

## **Republic of Mozambique: Selected Issues and Statistical Appendix**

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REPUBLIC OF MOZAMBIQUE

**Selected Issues and Statistical Appendix**

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Approved by the African Department

June 8, 2005

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## INTRODUCTION

The selected issues paper has two chapters:

- Chapter I reviews Mozambique's impressive economic growth, its composition, and its impact on poverty reduction over the past decade. Improvements in total factor productivity, resulting from a stable macroeconomic environment, the implementation of structural reforms, and high inflows of foreign capital (in megaprojects) and concessional assistance, have been significant. Good progress has been made in reducing poverty and improving social indicators. Nevertheless, Mozambique remains poor, with an inadequate infrastructure, and serious unmet education and health needs. These ongoing deficiencies highlight the need for a second wave of economic and social reforms with well-crafted policies to stimulate private investment and boost growth.
- Chapter II takes stock of the tax reform that Mozambique has implemented since 1996. It notes that the success of the reforms can be attributed to the Mozambican authorities' strong ownership of the reforms, the proactive and coordinated involvement of donors, and the Fund's technical assistance. Mozambique currently has a comprehensive tax system in line with international best practices and has made significant progress in modernizing laws and procedures in tax administration, especially customs. However, Mozambique's tax ratio remains low (below the average of sub-Saharan Africa) and has stagnated in the past few years, mainly because of the remaining weaknesses in tax collection.

## I. ECONOMIC GROWTH AND POVERTY REDUCTION IN MOZAMBIQUE<sup>1</sup>

### A. Introduction

1. Following the signing of a peace agreement in 1992 to end 16 years of conflict, Mozambique, a coastal country, has achieved impressive economic growth and lowered its prevalence of poverty. The government stabilized the macroeconomic environment, deepened economic liberalization, and implemented several institutional and structural reforms; for example, it liberalized the exchange and trade systems and reduced the involvement of the state in the economy. The Mozambican tax system was modernized and simplified and tax administration was strengthened while budgetary procedures and transparency improved during the period 1992-2004. The new environment attracted substantial private capital inflows (“megaprojects” in aluminum smelting, natural gas, and titanium mining, which resulted in a tripling of exports in three years) and the support of the international community (concessional assistance now accounts for half of government expenditures).

2. This chapter reviews Mozambique’s impressive economic growth and the effect of growth on poverty reduction over the past decade.<sup>2</sup> Section B briefly reviews the main aspects of its recovery postconflict and the composition of economic growth and its impact on poverty reduction. Section C uses a basic growth accounting framework to estimate the factors that are driving economic growth. Finally, Section D analyzes the primary challenges confronting Mozambique and the need for a new wave of reforms to foster growth and further reduce poverty.

### B. Economic Recovery, Growth Composition, and Poverty Reduction

#### Economic recovery

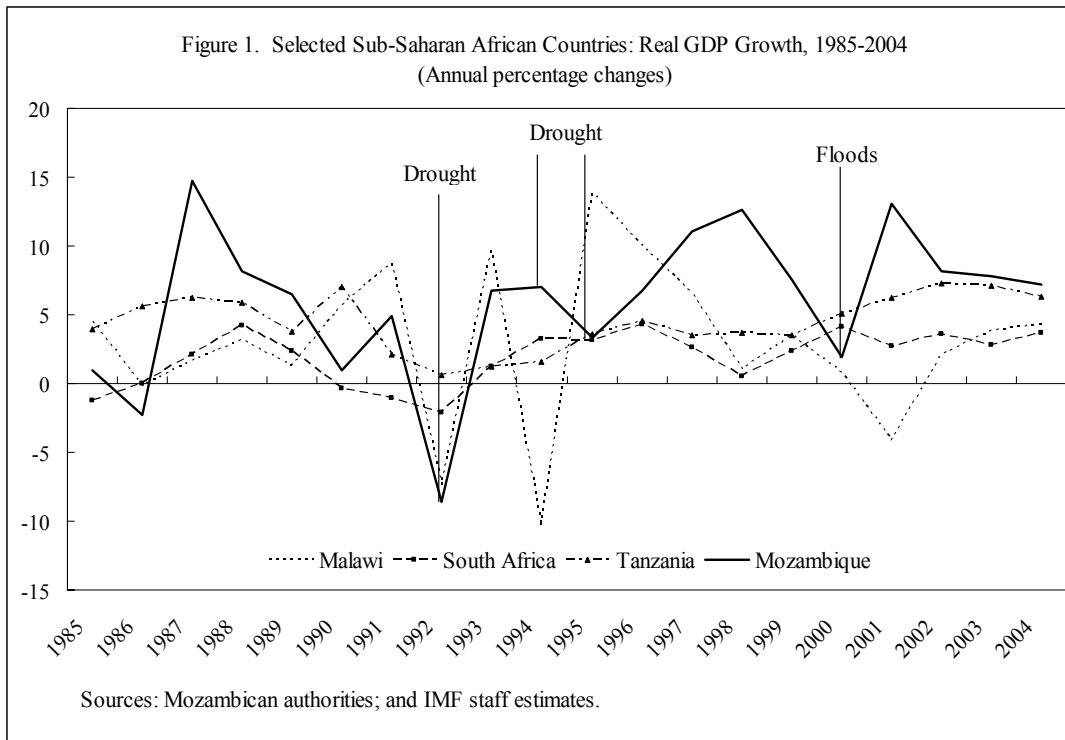
3. **On average, the Mozambican economy grew by 8.5 percent annually between 1996 and 2004**, driven by new megaprojects, investment from neighboring countries, buoyant donor support, and agricultural growth. During this period, there was a remarkable agricultural “catchup,” and a fast expansion in tourism, construction, and manufacturing.

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<sup>1</sup> Prepared by Alvaro Manoel. It is based on a World Bank background paper: “*Mozambique: Macroeconomic Developments, Economic Growth and Consequences for Poverty*,” by Maite Benito-Spinetto and Peter Moll, PREM 1, Africa Region, March 10, 2005. Maria Mendéz provided valuable research assistance.

<sup>2</sup> The ex post assessment of Mozambique’s performance under Fund-supported programs (IMF, 2004) covers Mozambique’s progress in implementing its program of economic reform since 1987.

4. **Much like other countries in the region—except Tanzania and South Africa, whose growth patterns are more stable—growth in Mozambique is somewhat volatile** (Figure 1). Natural disasters (floods and droughts) that frequently plague the region explain the more severe swings. For example, the steep fall in the 1992 growth rates of Mozambique and Malawi was a consequence of the widespread drought those two countries experienced that year, floods in 2000 explain Mozambique’s low performance that year.<sup>3</sup> Unlike other countries in the region, Mozambique has been successful in sustaining periods of high growth for the most recent years.



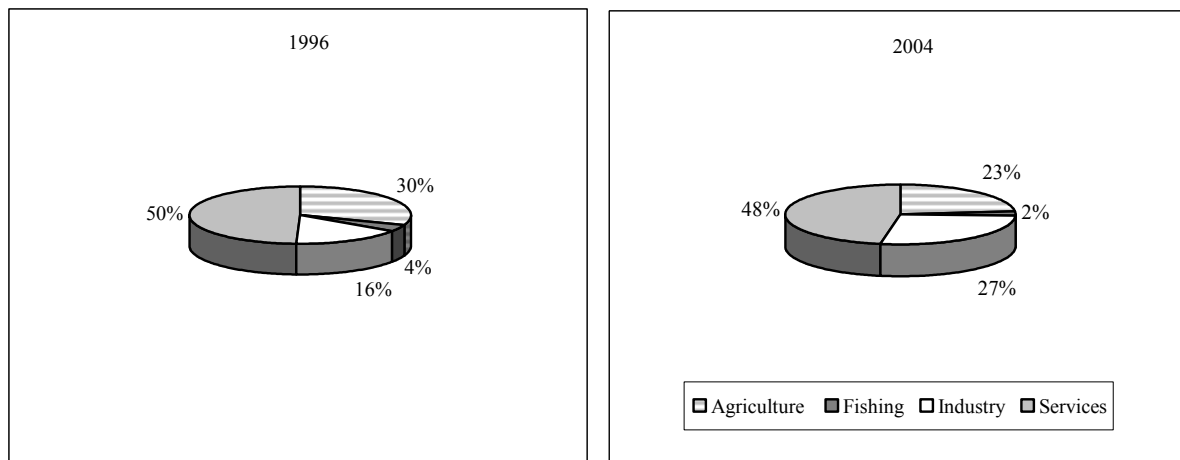
<sup>3</sup> Agricultural GDP in Mozambique fluctuated as a result of devastating droughts in 1992 and 1994 and floods in 2000. Figure 4 at the end of this paper shows the volatility of agricultural production in the past 20 years. Vulnerability to shocks has been an important characteristic of the Mozambican economy since major events with substantial impact on growth have occurred at the rate of one in five years. Regressing GDP growth during 1981-2004 against investment and introducing a dummy variable for the war and natural disasters (floods and droughts) indicate the importance of shocks for growth. The regression suggests that growth is cut by about 5.5 percentage points when a major disaster strikes. For details see Benito-Spinetto and Moll (2005).



## Composition of growth

5. **Mozambique's economic growth implies an important transformation in the composition of its GDP, although services remain the dominant sector (about 48 percent in 2004).** The share of industry in total GDP increased to 27 percent in 2004 from about 16 percent in 1996, whereas the share of agriculture decreased to 23 percent from about 30 percent in the same period (Figure 2). The agricultural sector, however, still supports 80 percent of the economically active population, whereas the service sector (including government) employs 15 percent of the workforce, with industry absorbing just 5 percent.

Figure 2. Mozambique: Composition of GDP, 1996 and 2004  
(In percent of GDP)



Sources: Mozambican authorities; and IMF staff estimates

6. **Investment, primarily supported by foreign direct investment in megaprojects, grew at an average rate of 11 percent during 1996–2004, higher than the country's overall GDP growth rate** (Table 1). The high rates of investment, especially after 1998, are mainly due to the megaprojects MOZAL I and MOZAL II (aluminum smelters) and the gas pipeline to South Africa. The megaprojects also explain Mozambique's buoyant performance in exports, which grew at an average rate of about 29 percent during 1997–2004.

