of February 15, 1995, Decree 44 of October 22, 1996, and Ministerial Decision 136 of November 8, 1996.)	An ad valorem cascading tax levied on domestic transactions (sales of goods and services) of enterprises that carry on activities subject to the business profits tax and on imports. Also levied on own receipts of government agencies enjoying administrative and financial autonomy. The tax base of imported goods does not include customs duties and customs fees (EGA). The tax base excludes the consumption tax, except at the retail stage. If turnover declared by taxpayers for the preceding year is lower than would result from the use of market or normal prices, the base for calculating the tax liability may be adjusted by an income determination committee as referred to in 1.1. The tax must be paid by the end of the month following the month of sales.	Exempt are (a) sales by production and service cooperatives and individual farmers subject to the Labor Income Tax, Section B; (b) sales by small businesses or self-employed individuals (Group C taxpayers under the business profits tax); (c) receipts from printing and sale of newspapers; (d) sales by workers' canteens, student cafeterias, or hospitals, for immediate consumption; (e) sale of stamped values; (f) mining enterprises as defined by law; (g) sale and resale of bread by consumers' cooperatives; (h) exports; (i) importers' sales of kerosene; (j) retail sales of processed tobacco; (k) petroleum imports; (l) rents paid by lessees or lessors in financial leasing operations; (m) the value of goods transferred from lessors to lessees when lessees opt to buy in leasing operations; and (n) imports of maize, rice, sugar, wheat, wheat flour, and edible oil.	(In percent) 1 3 5 10 5 10 20 5
		Sales of petroleum products by distributors and retailers Sales of farm products by rural marketing agents located in rural areas Imports Sales of petroleum products to PETROMOC Producers and wholesalers, government agencies Retailers and services Telecommunications, hotel, and tourist services Semicollective transport	
		When wholesale and retail functions are combined, the 10 percent rate applies, unless otherwise determined by the Minister of Finance.	
		The Minister of Finance may establish, in consultation with the Minister of Commerce, selective rates between 5 percent and 20 percent for particular transactions or activities whenever priorities of economic policy or peculiarities of price formation mechanisms so dictate.	

Tax	Nature of Tax	Exemptions and Deductions	Rates
<p>2.2 Consumption tax (<i>Imposto de Consumo</i>) (Decree 42 of October 22, 1996, and Ministerial Decision of May 30, 1997.)</p>	<p>Tax on consumption of locally produced and imported goods included in specific lists with the same nomenclature as the customs tariff. The tax is collected either from the domestic manufacturer or the importer on a single occasion. Taxable events are the sale of goods by their producers, the importation of goods for final use, consumption or sale by manufacturers of goods purchased for use as raw materials or intermediate products, and consumption of finished products by their producers. The tax is levied on the ex factory gross price without deductions or, in the case of imports, on the customs value, excluding customs duties and fees (EGA). If the transaction value on the basis of which the tax was assessed is lower than the usual or normal ex factory price, adjustments may be made by the income-determination committee referred to above. The tax must be paid by the 20th of the month following the month of the transaction.</p> <p>When collected from the manufacturer, the tax is paid by the end of the month following the month of sales; when collected at customs, it is paid together with the import duties.</p>	<p>Exempted are (a) capital equipment and tools; (b) imported or domestically produced raw materials and intermediate goods for further processing by domestic industries; (c) exports; (d) handicrafts; and (e) other products and operations that are exempt by special decree. The Minister of Finance can grant exemptions from this tax when it is in the public's interest to do so, in the case of contractual negotiations between the state and anyone.</p>	<p>All rates are ad valorem. The 20 percent, 35 percent, and 50 percent rates apply to most producers, but a 75 percent rate also exists. Subject to the 20 percent rate are most food items (including sugar, coffee, and olive oil, but excluding caviar), soap, wax products, edible oils, photographic film, plastics, leather products (except cigarette cases and tobacco pouches), wooden products, most paper products, ceramic bathtubs and washbasins, china, and most iron, steel, and aluminum products. Examples of products subject to higher rates are the following:</p>
			(In percent)
			<p>Champagne, wine, whiskey, brandy, perfumes, gold plated dinner service, eyeglass frames, binoculars, jewelry, motorcycles 75</p> <p>Cigarettes 75</p> <p>Beer 50</p>
			<p style="text-align: center;">Automobiles</p> <p>Displacement (c.c.)</p> <p>Up to 1,500 20</p> <p>1,501-2,000 35</p> <p>2,001-3,000 50</p> <p>Above 3,000 75</p>

Mozambique: Summary of Major Taxes as of January 31, 1998 (continued)