Table 1. Mozambique: GDP, Real Rates of Change in Percent, 1996-2004

	1996	1997	1998	1999	2000	2001	2002	2003	2004	1996-2004 average
GDP	7.1	11.1	12.6	7.5	1.9	13.1	8.2	7.8	7.2	8.5
Private consumption	17.2	7.1	5.9	4.6	-0.3	1.5	0.2	4.4	5.0	5.1
Public consumption	-6.3	21.0	21.0	10.0	11.7	17.2	3.6	11.4	15.9	11.7
Total investment	-8.4	8.4	32.6	61.4	-8.7	-15.2	38.0	4.4	-13.9	11.0
Exports of goods and nonfactor services	22.8	8.6	10.4	-1.5	31.9	51.6	21.0	30.2	13.1	20.9
Imports of goods and nonfactor services	5.0	11.1	8.4	40.4	-2.4	-20.7	21.4	13.1	-7.1	7.7

Sources: Mozambican authorities; and IMF staff estimates

7. **The industrial sector, comprising mining, manufacturing, electricity and water, and construction, was the main contributor to overall GDP growth during 1996–2004** (Table 2). In the service sector, high rates of growth in restaurants and hotels and in transport and communications also help to explain Mozambique’s GDP performance during 1996–2004. And, although the performance of the agricultural sector has been volatile, average growth during 1996–2004 reached 6.6 percent.<sup>4</sup>

Table 2. Mozambique: GDP, Real Rates of Change in Percent, 1992-2004  
(Averages by period indicated)

	1992-96	1992-2004	1996-2004
Real GDP	3.1	6.5	8.5
Sectoral growth rates			
Agriculture total	6.0	6.2	6.6
Fishing	0.7	1.3	2.6
Industry	5.6	16.4	22.5
Mining	-0.1	32.0	44.1
Manufacturing	1.4	11.0	17.2
Electricity and water	4.9	32.0	45.6
Construction	16.7	16.5	17.2
Services	3.5	5.3	5.8
Commerce	-1.1	2.3	3.9
Restaurants and Hotels	16.2	12.3	10.8
Transport and communication	17.8	11.9	8.5
Financial services	2.6	4.7	5.0
Real estate rentals	4.3	3.2	2.6
Corporate services	...	4.1	6.0
Government services	-1.8	3.8	6.5
Other services	6.0	7.7	8.8

Sources: Mozambican authorities; and IMF staff estimates

### *Industry and megaprojects*

8. **Growth in the dynamic industrial sector averaged about 22 percent a year.** Mining and electricity and water grew by 45 percent, on average, while manufacturing and construction grew by 17 percent a year during the same period. The sector’s strong growth, like the growth in investments, was driven by the development of the megaprojects. Some manufacturing subsectors, led by processed food and beverages, also registered impressive growth during the period, whereas progress in textiles was less noticeable.

9. **Megaprojects’ contribution to overall GDP growth has been decisive since 1997.** Mozambique currently has three such projects—the MOZAL aluminum smelter, the Cahora Bassa hydroelectric plant, and the SASOL gas pipeline to South Africa.<sup>5</sup> The share of

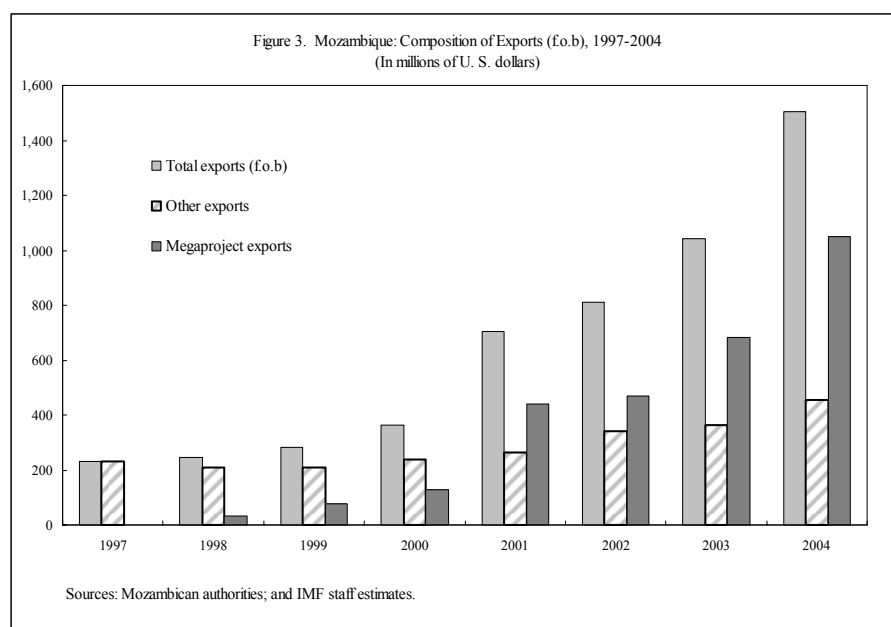
<sup>4</sup> Table 5 at the end of this paper presents annual GDP growth rates for the main sectors of the economy during 1992-2004.

<sup>5</sup> The first phase of MOZAL (MOZAL I) was completed in 2000 and MOZAL II in 2004 for a combined total investment of US\$2 billion. The Cahora Bassa hydroelectric plant is located  
(continued...)

megaprojects in GDP increased to 7 percent from zero during 1998–2002, and the contribution to GDP growth was about 1.6 percentage points annually during the same period.

10. **The importance of megaprojects to GDP growth has waned since the completion of the MOZAL aluminum smelter and the SASOL gas pipeline in late 2003.** However, they will continue to contribute to overall growth in the coming years, with the launch of a titanium ore project in 2004 that is expected to become operational. In addition, a feasibility study of a coal mine project will begin in 2005, and the project is scheduled to begin in 2007.<sup>6</sup>

11. **Total export growth was also high during 1996-2004 at 29 percent on average and can be explained, in part, by exports from megaprojects.** These grew at 90 percent, on average, in the same period. Traditional exports grew at the solid average rate of 9.8 percent during the same period. Traditional exports are concentrated in a few agricultural products—prawns, cotton, timber, raw cashew nuts, and sugar—whose production are weather-sensitive and subject to terms of trade shocks. In 2004, exports from megaprojects made up about 70 percent of total merchandise exports (Figure 3).



in Tete province and started producing electricity in 1995 and now exports to South Africa and Malawi. SASOL extracts gas from the Temane and Pande gas field on the coast of Inhambane province and exports to South Africa via pipeline.

<sup>6</sup> Box 1 in IMF Country Report No. 05/168 details the impact of megaprojects on the balance of payments.

## Agriculture

12. **Agricultural sector growth, which averaged 6.6 percent a year between 1996 and 2004, was lower than average overall GDP growth.** The main contributors to growth were food grains (maize), sugar, tobacco, cashews, and cotton:

- **Food grain** production represented a remarkable postconflict catchup, with annual growth averaging 6.6 percent from 1996 to 2004. About half of agricultural sector growth during the period was due to an expansion of land under cultivation. Growth in certain regions, such as Tete, has been stronger owing to regional trade—for example, cross-border trade in maize and other products with Malawi.
- **Sugar production** also recovered, with private investors, mainly from Mauritania, attracted by the protection from foreign competition. These took the form of a surcharge on sugar imports, which rose from 50 percent in 2000 to 90 percent in 2003, as well as exemption from sales tax and investment incentives. Sugar production shot up to 212,000 tons in 2003, a level not seen since 1970.
- **Tobacco** and tea production, which was consistently strong, was driven by commercial investment from Zimbabwean companies and farmers who have settled in Mozambique. Since 2002, tobacco production has grown, on average, by 67 percent, and tea production has risen by 20 percent a year.
- **Cashew and cotton** production both recovered strongly after the conflict ended but the gains appear to have tailed off since 1998. The troubled cashew sector continues to stagnate, indicating that more needs to be done to overcome declining productivity and returns.

13. **The deepening of market integration and the use of modern technology** help explain the transformation of agriculture since 1996:

- **Market integration** has played an important role in trade expansion, market participation, and employment of labor in rural areas. The northern, central and southern regions of the country, which had been almost completely self-sufficient as a result of high transport costs and poor communication, have become more integrated (beans from Niassa and groundnuts from Nampula, for example, have been found in Maputo). As a result, the prices of agricultural products have converged across subregions. Although still low, the number of households engaging in agricultural production for the market has increased slightly. The percentage of smallholders selling food crops to the market increased from 14 percent in 1996 to 26 percent (in the case of maize) in 2002. In the same period, the percentage of agricultural households that hired nonfamily labor rose from 18 percent to 22 percent.

- **Technological progress** in the agricultural sector is more widely observed in the cash crop segment, whereas food crop production remains underdeveloped. Food crops are still rain fed, collected by hoe, and grown without fertilizer or selected and improved seeds. Tobacco farmers, however, have increased their use of fertilizer, an innovation introduced by Zimbabwean immigrants. Other cash crops (cashews and cotton) became more widespread between 1996 and 2004.

## Services

14. **Although the service sector has not kept pace with overall GDP growth on average during 1996–2004, it continues to be the largest sector, accounting for about 48 percent of GDP.** Restaurants and hotels and transport and communications have registered a strong performance. The reestablishment of traditional markets such as tourism explain the performance of these subsectors, which grew on average, by about 11 percent and 8.5 percent, respectively during 1996–2004, while the service sector as whole grew by about 6 percent (Table2). During the 1990s, the country regained a large number of South African tourists, and also started to attract tourists from elsewhere.

15. **The expansion of ports and railways and of mobile telephony has attracted more private investment and explains the strong performance in transport and communications.** Market liberalization of telecommunications is a good example of how macroeconomic policies and reforms have buttressed economic growth in Mozambique. As of 2000, the country had 85,000 landlines and 51,000 cell phones. The introduction of a cell phone competitor galvanized the incumbent market more effectively. Cell phone accounts had mushroomed to 700,000 by 2004, the quality of service had improved noticeably, and prices are now among the lowest in the region. As would be expected, given the expansion of educational, health, and other services, growth in the government sector has been also very high since 1996.

16. **The expansion of commerce and financial sector activities in recent years has been disappointing.** The pace of growth in commerce, for example, should have been more robust in light of Mozambique's overall GDP growth. It is likely that some commercial activities, which have taken place in the informal sector, have not been captured in official statistics. A panel survey carried out during 2000–03 (the variable analyzed is sales rather than value added) for industry, construction, transport and communications, tourism, restaurants and services, and commerce, shows that growth rates in those activities and in the overall economy broadly correspond. Interestingly, the survey also shows stronger rates for growth in commerce than in the other sectors.<sup>7</sup> The financial sector's disappointing performance can be attributed to several crises in the sector in the past six years when banks

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<sup>7</sup> See details of the panel survey in Benito-Spinetto and Moll (2005).

had to be bailed out with a government's package and further reprivatized, as was the case of Banco Austral in 2001.

### Concessional assistance, growth, and poverty reduction

17. **Mozambique is one of Africa's largest recipients of aid, exceeding other postconflict countries, such as Uganda and Ethiopia.** Between 1998 and 2004, Mozambique's foreign grants and loans receipts accounted for 15 percent of GDP, on average, 70 percent of which was in the form grants—that is program, project, and in-kind grants (Table 3). During 1998–2004, total grants and loans averaged US\$641 million dollars and were allocated mainly to the priority sectors defined in Mozambique's poverty reduction strategy paper (PRSP) (PARPA in Portuguese).

Table 3. Mozambique: Grants and loans to the government, 1998-2004  
(In millions of U.S. dollars, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2004	1998-2004 (average)
Total grants	313	434	561	469	374	492	467	444
Program grants exc. special programs	124	218	216	171	118	171	167	169
Special programs	20	20	29	2	5	0	15	13
Project grants	134	180	195	257	222	260	143	199
In-kind aid	19	15	121	20	27	41	9	36
Support for government imports (medicine, etc.)	17	0	0	20	2	21	134	28
Total loans	226	112	163	104	248	214	313	197
Program loans	87	0	29	31	106	71	105	61
Project loans	139	112	134	50	106	116	161	117
Loans to public enterprises	0	0	0	22	36	27	46	19
Total grants and loans (excluding IMF; and HIPC grants) (in percent of GDP)	539 13.6	546 13.3	724 19.5	573 15.5	622 15.2	706 14.8	780 12.8	641 15
Share of grants (in percent)	58.1	79.5	77.5	81.9	60.2	69.7	59.9	70
Per capita	32.7	32.5	42.1	32.5	34.4	38.1	41.1	36

Sources: Mozambican authorities; and IMF staff estimates.

18. **Concessional assistance has, on the whole, been successful in broadening people's access to, and the quality of, services and in raising the level of fiduciary accountability.** The main sectors benefiting from external aid are agriculture, roads, education, and health.

19. **Good progress has been made in recent years in reducing poverty.** The poverty headcount, as measured by the national poverty line, fell from 69 percent in 1996/97 to 54 percent in 2002/03—from 71 percent to 55 percent in rural areas and from 62 percent to 52 percent in urban areas, which means that the PARPA goal of reducing the poverty rate to 60 percent by 2005 has already been achieved.

20. **Other social indicators are also in line with this trend of poverty reduction:** (i) the share of households owning a radio rose from 27 percent in 1997 to 49 percent in 2001; (ii) the share owning a bicycle rose from 12 percent to 27 percent in the same period; (iii) various sectoral indicators show that primary school attendance, vaccination coverage,

and attended births rose considerably over 1996–2002; and (iv) several surveys in the agriculture sector indicate that the median income per capita from crops increased by 27 percent between 1996/97 and 2002/03.<sup>8</sup>

21. **Government interventions and targeted priority expenditures—backed up by external aid—also played a role in poverty reduction.** Increased trade allowed smallholder households to augment their incomes. Higher educational levels and increased access to education led to better earnings in the labor market and raised the productivity of informal sector operators while attracting high returns in rural nonfarm pursuits. Improved health raised the productivity of workers in all sectors.

22. **Megaprojects have had a less significant effect on poverty because they generate a small number of jobs. Fiscal contributions have also been relatively small because of the high level of tax exemptions.** The direct contribution of megaprojects to local employment has varied greatly depending on the phase of the project (under construction or operating). MOZAL, for example, representing the largest foreign direct investment in the country, employed about 5,000 people during its construction phase and about 1,000 subsequently. However, the fiscal contribution of megaprojects is estimated to rise to 3–4 percent of tax revenues by 2010.

23. **Mozambique’s recent progress in reducing poverty broadly indicates a strong link between growth and poverty reduction.** It is beyond the objectives of this paper to measure the magnitude of the elasticity between growth and poverty reduction in Mozambique, but the evidence available confirms what recent studies have shown for other countries: broad-based GDP growth is positively related to poverty reduction.

### C. Sources of Growth

24. **This section attempts to estimate the contribution of total factor productivity (TFP) and factor accumulation to GDP growth in Mozambique over the past few decades.** A growth accounting framework based on the standard Cobb-Douglas production function is used:

$$Y = A K^\alpha L^{1-\alpha} \quad (1)$$

where  $Y$  is real GDP,  $A$  is total factor productivity (TFP),  $K$  is physical capital,  $L$  is labor, and  $\alpha$  is the elasticity of output with respect to the capital input.

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<sup>8</sup> The Millennium Developments Goal (MDG) table attached to the staff report presents other indicators for the period 1990-2003.

25. **Because of the absence of reliable national accounts the following assumptions are made:** (a) the series of capital stock was constructed using the perpetual inventory accumulation method, with the authorities' data on real investment; (b) depreciation was assumed to be constant at 6 percent a year, and a capital-output ratio of 1.5 in 1980; (c) population and population growth was used as a proxy for the labor force because no employment information is available. Following the assumptions used in Tahari and others (2004), we applied factor shares of 0.6 and 0.4 for labor and capital, respectively.<sup>9</sup> Solow's residuals were filtered—by using the Hodrick-Prescott filter—following standard methodology, to capture the basic trend and to remove the impact of exogenous shocks.

26. **The growth accounting framework, although imperfect and limited,<sup>10</sup> helps to clarify the main factors that explain growth.** The results, which are in line with previous exercises for other sub-Saharan African countries, demonstrate that growth has been driven increasingly by improvements in TFP.<sup>11</sup> Increases in TFP coincide with the period of macroeconomic stabilization and implementation of structural reforms, as well as of higher inflows of foreign capital and concessional assistance (Table 4).

27. **Several results of the growth accounting exercise are noteworthy:**

- During the crises period (1981–92), real investment was low, GDP growth was also low and even negative, and, on average, TFP played a small role in explaining GDP growth;

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<sup>9</sup> The results do not change significantly if the share of labor is increased to 0.68 or even to 0.7 as used in another, similar analysis for Tanzania (Treichel, 2005) and Uganda (IMF, 2005). Similar studies also estimate the long-run production function using cointegration methodology. See, for example, Akitoby and Cinyabuguma (2004), where the authors obtain coefficients for capital of 0.34 (for the Democratic Republic of Congo), which are consistent with the values (0.30 to 0.40) used in most growth studies.

<sup>10</sup> The main limitation is to interpret Solow's residual as total factor productivity. Besides gains in economic efficiency, the residual may also reflect a number of other factors: political disturbances and conflicts, institutional changes, climate shocks, changes in government policies, intensive exploitation of natural resources, and measurement errors. See Bosworth and Collins (2003) and Tahari and others (2004).

<sup>11</sup> See Tahari and others (2004) for sub-Saharan African countries' comparisons and Treichel (2005) for Tanzania. In the case of Mozambique, these results have to be interpreted with caution because of the limitations of the exercise. Once more statistical information become available, the analysis will need to be further refined.



Table 4. Mozambique: Sources of Economic Growth, 1981-2004  
(In percent)

	1981-2004	1981-84	1985-92	1996-2004
Real GDP growth	3.94	-6.0	3.2	8.5
Factor accumulation 1/	2.4	-0.7	2.1	4.2
Total factor productivity 2/	1.6	-5.3	1.1	4.3
Memorandum items:				
Investment-GDP ratio	22.4	18.7	21.7	26.4
Real investment growth	6.2	-1.2	2.5	6.7

Sources: Mozambican authorities; and IMF staff estimates.

1/ Accumulation of labor and capital, using factor shares of 0.6 and 0.4, respectively.

2/ Residual from the growth accounting exercise (Solow residual, interpreted as TFP).

- More recently, during the period of economic reforms, which has attracted foreign direct capital and a significant increase in concessional assistance (1993–2004), real investment growth increased substantially, resulting in a higher investment-to-GDP ratio;
- Factor accumulation increased during 1996-2004 but it was accompanied by a strong pickup in TFP growth: it increased to 4.3 percent during 1996–2004 from 1.4 percent when the entire period 1981–2004 is considered. In this more recent period of 1996–2004, TFP has increased its role and has accounted for about 50 percent of GDP growth.
- Between 1996 and 2004, the average investment-to-GDP ratio and real investment growth in Mozambique were at 26.4 percent and 6.7 percent, respectively, showing that the country is above the average for all low-income countries in the world (24 percent and 3 percent, respectively).<sup>12</sup>

28. **Mozambique’s growth experience, especially during the recovery period of 1993–2004, is broadly in line with the findings reported in the empirical literature.** This literature has identified the following main determinants of TFP:

- Better quality institutions and human capital development—basic health care, education, and other high-priority services;
- A favorable macroeconomic policy environment—less external debt and government consumption and a lower inflation trend;

<sup>12</sup> For more comparisons see Tahari and others (2004).

- Diversification of the economic base, which depended critically on decisive steps taken on structural reforms, including privatization, financial sector reform, and trade liberalization.

29. **Notwithstanding the good progress that Mozambique has achieved in recent years in reducing poverty, the country remains poor, with a per capita income of about US\$320. Infrastructure is still inadequate, there are serious unmet education and health needs, and poverty rates are especially high in rural areas:** (i) the use of electric lighting remained stagnant; (ii) health service reaches only two-thirds of the population, and 13 percent of Mozambicans of reproductive age are HIV positive; (iii) illiteracy is still high (60 percent); and (iv) market integration in the agriculture sector needs to be increased.

#### **D. Final Remarks and Main Challenges Ahead**

30. **Mozambique's population is growing at 1.5 percent annually. The urban working population is expected to grow at 4 percent until 2010, underscoring the need for a growth path with job creation.** At the same time, Mozambique faces important challenges in its quest to continue to grow fast and further reduce poverty: (i) the well-known "bounce back" effect of postconflict societies is now exhausted; (ii) a further reduction in poverty will depend crucially on progress in the smallholder agricultural sector; (iii) additional road building is necessary for market integration; (iv) most of the less difficult growth-enhancing reforms have been implemented, such as liberalization of telecommunications, leaving the more challenging institutional reforms, such as judicial and labor reforms, to be addressed; (v) aid will continue to play an important role in boosting GDP growth but may decline as a share of GDP; (vi) HIV/AIDS, which will continue to spread, is estimated to lower output by 1 percent of GDP annually; and (vii) exports need to be increased to raise growth because local purchasing power is not sufficient to support strong growth rates.

31. **Mozambique's development is at a critical juncture. To stimulate private investment, reduce poverty, and reach the MDGs with the help of the international community, Mozambique needs to adopt a second wave of economic and social reforms with well-crafted policies to boost growth.** Institutional changes will be key to facilitating technological change and strengthening responses to shocks. They can be grouped into three main categories: (i) making the business climate more investment-friendly and favorable to international trade which is essential to promote the private sector and attract foreign direct investment and external aid; (ii) improving fiscal consolidation and public finance management by increasing spending efficiency and the delivery of services; and (iii) overhauling the management of natural resources, particularly in land administration, and implementing a comprehensive rural development strategy to promote labor-intensive sectors.

Figure 4. Mozambique: Growth of Agricultural GDP, 1985-2004



Sources: Mozambican authorities; and IMF staff estimates.