Tax	Nature of Tax	Exemptions and Deductions	Rates
<p>2.3 Special tax on fuels (<i>Imposto Especial sobre Combustiveis</i>) (Decree 22 of September 24, 1990, as amended by Decree 27 of September 30, 1992, Decree of January 4, 1993, and Decree 8 of April 19, 1994, Decrees 29 and 30 of August 16, 1994, Decree 2 of January 25, 1995, Decree 15 of April 25, 1995, Decree 35 of August 8, 1995, Decree 50 of November 7, 1995, Decree 10 of April 2, 1996, Decree 34 of July 23, 1996, Decree 49 of November 5, 1996, Decree 8 of April 8, 1997, Decree 17 of July 8, 1997, and Decree 31 of October 7, 1997).</p>	<p>Levied on all domestically produced or imported fuels intended for domestic consumption. Taxable are (a) refiners and importers producing or marketing fuel; and (b) individual importers of fuel for their own or others' consumption.</p> <p>Proceeds go to the central budget, except for Mt 671.4 and Mt 1,100 per liter of regular and premium gasoline, respectively, and for 80 percent of receipts from the tax on diesel, which go to the Road and Bridge Maintenance Fund.</p>		<p>(In Mt/unit)</p> <p>LPG 284.0 Avgas 1,997.8 Regular gasoline 1,178.0 Premium gasoline 3,307.8 Jet fuel 430.2 Diesel 1,825.0 Fuel oil 328.3</p>
<p>Rates are subject to adjustment by the Minister of Finance as necessary.</p>			
<p>3. Taxes on international trade</p>	<p>Levied on all imports according to the import tariff unless exempt by special provision. The tariff follows the CCCN classification. Ad valorem duties are based on c.i.f. value of imports, determined according to the Brussels Definition of Value. About half the tariff items are subject to specific rates.</p>	<p>Exempted are (a) imports for diplomatic services, travelers' baggage, works of art, imports with no commercial value, and other traditionally exempted imports; (b) imports associated with external grants and externally financed projects; (c) capital goods imported under the investment incentives law; and (d) oil products.</p>	<p>Most consumer goods are taxed in the range of 5-25 percent; some textiles and luxury items, 35 percent; raw materials and intermediate goods, 1-30 percent; most machinery, 5 percent; other capital goods, 5-35 percent; and unprocessed foodstuffs, 35 percent.</p>
<p>3.1 Taxes on imports</p>			<p>Some rates are reduced by 10 percent under preference arrangements.</p>
<p>3.1.1 Customs duties (<i>Direitos de Importação</i>) (Decree 42 of October 15, 1996).</p>			<p>Five percent on imports of raw materials and finished and semifinished goods by enterprises for use in their own production processes, provided that the rate specified in the customs schedule is greater.</p>

Mozambique: Summary of Major Taxes as of January 31, 1998 (continued)

Tax	Nature of Tax	Exemptions and Deductions	Rates
3.1.2	Customs fee ( <i>Taxa de Serviços Aduaneiros</i> ) (Decree 42 of October 15, 1996).	Imports belonging to category (a) above are exempt. Other exemptions are being granted only for emergency program and defense imports, subject to existing international agreements.	One percent. The Minister of Finance may authorize exemptions or rate reductions.
3.2	Taxes on exports	<p data-bbox="505 1377 529 1598">3.2.1 Export duties (<i>Direitos de Exportação</i>) (Decree 42 of October 15, 1996).</p> <p data-bbox="505 688 675 1115">Levied on all exports.</p> <p data-bbox="505 222 578 632">Exemptions: (a) baggage, including automobiles imported without drawing on the foreign exchange fund; (b) goods purchased in duty-free shops; (c) merchandise for exhibitions; and (d) other items from Schedule IX of the tariff.</p> <p data-bbox="708 688 829 1115">Deductions from the customs value: (a) freight and insurance costs; (b) customs duties and fees; and (c) shipping costs, or a percentage determined by the Minister of Finance.</p> <p data-bbox="854 688 902 1115">Exports are exempted from customs duties for a period of five years.</p>	Fourteen percent on the value of exports of raw cashew nuts. Zero percent otherwise.
4.	Other	<p data-bbox="967 1146 1268 1934">4.1 Poll tax (<i>Imposto de Reconstrução Nacional</i>) (Decree 4 of January 30, 1987 -- National Reconstruction Tax Code and Ministerial Order 21.A of January 31, 1992, Ministerial Order 2/94, Ministerial Order 113 of December 20, 1995, and Ministerial Order 142 of November 13, 1996).</p> <p data-bbox="967 1146 1268 1934">A head tax levied annually on all citizens and aliens who earn income taxable subject to the Labor Income Tax, Section A, the business profits tax, or the complementary tax, and on all male residents between 18 and 60 years of age. The proceeds of the tax are allocated as follows: 5 percent to officials in charge of the taxpayer census and tax assessment; 70 percent to provincial budgets, and 25 percent to district budgets.</p>	<p data-bbox="967 212 1268 632">Regular/Late Payment</p> <p data-bbox="1016 432 1268 632">Maputo (city and province), Cities of Beira, Nampula, and Tete, Mt 15,000-22,500</p> <p data-bbox="1195 222 1268 411">and Remba Mt 10,000-15,000 City of Quelimane Mt 8,000-15,000 Lichinga Mt 6,000-9,000</p>