Table 5. Mozambique: GDP, Annual Real Rates of Change in Percent, 1992-2004

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	1992-2004 (average)	1996-2004 (average)
Real GDP	-8.6	6.8	7.0	3.3	6.8	11.1	12.6	7.5	1.9	13.1	8.2	7.8	7.2	6.5	8.5
Sectoral growth rates															
Agriculture total	-20.6	25.5	-0.4	17.0	8.7	9.5	9.5	6.5	-10.8	13.0	8.5	7.2	7.1	6.2	6.6
Fishing	-10.0	7.3	-6.5	2.8	10.1	2.1	-11.0	-1.9	9.5	9.0	-4.3	13.4	-3.8	1.3	2.6
Industry	-5.4	-2.7	6.5	12.2	17.4	26.6	43.6	18.6	11.8	19.7	23.9	2.3	38.8	16.4	22.5
Mining	-27.5	24.8	2.2	20.1	-19.9	21.1	20.6	-6.5	52.8	12.4	66.2	34.5	215.7	32.0	44.1
Manufacturing	-7.9	-5.7	-6.0	7.8	18.9	31.8	14.4	14.7	20.3	27.2	4.0	14.3	9.6	11.0	17.2
Electricity and water	-0.7	3.5	-3.0	6.6	18.0	37.9	279.0	78.3	-6.1	13.9	6.2	-27.9	10.7	32.0	45.6
Construction	2.0	2.8	35.7	19.0	24.0	18.1	26.2	3.4	4.7	9.7	60.8	10.3	-2.0	16.5	17.2
Services	7.8	5.0	13.7	-9.4	0.4	11.1	7.5	5.1	6.4	11.5	-1.0	6.0	5.0	5.3	5.8
Commerce	-11.8	-6.3	14.0	-0.3	-1.0	7.8	11.9	2.5	2.4	5.5	1.1	5.2	-0.6	2.3	3.9
Restaurants and hotels	21.3	33.4	13.4	-5.3	18.0	35.5	-2.1	5.4	6.4	19.1	3.3	10.3	1.1	12.3	10.8
Transport and communication	53.3	8.3	5.9	11.1	10.1	17.3	4.8	9.0	1.2	21.6	-12.8	9.0	16.4	11.9	8.5
Financial services	0.6	20.3	-8.1	3.5	-3.2	29.9	-17.4	-26.9	41.9	9.2	9.4	0.8	0.9	4.7	5.0
Real estate rentals	6.2	3.5	4.7	2.7	4.4	3.3	3.8	2.2	-2.8	5.7	2.5	2.5	2.2	3.2	2.6
Corporate services	0.0	0.0	0.0	0.0	0.0	0.1	20.9	4.4	-0.1	11.9	11.9	2.4	2.2	4.1	6.0
Government services	1.8	8.0	25.7	-44.7	0.2	2.2	5.0	15.1	6.7	15.8	-2.0	6.4	9.4	3.8	6.5
Other services	-9.9	4.3	8.9	16.8	9.7	9.2	9.7	10.0	10.5	10.3	6.2	5.4	8.4	7.7	8.8

Sources: Mozambican authorities; and IMF staff estimates.

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## II. TAX AND CUSTOMS REFORMS IN MOZAMBIQUE: AN OVERVIEW<sup>13</sup>

### A. Introduction

32. **Since 1996, Mozambique has comprehensively and gradually modernized its tax system.** The success of the reforms can be attributed to the strong ownership and commitment of Mozambican authorities, the proactive and coordinated involvement of donors, and the Fund's technical assistance. This paper takes stock of the tax reform in Mozambique—pointing out to some shortcomings—discusses future perspectives, and offers some recommendations.<sup>14</sup>

33. **The following are the paper's main findings:**

- **Mozambique has, at present, a comprehensive tax system that is broadly in line with international best practices.** Consumption and income taxation match almost perfectly the recommendations of major tax policy experts. The tariff structure is relatively simple and low, with modest escalations. The authorities have made considerable progress in implementing laws and procedures in tax administration and, especially customs, that meet international standards.
- **Mozambique's tax ratio, which is low compared with that of other sub-Saharan African countries, has stagnated in the past few years,** because of the remaining weaknesses of its tax system. For example, the tax base is narrow as a result of generous tax exemptions, especially for megaprojects; the rate of noncompliance is relatively high and tax enforcement is ineffective.

34. **This paper is organized as follows.** Section II compares the prereform and postreform tax systems. Section III describes in detail the reform of custom duties, domestic taxes, and tax incentives. Tax administration reforms are described in Section IV. Section V reports on the main achievements and remaining weaknesses of the Mozambican tax system. Section V sums up and makes some recommendations.

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<sup>13</sup> Prepared by Teresa Dabán.

<sup>14</sup> This paper will focus on Mozambique's main taxes, including those on income and profits, on goods and services, and on international trade at the central government level, as well investment tax incentives. The central government also levies stamp duties, a poll tax, and taxes on gifts, inheritances, and real estate transfers. The main local taxes are the local poll tax, tax on the rental value of real estate, the economic activity tax, and the commerce and industry tax.

## B. Background

35. **Between 1975, when Mozambique gained its independence, and late 1980s, the economy declined, the informal sector grew rapidly, and tax administration disintegrated**, as a result of the failure of the growth strategy under the planned economy and the civil war. As part of its transition from a planned economy to a market economy. Mozambique implemented basic tax policies in 1987.<sup>15</sup> It started by introducing taxes on business profits and labor income,<sup>16</sup> in which each source of income was taxed separately under a scheduler income tax. It also levied a progressive "complementary tax" on individuals' capital income and profits.<sup>17</sup> The 1987 law also established a multirate cascading-type turnover tax, with rates ranging from 1 to 20 percent, on the value of transactions of goods and services (*Imposto de circulação*) carried out by producers, businesspersons, and importers. The turnover tax was supplemented by two other taxes: (i) a specific consumption tax (*Imposto de consumo*), with rates ranging between 20 and 75 percent, on domestic and imported goods considered luxury items, superfluous, or unhealthy, such as tobacco and alcohol; and (ii) specific fuel taxes. In 1991 a major tariff reform was implemented to eliminate specific import duties, simplify the tariff schedule, and establish the maximum tariff rate at 35 percent.

36. **The tax system established in 1987 was highly complex, distortionary, and inefficient and had a low revenue-generating capability.** The main problems were: (i) a narrow tax base, because of the large informal sector, and widespread exemptions<sup>18</sup> and fiscal incentives; (ii) a rate structure complicated by, especially, the scheduler income taxes and eight rates for consumption taxes; (iii) distortions introduced by cascade-type sales and excise taxes, which raised prices and amplified the tax burden for the final user and increased the difference between the prices of the formal and informal sector, thereby increasing

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<sup>15</sup> Law 3 of January 1987.

<sup>16</sup> The business profit tax (*Contribuição Industrial*) was levied on profits of companies (public and private) and individuals resulting from commercial and industrial activities with rates ranging from 15 to 50 percent. The labor income tax was levied on wages and fees earned by individuals and on cooperatives and the income of individuals earned from agriculture, forestry, and livestock activities, with marginal rates ranging from 0 percent to 30 percent.

<sup>17</sup> The complementary tax, whose rates ranged from 8 to 40 percent, was applied to the capital income and profits of persons owning small businesses, who also were employed in a company and were subject to the labor income tax.

<sup>18</sup> For instance, because of the need to hire and retain competent employees, public sector employees were exempt from income tax because public sector wages were, in general, lower than salaries in the private sector.

incentives for tax evasion and, in turn, contributing to the enlargement of the informal sector; (iv) the erosion of revenue from specific taxes, especially fuel taxes, because of rampant inflation; and (v) high level and dispersion of tariff rates, which increased incentives for tax evasion and smuggling.

37. **The prereform tax administration was also highly inefficient** owing to (i) complex and out-of-date administrative procedures, which encouraged rent-seeking behavior and corruption, especially at customs; (ii) unpredictable changes in legislation and a lack of transparency; (iii) a poorly trained staff, and a lack of computerized storage of information and taxpayer registry to carry out effective audits and enforcement.<sup>19</sup> In particular, customs management and controls were deficient in all areas because of rent-seeking activities that contributed to the low levels of trade taxes being collected.

Table 1. Mozambique: Government Revenues, 1987-2005  
(In percent of GDP)

	1987	1993	1996	1999	2000-02	2003	2004	2005 Proj.
Total revenue	9.9	13.6	10.8	12.0	12.6	12.9	12.3	13.2
Tax revenue	8.4	12.4	9.9	11.0	11.2	12.0	11.3	11.8
Taxes on income	2.2	2.0	1.9	1.7	2.0	2.8	2.6	2.8
Personal income tax	n.a	0.9	1.1	0.9	1.3	1.7	1.7	1.9
Corporate income tax	n.a	1.0	0.8	0.8	0.7	1.1	0.8	0.8
Taxes on goods and services	4.3	6.7	5.3	7.0	6.9	6.9	6.9	7.2
Turnover tax	n.a	4.0	3.0	1.8	...	...	...	...
VAT	...	...	...	2.7	4.8	4.7	4.7	5.0
Excises	n.a	1.9	1.2	1.1	1.0	1.0	1.0	0.9
Petroleum products	n.a	0.8	1.0	1.5	1.1	1.1	1.2	1.3
Taxes on international trade	1.4	3.5	2.1	2.0	2.0	2.0	1.7	1.7
Other tax revenues 1/	0.5	0.3	0.6	0.4	0.3	0.3	0.3	0.2
Nontax revenue 2/	1.5	1.2	0.9	0.9	1.3	1.0	0.9	0.9

Source: Mozambican authorities; and IMF staff estimates.

1/ Includes stamp tax, poll tax, tourism tax, and motor vehicle tax.

2/ Includes rent from real estate, fees and charges, and social security contributions, and nonfinancial public enterprise dividends.

<sup>19</sup> Before 1996, only about 3 percent of public servants had attained a university degree, and nepotism was common. Deposits and transfers were checked through visual examinations of statements provided by banks, and the entire verification procedure was manual. Unprocessed payments were unlikely to be detected, and the risk of fraud obviously high (see Theodossiadis, 2004).



38. **After peaking at 12.4 percent in 1993, the tax revenue ratio began to decline during the second half of the 1990s** (Table 1). In spite of the inefficiencies of the tax system, the liberalization of the economy plus higher trade flows increased the tax revenue ratio from 8.4 percent of GDP in 1987 to 12.4 percent in 1993. The increased collections of indirect and trade taxes were especially important, accounting for over two-thirds of the total increase in tax revenues. Revenue from income taxes remained low, at about 2 percent of GDP, reflecting the complex rate structure and overlapping schedules. In 1993, a tax package was implemented with the view to reducing the tax burden on business income and wages and promoting investment and exports. In addition, imports tariffs and customs fees were further reduced to lower the tax burden on production costs.<sup>20</sup> A ban on exports of raw cashews (Mozambique's second-largest export) was replaced in 1995 by an export tax with a 40 percent rate. The tariff reduction, combined with further weakening of tax administration, especially of customs, reduced tax collection to 10 percent of GDP in 1996.

39. **A carefully planned tax reform was launched in 1996 to create an effective and revenue-generating tax system** (Table 2). The authorities' main objectives were to increase the tax revenue ratio to GDP gradually, enhance the system's administrative efficiency, obtain greater tax equity by broadening the tax base and applying moderate rates, and promote economic activity in general and investment in particular (Coelho and others, 2001). On tax policy, initial reforms focused on reducing the level and dispersion of tariff rates and eliminating ad hoc exemptions. The next steps focused on the removal in 1999 of the old cascade-type sales and excise taxes which had pernicious economic effects by introducing well-designed excises and value-added taxes. In 2002, the authorities streamlined tax incentives by enacting the Code of Tax Benefits for Investment, and consolidated the old scheduler and complex income taxes into a single corporate income tax (CIT) and personal income tax (PIT). Recently, the government raised specific fuel taxes significantly and introduced an automatic quarterly indexation mechanism to prevent their erosion in real terms. Regarding tax administration, the authorities gave priority to resolving the problems of administering customs duties and implemented limited reforms of domestic tax administration. Later on, important administrative reforms were implemented at the time of introducing the VAT in 1999. In 2001, the authorities embarked on a comprehensive tax administration reform, including improvements in collection procedures and increased enforcement capacity.

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<sup>20</sup> The main elements of Law 6 of December, 17 1993, were (i) a reduction in the rates of customs duties on imported raw material, general customs fees, business tax, and the complementary tax; (ii) a revaluation of fixed assets; (iii) the elimination of the complementary tax for employees; and (iv) the suspension of export duties for five years.

Table 2. Tax Reform in Mozambique

Tax	Prereform Tax System	Postreform Tax System
Tax on income and profits	Scheduler income taxes; each source of income was taxed separately. Rates ranged from 0 to 55 percent.	Two separated income taxes, introduced in 2003, are levied on overall income of corporations and individuals. Rates range from 10 to 32 percent.
Tax on sales	A multirate cascading-type turnover tax, with rates ranging from 1 to 20 percent, on the value of transactions of goods and services carried out by producers, businesspersons, and importers.	A consumption-type VAT with a single 17 percent rate is levied on invoices of goods and services, minus the VAT paid on invoices of inputs and on imported goods.
Excises	Consumption taxes on domestic and imported luxury or unhealthy goods. Rates ranged from 20 to 75 percent.	Consumption taxes on domestic and imported luxury or unhealthy goods. Rates range from 15 to 65 percent.
Fuel Tax	Specific tax per unit of fuel with no adjustment for inflation.	Specific tax per unit of fuel with a quarterly adjustment for inflation of previous months (with a cap of 5 percent).
Customs and export duties	High number of tariffs (12) and average import-weighted tariff rate (18.4 percent). Maximum tariff at 35 percent. Large number of ad hoc exemptions. Tax on cashew exports with a 40 percent rate.	Reduction in the number of tariff rates to five and in the average import-weighted tariff to 7 percent. Maximum tariff at 25 percent. Ad hoc exemptions eliminated. Tax on cashew exports reduced to 20 percent.
Tax administration	Complex and out-of- date administrative procedures and legislation; unpredictable changes in legislation; unqualified staff; rent-seeking activities.	Significant progress in modernization of customs legislation and management. Introduction of a specialized VAT unit, a unit for large taxpayers, computerized systems, and a taxpayer registration system.

### C. Tax Policy Reforms

#### Custom and export duties reform

40. **In the late 1980s, Mozambique embarked on an across-the-board revision of the tariff structure, which has gathered significant momentum by 1996.** The authorities implemented a major tariff reform in November 1996 by reducing the number of tariff rates from 12 to 5, keeping the maximum tariff at 35 percent, and eliminating discretionary customs exemptions. As a result, the average import-weighted tariff rate declined from 18.4 percent in late 1980s to 11 percent in 1996, (Subramanian and others, 2000). As part of the agreement with the Southern African Development Community (SADC), the authorities further reduced the top tariff rate from 35 percent to 30 percent in April 1999 and further liberalized the import tariff structure in 2003 by reducing the maximum tariff rate to 25 percent. As 1 of 11 members of the SADC currently implementing the organization's trade protocol, Mozambique has eliminated tariffs on a number of the goods it trades with

other implementing members. As a result, its tariff structure is relatively simple with modest escalations<sup>21</sup> and its import-weighted average tariff rate is low (about 7 percent), making Mozambique one of the most open trade policy regimes in sub-Saharan Africa (Table 3). As regards export duties, the 40 percent rate of the tax on cashew exports was reduced to 14 percent in 1996, although in October 1999 it was increased to 18-20 percent.

Table 3. Tax Systems in Selected East African Countries  
(rates of main taxes in percent)

	Mozambique	Kenya	Tanzania	Uganda	Rwanda	Burundi
Personal Income Tax 1/	10 - 32 (5 brackets)	10 - 30 (5 brackets)	0 - 30 (5 brackets)	0 - 30 (4 brackets)	0 - 35 (5 brackets)	10 - 60 (12 brackets)
Corporate Income Tax 1/	32	30	30	30	35	35
Value Added Tax	17	16	20	17	18	...
Unweighted average tariff	8	17	13	7	18	18
Import-weighted average tariff	7	...	...	...	...	...

Sources: International Bureau of Fiscal Documentation, *Africa Tax System*, and IMF staff estimates.

1/ Refers to standards rates.

## Indirect taxes reform

41. **A well-designed VAT was successfully introduced in Mozambique in 1999, in line with advice from the Fund.** In 1995, the IMF recommended moving from the traditional sales tax, which was cumulative, or cascading, to a VAT (see Castro and others, 1995). Accordingly, Law 3 of 8 January, 1998, introduced a single-rate, broad-based consumption-type VAT into the national tax system.<sup>22</sup> The rate of the tax is set by the council of ministers, subject to a ceiling of 25 percent. The current rate is 17 percent, in line with that in other East African countries (Tables 3 and 4). VAT collection is the difference between the VAT levied on the invoices of sales of goods and services within the national territory, and on imports of goods to the country, minus the VAT paid on invoices of inputs, including capital goods. An enterprise may fall within one of the following regimes: (i) a normal regime, characterized by a minimum turnover of Mt 250 million a year, a 17 percent rate, reimbursement of VAT paid on inputs, and monthly payments; (ii) a simplified regime, characterized by a turnover below Mt 250 million, a 5 percent rate on sales volume, no

<sup>21</sup> The current tariff structure is as follows: 0 on essential goods, generally applicable to medicine and raw materials from SADC area; 2.5 percent primarily applicable to inputs from the rest of the world and cereal; 5 percent on capital goods; 7.5 percent for rice, sugar, and intermediate goods, such as parts for machinery; and 25 percent on consumer goods. The government plans to reduce the top tariff rate to 20 percent by 2006.

<sup>22</sup> Decree 51 of September 29, 1998, establishing the VAT code, and VAT supplementary legislation in the form of decrees, ministerial orders, and decisions.

reimbursement for VAT paid on inputs, and quarterly payments; (iii) an exempted regime with no payment of VAT on sales, and no reimbursement for VAT paid on inputs, such as in the case of fishing, the financial sector, education, culture, health, garbage removal, lease and rental of real property, and immovable property transactions; and (iv) a zero-rate regime, with no payment of VAT on sales but reimbursement for VAT paid on inputs, such as in the case of exports, medicines, and essential agricultural domestic products.<sup>23</sup> Imports of a few agricultural products, such as sugar, pay VAT on imports (plus duty<sup>24</sup>), whereas domestic producers are exempted. This represents a deviation from international best practices, which establish that the VAT, a domestic tax and not an import duty, should be the same for domestic and imported goods.

42. **The Mozambican VAT revenue productivity is low<sup>25</sup>** (Table 4). VAT collection in Mozambique accounted in 2004 for 4.7 percent of GDP (5.3 percent of total consumption), compared with 2.7 percent of GDP in 1999 (3 percent of total consumption). The 2004 VAT collection corresponds to 40 percent of total tax revenues and gives rise to a VAT productivity of about 0.275, which is in line with the average for African countries and slightly above the average in the Middle East, but low compared with Kenya and Botswana, and other regions.

43. **As part of the reforms, the authorities assigned lower rates to excise taxes and increased specific fuel taxes.** In 1999, excises rates were lowered from the initial rates of 20-75 percent to 15-65 percent.<sup>26</sup> They were levied on the same goods and items as before (domestic and imported goods considered luxury items and superfluous or unhealthy, such as tobacco and alcohol), with some expansion of the coverage to include musical instruments, games, and certain items of sports equipment. As a result, the list of goods subject to excises seems overly large, and it is doubtful whether the taxation of some of these product is effective or even warranted (Coelho and others, 2001). Specific fuel taxes were not systematically revised, and so their collection declined by 65 percent in real terms between 1997 and 2002. In May 2003, the government raised specific taxes on petroleum products by

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<sup>23</sup> In line with numeral 29, 32 and 37 of Article 9 of the code, the following goods are zero-rated: cornmeal, rice, bread, powdered milk for nursing mothers, wheat and wheat flour, tomatoes, horse mackerel, petroleum for lamps and jet fuel, mosquito nets, bicycles, animal feed rations, and sugarcane production inputs.

<sup>24</sup> In addition, there is a surcharge on sugar imports.

<sup>25</sup> The VAT revenue productivity is defined as total VAT revenue as a percentage of the consumption or GDP, divided by the VAT standard rate.

<sup>26</sup> Excises taxes were established by Law 3 of January 8, 1998, further regulated by Decree 52 of September 29, 1998, establishing the Excise Taxes Code, and further amended in 1999 by Decrees 31 of May 24, and 79 of November 1, 1999.

62½ percent to offset much of the erosion in real terms.<sup>27</sup> A decision was also made to earmark the fuel tax revenue for the road maintenance fund. In late January 2004, the authorities increased the specific fuel taxes by an additional 2 percent and adopted an automatic quarterly adjustment mechanism to prevent their erosion in real terms (with a 5 percent cap).

Table 4. VAT Revenue Productivity in Selected African Countries 1/

	Current	Total VAT Revenue		Revenue Productivity 2/		Applicable year
	Standard	(In percent of consumption)	(In percent of GDP)	Based on		
	VAT Rate (In percent)			Consumption	GDP	
Botswana 3/	10.0	6.25	4.00	0.625	0.400	2004
Kenya 3/	16.0	6.10	5.30	0.381	0.331	2004
<b>Mozambique</b>	<b>17.0</b>	<b>5.25</b>	<b>4.68</b>	<b>0.309</b>	<b>0.275</b>	<b>2004</b>
Rwanda 4/	18.0	4.18	4.21	0.232	0.234	2004
Tanzania 3/	20.0	4.65	4.10	0.233	0.205	2002
Uganda 3/	17.0	4.50	4.00	0.265	0.235	2004
Sub-Saharan Africa 5/	16.7	5.05	4.14	0.321	0.261	2003
Asia and Pacific 5/ 6/	11.4	5.43	4.21	0.476	0.365	2002
Middle-East and Central Asia	17.1	6.4	4.2	0.354	0.237	2003
Western Hemisphere 7/	14.4	6.5	5.3	0.439	0.365	2002

Sources: IMF, country documents, *World Economic Outlook*, and IMF staff estimates;

International Bureau of Fiscal Documentation, *African Tax System*; *Corporate Taxes 2003-2004, Worldwide Summaries* (PricewaterhouseCoopers).

1/ Central government.

2/ Revenue productivity = Total VAT revenue as percentage of consumption or GDP, divided by the VAT standard rate.

3/ The data reported as fiscal year in the country documents; however, for comparison purposes, the data were converted into calendar year.

4/ Budgetary central government.

5/ Unweighted average.

6/ Excluding Australia, Japan, Korea, and New Zealand.

7/ Excluding Mexico and Canada.