Mozambique: Summary of Major Taxes as of January 31, 1998 (continued)

Tax	Nature of Tax	Exemptions and Deductions	Rates
<p>4.2 Stamp tax (<i>Imposto do Selo</i>) (Legislative Act 763 of August 11, 1941, as amended. Decree 19 of May 9, 1995, and Decree 32 of October 14, 1997).</p>	<p>Requirement that revenue stamps be affixed to official papers, accounting, and register books, and documents such as those used for import and export purposes; receipts; contracts; bills of exchange; bonds; and a wide range of business licenses and permits and for sale of some products, such as lottery and sports tickets. Use of stamped paper is also required for a variety of legal documents. In many cases, stamp taxes are equivalent to a sales tax on goods and services, particularly those subject to ad valorem rates.</p>	<p>A variety of documents and certificates, are mostly those issued by the government, are exempted.</p>	<p>Various rates apply to different types of documents. The following are examples of ad valorem rates:  (In percent) Lending operations 0.1 Equity shares 0.4 Import and export transactions 0.7 Insurance policies 2 Life insurance 3 Maritime shipping 5 Other</p>
<p>4.3 Tourism tax (<i>Imposto de Turismo</i>) (Legislative Act 2732 of December 3, 1966, as amended by Legislative Act 2748 of March 25, 1967, Decree-Law 3 of January 7, 1985, and Circular 18/4/13/DGCI of May 8, 1979; Decree 33 of August 9, 1995).</p>	<p>Levied on the value of hotel and tourism services: accommodations, food, and beverages at hotels, boardinghouses, inns, restaurants, motels, camping grounds (including those for hunting), nightclubs, and ballrooms.</p> <p>The following are classified as having tourist interest: beerhouses, teahouses, cafés, bars, snack bars, eateries, taverns, and similar establishments.</p>	<p>Most rates are specific. Examples:  (In meticals) Hunting licenses 1,100 Leather and fur exports (100 pieces or fewer) 240 Accounting books required by the tax code variable School diplomas variable</p>	<p>Most rates are specific. Examples:  (In meticals) Hunting licenses 1,100 Leather and fur exports (100 pieces or fewer) 240 Accounting books required by the tax code variable School diplomas variable</p>

Mozambique: Summary of Major Taxes as of January 31, 1998 (concluded)

Tax	Nature of Tax	Exemptions and Deductions	Rates
4.4 Motor vehicle tax ( <i>Imposto de Compensação</i> ) (Decree 24 of August 8, 1989).	Levied on ownership of motor vehicles not subject to taxes on gasoline.	Exempted are (a) the State and Executive Councils; (b) foreign states, when there is reciprocity of treatment; (c) personnel of diplomatic and consular missions; (d) farm tractors; and (e) vehicles for driving instruction, for sale, seized, or unused for more than three months.	Light vehicles Mf 30,000 Heavy vehicles Mf 24,000

Source: the Ministry of Finance.

1/ Other taxes remain in effect, but their importance decreased sharply owing to the nationalization of land and urban property. They are tax on rental income (*contribuição predial*), levied annually on the actual or presumed rental value of urban property; the gift and inheritance tax (*imposto sobre as sucessões e doações*), formerly chargeable to the beneficiary; and a tax on transfers of real property (*sisá*). The first of these taxes is provisionally regulated by Title IV of the Code approved by Legislative Act 2774 of September 16, 1967; the other two come essentially under Decree 31408 of July 19, 1914.

2/ Some minor duties have been maintained in the customs legislation, despite the tariff reform (Decree 14 of June 19, 1991). In addition to the stamp tax, the following also apply: (a) to imports, revenue stamp tax on the consumption tax and broadcasting fee; and (b) to both imports and exports, the warehousing fee and the maritime trade tax (the latter established by the General Maritime Taxes Regulations (Legislative Act 627 of February 8, 1939), based on weight. Although not included in the current customs legislation, two very minor taxes established by the aforementioned regulations are also collected by customs: the lighthouse tax (*imposto de farolagem*) and the tonnage tax (*imposto de tonelagem*).