## Direct taxes reform

44. **In 2003, the previous scheduler income taxes were replaced by the CIT and the PIT designed in line with international best practices.** The CIT applies to all commercial entities, cooperatives, public companies, and law corporations. The CIT's general rate is 32 percent, broadly in line with other East African countries (Table 3). It is levied on the overall profits of all Mozambican enterprises and on all Mozambican-sourced income of foreign enterprises. In 2003, which was the first year of application, it mobilized 1.1 percent

<sup>27</sup> The decision to raise the tax was preceded by a comprehensive analysis of the impact of a higher fuel tax, which concluded that the aggregate short-term impact of a rise in fuel tax on poverty would be modest (see Nicholson and others, 2003).

of GDP (Table 1). There are special rates for agricultural income (10 percent until 2007), large mining companies (24 percent in the first five years until 2010), tax free zone operators and enterprises (12.8 percent in the first 10 years), and agriculture, handicrafts, and cultural cooperatives (16 percent). The CIT includes generally accepted provisions for doubtful debts, losses, inventory depreciation, and double taxation of dividends. Exemptions and deductions are broadly in line with international practices. As regards the new PIT, it is levied on the overall income of all Mozambican residents and all Mozambican-sourced income of foreigners resulting from<sup>28</sup> (i) employment income, which is subject to withholding at the source; (ii) the income of self-employed workers, professionals, and owner-operated enterprises; (iii) interest, dividends, and capital gains; (iv) income from the leasing of real estate; and (v) earnings from lotteries, gambling, and other incomes. Rates range from 10 to 32 percent according to five brackets of income, in line with other East African countries (Table 3). For the first time, personal income taxation in Mozambique includes deductions defined according to personal and family status, in line with international best practices. Other allowed deductions are necessary expenses to obtain the taxable gross income, including social security and union contributions. The main exemptions involve income from interest, including implicit income of treasury bonds,<sup>29</sup> and pensions. During 2003, the first year the personal income tax was applied in its current format, revenue amounted to 1.7 percent of GDP, of which 90 percent corresponded to employment income (Table 1).

### **The reform of tax incentives to promote investment**

45. **Before 2002, investment tax incentives in Mozambique were granted according to a large, fragmented, and disperse legal framework and without any clear criteria or rules.**<sup>30</sup> Investment incentives were given in the form of tax holidays, in particular, profit tax reductions of 50 percent to 100 percent (depending on the economic sector or the geographical region) for up to 10 years; and exemptions from import duties on capital goods.

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<sup>28</sup> The new PIT eliminates the anomaly whereby state employees pay no income tax. This was once justified partly on the grounds that the state generally paid lower wages than the private sector and partly as a measure to retain skilled people in state employment.

<sup>29</sup> These bonds refer to those issued by the Bank of Mozambique (BM) at a deep discount but pay no interest and are repayable by the BM within a maximum of 354 days (Decree 24/2003).

<sup>30</sup> See Appendix I of Goorman, Sab, and Ramos (2000). As a general rule, tax incentives to promote investment were granted according to Law 3 on Investment of June 24, 1993, and Decree 12 of July 21, 1993 (as amended by Decree 37 of August 8, 1995). In addition, Decree 62 of September 21, 1999, regulated the establishment and operation of industrial free zones, the local term for export processing zones (EPZs).

The revenue forgone on investment incentives was estimated at 3.6 percent of GDP in 2000 (Goorman, Sab, and Ramos, 2000).

46. **In 2002, the government rationalized investment tax incentives by enacting the comprehensive Code of Tax Benefits for Investment.**<sup>31</sup> The two main purposes of the new code were to consolidate in a single text the legislation on tax incentives and to harmonize it with the reformed income taxes and mining and petroleum legislation.<sup>32</sup> To promote investment in the manufacturing sector, the government introduced additional legislation in 2003 permitting qualifying firms in certain sectors (garments, chemicals, engineering, food and printing) to import inputs duty free. Under current legislation, investment tax incentives in Mozambique can be granted according to (i) a general incentive scheme; (ii) specific incentive schemes for agriculture, hotels and tourism, large-scale investment projects, rapid development zones, mining, and petroleum legislation; and (iii) industrial free zones. Current legislation also allows for increased tax benefits for investment located in less developed areas of the country.

47. **The new code reduces reliance on income tax holidays by providing alternative incentives in the form of accelerated depreciation allowances and tax credits.** The general incentive scheme includes (i) an exemption from customs duties for capital goods; (ii) a tax credit on corporate or personal income taxes of 5-15 percent of investment in tangible fixed assets; (iii) investment deductions for expenses incurred in information and technology and training of Mozambican staff; (iv) an accelerated depreciation allowance; (v) a 150 percent deduction for expenditures for the construction or restoration of infrastructure; and (vi) a 50 percent deduction on the rate of the real property transfer tax in agricultural, industrial, and hotel activities. For certain activities, including agriculture, hotel and tourism, large-scale investment projects, rapid development zones, mining, and petroleum, these incentives are increased, and corporate income rates reduced (Table 5). Imports of capital goods to be used for the exploration and exploitation of petroleum also benefit from an exemption on VAT and excise duties.

48. **As part of the reform, legislation was enacted to streamline the tax incentives of duty-free zones.**<sup>33</sup> For VAT purposes, industrial free zones are not included in Mozambican fiscal territory. Any Mozambican supply of goods and services provided to a free zone

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<sup>31</sup> Decree 16/2002.

<sup>32</sup> It refers to the Mining Law of 2002, and the Petroleum Law 3 of 2001.

<sup>33</sup> By Decree 62 of September 21, 1999. This decree also submits the authorization to create a duty-free zone to stricter rules as follows: (i) submission of a detailed application by the prospective investor to the Free Zone Government Board (monitoring body); (ii) minimum limits on the number of Mozambican employees and the percentage of local content of the final product; and, (ii) allowable activities within free zones limited to industrial activities

(continued...)

Table 5. Mozambique: Specific Tax Incentives for Investment under the Corporate Income Tax

	Agriculture	Tourism	Large-Scale Projects	Rapid Development Zones	Minig	Petroleum
Reduced Rates (in percent)	6.4 (until 2012)	...	...	...	24.0 (in five first years until 2010)	24.0 (in five first years until 2010)
Tax credit (in percent of investment costs)	...	8 to 18	20 to 30	20 (over the first five years)	...	...

Source: International Bureau of Fiscal Documentation, *Africa Tax System*.

enterprise qualifies as an export for tax purposes. Supplies of goods and related services from and in these areas are treated as zero-rated, provided that they are not used or consumed within these areas. Therefore, free zone operators are exempted from the VAT and excises duties. They also enjoy exemptions from customs duties on capital goods and the real property transfer tax and could benefit from a reduced rate (12.8 percent) in the corporate income tax rate and other tax benefits regulated by the Code of Tax Benefits. At present, there are three such zones in Mozambique (see Box 1).

#### D. Tax Administration Reform

##### Reform of customs administration

Given the poor customs collection in 1994-95,<sup>34</sup> the government launched an ambitious reform of customs administration in 1995 with the purpose of raising revenues; facilitating legitimate trade by combating entrenched smuggling and corruption; and creating a modern, effective, and reliable customs administration. To that end, a special unit in charge of implementing the reform (*Unidade Técnica para Reestruturação das Alfandegas-UTRA*) was created, and the custom authority (*Direcção Geral de Alfandegas-DGA*) was reorganized and granted a semi-autonomous status. In addition, the government made a strategic decision in 1996 to contract out the management of customs operations from 1997 to 1999, in order to bring in outside expertise to manage customs operations and implement effective preshipment inspections to assist in the determination of the dutiable value of imports. With financial support from donors, and following an international tendering process, a contract was awarded in 1996 to a foreign company to run customs and implement a three-year

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(other than those related to natural resources, raw cashew nuts, and fish), which are expected to have a relevant impact on the domestic economy and which result in exports of at least 85 percent of annual production.

<sup>34</sup> In 1994, the revenue shortfall at customs accounted for 2 percent of GDP.



reform process focused on institution building, staff training, and restructuring. A subsequent three-year contract for a phase-out period was signed in 2000. In 2003, the customs management was devolved to the government, with continuing support from a foreign company in a few critical areas.

**Box 1. Tax Benefits of Industrial Free Zones (IFZs) in Mozambique**

**Mozal IFZ (MOZAL)** is located in the province of Maputo, at Belulane. It was created by Decree 45/97 for 50 years, with a possible further 50-year extension, under the condition of employing at least 250 Mozambican nationals. Activities carried out in the zone are construction and aluminum smelting for export. The main tax benefits are exemptions from the corporate income tax, the VAT, excises, customs duties on imported capital goods, the stamp tax, the real property transfer tax, and the municipal tax on rental income. A 1 percent substitute corporate income tax has been levied on Mozal since two years after its creation. Allowable deductions include expenses related to staff training, and improvement of the infrastructure of the free zone. Below certain limits, foreign employees and suppliers of services and information and technology to Mozal benefit also from exemptions in the personal and corporate income taxes, respectively.

**Moma IFZ (ZFIMo)** is located in the province of Nampula, at Moma, and was created by Decree 45/2002 for 20 years, with a possible further 20-year extension. Activities carried out in the zone are construction and operation of a heavy sand-processing unit for the production of minerals for exports. ZFIMo's main tax benefits are exemptions from the corporate income tax, the VAT, excises, customs duties on imported capital goods, the real property transfer tax, and the municipal tax on rental income. A 1 percent substitute corporate income tax has been levied on enterprises operating in ZFIMo since seven years after their creation. Foreign workers cannot represent more than 15 percent of the total workforce.

**Limpopo Corridor Sans IFZ (ZFIL)** is located in the province of Gaza, at Chbuto, and created by Decree 7/2002 for the exploitation of heavy mineral sands. Its main tax benefits are exemptions from the VAT, excises, customs duties on imported capital goods, the stamp tax, the real property transfer tax, and the municipal tax on rental income. A 1 percent substitute corporate income tax has been on ZFIL since seven years after its creation. Allowable deductions include expenses related to staff training and improvement of the infrastructure of the free zone. Below certain limits, foreign employees and suppliers of services and information and technology to IZFIL benefit also from exemptions in the personal and corporate income taxes, respectively. In-kind remunerations of Mozambican workers at ZFIL are not subject to the personal income tax.

49. **The reform has been successful in modernizing customs legislation and procedures and improving staff recruitment and resource allocation.** The primary reforms are (i) the streamlining of custom legislation and compilation in one coherent body of laws and regulations standards; (ii) the simplification of administrative requirements and declaration forms; (iii) the computerization of procedures; (iv) the creation of an anticorruption unit within the customs authority, for the disclosure of fraud and corruption and related applied penalties; (v) the improvement of management capacity by providing higher salaries and more flexibility within pay grades in order to link performance to pay, with premiums as high as 18 percent within each pay grade for outstanding performance; (vi) the implementation of a career system for customs staff, and (vii) the development of a

training plan for new and current employees, with evaluations of customs staff taking place twice each year.<sup>35</sup>

### **Reform of domestic taxes administration**

50. **Initially, reforms focused on supporting the collection of indirect taxes; more comprehensive reforms have recently been adopted.** The introduction of the VAT in 1999 prompted the implementation of important reforms, including (i) the creation of a specialized central VAT unit, with newly recruited staff, organized along functional lines; (ii) the computerization of VAT revenue collection; (iii) the implementation of new audit procedures; and (iv) the introduction of a unique taxpayer identification number (*Numero único de identificação tributaria*) for each firm subject to the VAT. In addition, a pilot large tax payer unit and special monitoring procedures were introduced for the 2500 largest VAT payers, and VAT collection through the banking system was allowed.<sup>36</sup>

51. **Since 2001, reforms have been guided by the objective of strengthening the administrative efficiency of the whole tax system.** A special tax reform unit (*Unidade de Reforma Tributaria dos Impostos Internos—URTI*) was created in 2002. In 2003, the VAT filing and payment systems, based mainly on the taxpayer's self-assessment and an organized routine for the full processing of tax returns, were extended to the new CIT and PIT, and special units for large tax-payers were created in Maputo, Beira, and Nampula. Other important reforms are under way, including (i) the development of computerized systems for the collection of the new personal and income taxes, (ii) the modernization of audit and inspection procedures through recently approved legislation; and (iii) the strengthening of the internal regulation and staff status of the domestic tax authority (*Direcção Geral do Impostos-DGI*) in preparation for its merger with the customs agency into a Central Revenue Authority by end-2005; and (iv) the establishment of tax tribunals, in line with the Organic Law for Tax Tribunals approved in 2004, which allows for the establishment of a system for the resolution of tax disputes. In addition, congress is expected to approve important legislation in the second half of 2005, including a draft law creating the CRA and a draft

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<sup>35</sup> The number of customs staff increased from 365 before the reform to 1270 at present. In spite of existing civil service constraints on employment and firing, an important number of customs officers were removed. Most of the new customs staff are university graduated and were recruited according to specific standards. The salary scale for customs officers is higher than that prevailing for other civil servants. The remuneration comprises a basic salary and a custom allowance based on merit. In addition, customs staff enjoys health insurance and a pension plan (see Enterplan, 2004).

<sup>36</sup> A company yielding more than Mt 30 million in VAT (a year) is automatically classified as a VAT large taxpayer. It is estimated that there are at present approximately 36,000 VAT payers in Mozambique. More than 10,000 VAT paying enterprises are located in the Maputo province. Only 400-500 firms pay the bulk of VAT revenues (Enterplan, 2004).

general tax law that sets out principles to determine tax liabilities and exemptions and methods of tax collection, modernizes enforcement procedures and the appeals process, strengthens tax penalties, and establishes taxpayers' rights.

## **E. Main Achievements and Remaining Weaknesses of Tax Reforms**

### **Main achievements**

52. **Tax reforms have sharply reduced dependence on trade taxes while increasing overall revenue** (Table 1). Tax revenues as a percentage of GDP have grown by 1.4 percent since 1996, in a period characterized by strong growth, mainly driven by exempted sectors (i.e. agriculture and megaprojects), and significant reductions in import tariffs. The largest revenue gain came from the introduction in 1999 of the VAT, to replace an inefficient and ineffective sales tax. As a result, taxes on goods and services increased to 6.9 percent of GDP in 2004, compared with 5.3 percent of GDP in 1996. Income tax revenue also increased by  $\frac{3}{4}$  of 1 percent of GDP over this time frame, to 2.6 percent of GDP in 2004, following major tax reforms enacted in 2002 and 2003. Revenue from taxes on international trade has been reduced by about  $\frac{1}{2}$  of 1 percent of GDP since 1996, due to an across-the-board reduction in import duty rates. Trade taxes now account for 15 percent of tax revenues, down from 21 percent in 1996.

53. **Through its reform, Mozambique's has made its tax system relatively sophisticated.** It rests on well-designed consumption and income taxes that are in line with international best practices and have moderate rates, and a relatively simple and modestly escalatory tariff structure. Mozambique has also made progress in modernizing tax administration and implementing laws and procedures consistent with international best practices, especially as regards customs. Release times have improved substantially, and the scope of preshipment inspection has been limited to commodities identified as sensitive.

### **Main challenges**

54. **Important remaining administrative inefficiencies increase the effective marginal rates of Mozambique's tax system.** Customs administration, which still depends heavily on physical controls, needs further automation. However, equipment and facilities are in short supply at most remote frontier locations (World Trade Organization, 2004). Delays in the civil service reform and in the development of a career system for civil servants are having detrimental effect on the operations of the VAT specialized unit, whose officers are leaving to go to work to the private sector. Important delays in VAT refunds, which are straining the cash-flow of private firms in a country where the cost of capital is already high, are increasing the incentives to operate in the informal sector (De Barros, 2004).

Table 6. Government Total Revenues in Selected East African countries, 1996-2005  
(In percent of GDP)

	1996	1999	2000-02	2003	2004	2005 Proj.
Botswana	42.8	46.3	43.2	40.9	42.1	43.6
Kenya	27.6	24.9	22.1	20.7	21.6	21.0
Rwanda	9.3	10.4	11.1	13.5	13.3	13.3
Tanzania	11.9	10.7	10.9	11.4	12.2	12.9
Uganda	10.5	11.6	11.8	12.1	12.6	12.8
Sub-Saharan Africa	20.3	21.4	22.3	21.8	23.3	24.1
Mozambique	10.8	12.0	12.6	12.9	12.3	13.2

Sources: IMF, African Department data base, March 2005, World Economic Outlook , 3/3 3/31/2005; Mozambican authorities; and IMF staff estimates

55. **Mozambique's tax ratio remains low compared with that of other sub-Saharan African countries** (Table 6). This points to a narrow base due to generous tax exemptions and incentives, especially for megaprojects, and a high rate of noncompliance, as evidenced by the low productivity of the VAT revenue. In addition, the estimated gap between potential and actual tax collections of the three most important taxes (income taxes, import duties, and the VAT) in Mozambique amounted to 12 percent of GDP in 2002-03 (Schenone, 2004). Close to  $\frac{3}{4}$  of 1 percent (8 percent of GDP) of the gap can be attributed to taxpayer noncompliance, which is especially high for the VAT (Table 7).

56. **Actions to enforce tax compliance are not systematically organized and managed** (Castro, 2005). Neither the DGI, the domestic tax authority, nor the DGA, the customs authority, have put in place a permanent enforcement program. In addition, the DGI's registration, arrears collection, and audit sections are understaffed, and accountability is weak because responsibilities for initiatives to enhance enforcement are fragmented and not well-established across units. An adequate information and technology tool to assess risks and cross-check tax information is still to be introduced.<sup>37</sup> There are no targets to evaluate the performance of debt collection programs. No data are routinely collected on the stock of tax arrears, the number of enforcement actions taken, and the amount of taxes recovered through these actions. Collection officers lack the skills to assert their enforcement authority.

<sup>37</sup> For instance, the link between the customs database on VAT paid at the border (on imports) and data on exports, which are zero-rated, and the database of the VAT unit at the DGI is not fully operational because to the lack of computerization (Enterplan, 2004).

Table 7. Mozambique: Potential and Actual Revenue, 2002-03  
(In percent of GDP, unless otherwise specified)

	2002						2003 1/					
	Potential Revenue	Actual Revenue	Difference	Potential Revenue	Actual Revenue	Difference	Potential Revenue	Actual Revenue	Difference	Potential Revenue	Actual Revenue	Difference
	(Millions of meticaes)			(In percent of GDP)			(Millions of meticaes)			(In percent of GDP)		
Personal income tax	2674	1300	1374	2.8	1.3	1.4	3117	1729	1388	2.7	1.5	1.2
Noncompliance	...	...	1374	...	...	...	...	...	1388	...	...	...
Corporate Income Tax	2175	816	1359	2.2	0.8	1.4	3202	1281	1921	2.8	1.1	1.7
Noncompliance	...	...	896	...	...	0.9	...	...	1377	...	...	1.2
Exemptions	...	...	463	...	...	0.5	...	...	544	...	...	0.5
<i>Of which</i> MOZAL	...	...	142	...	...	0.1	...	...	166	...	...	0.1
Value added tax	12875	4588	8288	13.3	4.7	8.6	14650	5366	9284	12.9	4.7	8.2
Noncompliance	...	...	5996	...	...	6.2	...	...	6439	...	...	5.7
Exemptions	...	...	2292	...	...	2.4	...	...	2844	...	...	2.5
Tax on international trade	2525	1851	674	2.6	1.9	0.7	3271	2229	1042	2.9	2.0	0.9
Noncompliance	...	...	178	...	...	0.2	...	...	423	...	...	0.4
Exemptions	...	...	173	...	...	0.2	...	...	239	...	...	0.2
Smuggling	...	...	323	...	...	0.3	...	...	380	...	...	0.3
Total	20249	8554	11695	20.9	8.8	12.1	24239	10605	13635	21.3	9.3	12.0
Noncompliance	...	...	8443	...	...	8.7	...	...	9627	...	...	8.5
Exemptions	...	...	2928	...	...	3.0	...	...	3628	...	...	3.2
Smuggling	...	...	323	...	...	0.3	...	...	380	...	...	0.3

Source: Schenone, O., 2004

1/ Extrapolated estimations for 2002 based on Schenone (2004) calculations.

## F. Conclusions and Recommendations

57. **Although Mozambique has succeeded in establishing a well-crafted tax system, the system has to date generated relatively low revenues.** This seems to be mainly the result of the narrow tax base, which has been eroded by generous tax exemptions and incentives, and poor tax enforcement. Over the medium-term, and with continued donor supports, this calls for the need of a revaluation of Mozambique's system of tax exemptions and incentives, and the strengthening of the human and technical resources and coordination between the custom and domestic tax authority, with a view of establishing the Central Revenue Authority. In the short-term, the Mozambican authorities are implementing the following measures to strengthen tax enforcement capacity:

- **Raising the overall rate of compliance for large tax-payers** by strengthening the existing units devoted to this group of tax-payers by broadening the scope of their mandate from merely collecting taxes to controlling the compliance of large tax-payers. This change in approach requires the recruitment of different types of customs officers, a large investment in training, and renewed efforts to retain skilled tax officers.
- **Strengthening tax enforcement, especially of domestic taxes**, by enhancing the accountability of the existing units at the DGI in charge of identifying unregistered taxpayers, controlling the late filing of tax returns and late payment of taxes, detecting underreporting of taxes, and collecting tax arrears. In addition, these units should be enlarged and adequately staffed. There is also a need to improve the skills of collections officers to enable them to assert their enforcement powers.

- **Speeding up the full automatization and computerization of tax and customs collections.** Efforts are focusing on making fully operational (i) the computerized system of collection of the CIT and PIT; and (ii) the link between the customs and VAT unit databases. These two steps will make it possible to assess and cross-check information on taxpayers' compliance on a regular basis, and expedite VAT refunds.

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Table 1. Mozambique: Gross Domestic Product, 1999-2004 1/

	1999	2000	2001	2002	2003 Prel.	2004 Prel.
(In billions of meticaais)						
Total consumption	44,995	51,942	70,760	86,738	103,455	122,616
Private consumption	40,072	46,044	63,099	77,369	91,682	108,694
Public consumption	4,923	5,898	7,660	9,369	11,773	13,922
Total domestic investment	19,041	19,575	19,818	28,904	29,509	27,583
Public investment	6,001	6,060	11,808	12,149	13,362	12,543
Private investment	13,040	13,515	8,010	16,755	16,147	15,040
Domestic demand	64,035	71,517	90,578	115,642	132,964	150,199
Exports of goods and nonfactor services	7,630	11,489	20,792	28,129	32,166	41,273
Imports of goods and nonfactor services	19,752	24,652	34,825	46,887	51,319	54,047
GDP	51,913	58,355	76,545	96,883	113,811	137,425
(In percent)						
Real rates of change						
Private consumption	4.6	-0.3	1.5	0.2	4.4	5.0
Public consumption	10.0	11.7	17.2	3.6	11.4	15.9
Total investment	61.4	-8.7	-15.2	38.0	4.4	-13.9
Exports of goods and nonfactor services	-1.5	31.9	51.6	21.0	30.2	13.1
Imports of goods and nonfactor services	40.4	-2.4	-20.7	21.4	13.1	-7.1
GDP	7.5	1.9	13.1	8.2	7.8	7.2
Deflators						
Private consumption	-3.7	15.3	35.0	22.4	13.5	13.0
Public consumption	13.8	7.3	10.8	18.0	12.8	2.0
Investment	3.8	12.6	19.4	5.7	-2.2	8.6
Exports	57.4	14.2	19.4	11.8	-12.2	13.5
Imports	7.5	27.9	78.2	10.9	-3.2	13.4
GDP	2.9	10.3	16.0	17.0	9.0	12.6
(In percent of GDP)						
Total consumption	86.7	89.0	92.4	89.5	90.9	89.2
Private consumption	77.2	78.9	82.4	79.9	80.6	79.1
Public consumption	9.5	10.1	10.0	9.7	10.3	10.1
Total domestic investment	36.7	33.5	25.9	29.8	25.9	20.1
Public investment	11.6	10.4	15.4	12.5	11.7	9.1
Private investment	25.1	23.2	10.5	17.3	14.2	10.9
Domestic demand	123.4	122.6	118.3	119.4	116.8	109.3
Exports of goods and nonfactor services	14.7	19.7	27.2	29.0	28.3	30.0
Imports of goods and nonfactor services	38.0	42.2	45.5	48.4	45.1	39.3
GDP	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Mozambican authorities; and IMF staff estimates.

1/ The break in national accounts statistics refers to the revised data produced by the National Institute of Statistics (INE) versus the data previously compiled by the National Directorate of Planning (DNP). INE's figures were taken until 2003 and are based as much as possible on the 1993 System of National Accounts; The revision implies a higher nominal GDP and a substantially different mix of demand components. INE's figures incorporate the results of the 2003 household expenditure and income survey. For 2004, DNP figures were used.



Table 2. Mozambique: Savings and Investment, 1999-2004

	1999	2000	2001	2002	2003	2004
					Prel.	Prel.
(In billions of meticaais)						
Gross domestic savings (GDS) 1/	6,919	6,412	5,785	10,146	10,356	14,808
Public sector	193	-51	-729	-1,090	-1,310	-1,757
Private sector	6,725	6,463	6,514	11,235	11,667	16,565
Net factor income from abroad 2/						
and net unrequited transfers	511	2,166	-1,193	-490	827	-369
Net factor income	-2,710	-3,572	-6,303	-4,097	-4,700	-7,678
Net unrequited transfers	3,221	5,738	5,110	3,607	5,527	7,309
Gross national savings (GNS) 3/	7,429	8,578	4,592	9,655	11,183	14,439
Public sector	5,422	4,226	8,975	7,970	8,580	7,298
Private sector	2,007	4,352	-4,382	1,686	2,603	7,141
Foreign savings 4/	-9,111	-7,555	-8,858	-12,860	-10,453	-7,950
Gross domestic savings	19,041	19,575	19,818	28,904	29,509	27,583
Gross domestic investment	19,041	19,575	19,818	28,904	29,509	27,583
Public sector	6,001	6,060	11,808	12,149	13,362	12,543
Private sector	13,040	13,515	8,010	16,755	16,147	15,040
(In percent of GDP)						
GDS 1/	13.3	11.0	7.6	10.5	9.1	10.8
Public sector	0.4	-0.1	-1.0	-1.1	-1.2	-1.3
Private sector	13.0	11.1	8.5	11.6	10.3	12.1
Net factor income from abroad 2/						
and net unrequited transfers	1.0	3.7	-1.6	-0.5	0.7	-0.3
Net factor income	-5.2	-6.1	-8.2	-4.2	-4.1	-5.6
Net unrequited transfers	6.2	9.8	6.7	3.7	4.9	5.3
GNS 3/	14.3	14.7	6.0	10.0	9.8	10.5
Public sector	10.4	7.2	11.7	8.2	7.5	5.3
Private sector	3.9	7.5	-5.7	1.7	2.3	5.2
Foreign savings 4/	-17.5	-12.9	-11.6	-13.3	-9.2	-5.8
Gross domestic savings	36.7	33.5	25.9	29.8	25.9	20.1
Gross domestic investment	36.7	33.5	25.9	29.8	25.9	20.1
Public sector	11.6	10.4	15.4	12.5	11.7	9.1
Private sector	25.1	23.2	10.5	17.3	14.2	10.9
Memorandum items:						
GDP (In billions of meticaais)	51,913	58,355	76,545	96,883	113,811	137,425
Total consumption	44,995	51,942	70,760	86,738	103,455	122,616

Sources: Mozambican authorities; and IMF 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 factor income from abroad.

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

4/ External current account, including grants.

Table 3. Mozambique: Availability and Uses of Resources, 1999-2004

	1999	2000	2001	2002	2003 Prel.	2004 Prel.
	(In percent of GDP)					
1. GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0
2. Resource gap 1/	23.4	22.6	18.3	19.4	16.8	9.3
3. Domestic demand (current sources = current uses) 2/	123.4	122.6	118.3	119.4	116.8	109.3
4. Total consumption	86.7	89.0	92.4	89.5	90.9	89.2
Public consumption	9.5	10.1	10.0	9.7	10.3	10.1
Private consumption	77.2	78.9	82.4	79.9	80.6	79.1
5. Total domestic savings	36.7	33.5	25.9	29.8	25.9	20.1
Public savings	10.4	7.2	11.7	8.2	7.5	5.3
Private savings	26.2	26.3	14.2	21.6	18.4	14.8
6. Foreign savings 3/	-17.5	-12.9	-11.6	-13.3	-9.2	-5.8
7. Total domestic investment	36.7	33.5	25.9	29.8	25.9	20.1
Public investment	11.6	10.4	15.4	12.5	11.7	9.1
Private investment	25.1	23.2	10.5	17.3	14.2	10.9

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/ External current account, including grants..



Table 4. Mozambique: Composition of GDP, 1999-2004 (concluded)

	1999	2000	2001	2002	2003	2004
					Prel. act.	Est.
	(Annual percentage change)					
Real rates of change 2/						
Agriculture	6.5	-10.8	13.0	8.5	7.2	7.1
Fishing	-1.9	9.5	9.0	-4.3	13.4	-3.8
Industry	18.6	11.8	19.7	23.9	2.3	38.8
Mining	-6.5	52.8	12.4	66.2	34.5	215.7
Manufacturing	14.7	20.3	27.2	4.0	14.3	9.6
Electricity and water	78.3	-6.1	13.9	6.2	-27.9	10.7
Construction	3.4	4.7	9.7	60.8	10.3	-2.0
Services	5.1	6.4	11.5	-1.0	6.0	5.7
Commerce	2.5	2.4	5.5	1.1	5.2	-0.6
Repair services	3.2	3.5	12.7	3.6	2.0	0.0
Restaurants and hotels	5.4	6.4	19.1	3.3	10.3	1.1
Finance and insurance	-26.9	41.9	9.2	9.4	0.8	0.9
Real estate and lending to enterprises	2.2	-2.8	5.7	2.5	2.5	2.2
Transport and communications	9.0	1.2	21.6	-12.8	9.0	16.4
Financial services	-26.9	41.9	9.2	9.4	0.8	0.9
Real estate rentals	2.2	-2.8	5.7	2.5	2.5	2.2
Corporate services	4.4	-0.1	11.9	11.9	2.4	2.2
Government services	15.1	6.7	15.8	-2.0	6.4	9.4
Other services	10.0	10.5	10.3	6.2	5.4	8.4
Import rights and services of financial intermediation	-15.3	13.5	-77.2	14.1	6.5	133.8
GDP	7.5	1.9	13.1	8.2	7.8	7.2
	(In percent)					
Deflators						
Agriculture	-2.6	7.2	13.4	16.1	1.4	4.4
Fishing	-5.6	0.7	4.2	1.5	5.1	14.5
Industry	-0.1	5.7	13.3	10.2	29.7	7.7
Mining	-45.2	55.5	7.0	1.5	3.9	-26.5
Manufacturing	2.2	1.3	10.9	2.8	0.9	3.4
Electricity and water	-13.5	31.1	29.7	33.3	17.2	12.1
Construction	-0.1	11.9	15.5	10.9	63.0	19.6
Services	7.1	12.1	17.6	19.5	3.8	22.9
Commerce	6.4	5.6	18.2	32.3	2.6	43.4
Repair services	6.2	21.9	47.2	12.0	2.3	0.1
Restaurants and hotels	11.3	11.6	38.5	7.9	10.2	10.7
Transport and communications	5.0	20.4	27.6	22.2	10.9	13.8
Financial services	13.2	23.1	0.7	12.6	-10.1	7.9
Real estate rentals	2.6	-3.6	2.4	1.5	9.0	7.2
Corporate services	-28.0	-11.1	16.0	0.9	-0.1	0.4
Government services	15.5	12.1	13.4	-6.0	2.2	7.2
Other services	6.8	21.0	4.9	0.1	0.1	14.7
Import rights and services of financial intermediation	9.6	6.4	12.5	4.7	4.3	21.9
GDP	3.0	9.7	15.7	16.8	8.7	14.0

Sources: Mozambican authorities; and IMF staff estimates.

1/ Data through 2003 correspond to official data released by the National Institute of Statistics; 2004 data are IMF staff estimates based on data from the Ministry of Finances.

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

Table 5. Mozambique: Production of Major Marketed Crops, 1999/2000-2003/04

	1999/2000	2000/01	2001/02	2002/03	2003/04 Prel.
	(In thousands of tons)				
Export crops	571.2	518.4	1,012.5	2,225.7	5,888.4
Cotton	35.4	71.0	83.0	54.1	63.4
Copra	44.0	29.6	45.7	32.7	36.4
Tea (leaf)	10.5	9.0	12.6	17.6	12.3
Sugarcane	417.3	333.9	784.0	2,033.5	5,695.0
Cashew nuts	50.4	65.6	63.2	63.8	56.2
Citrus	13.5	9.2	24.0	24.0	25.2
Basic food crops	6,897.9	3,208.5	4,232.0	7,360.9	7,650.2
Wheat	1,019.0	180.8	93.4	117.5	128.6
Rice	141.0	150.1	168.0	166.4	183.6
Sorghum	4.4	3.4	4.3	4.3	4.9
Cassava	5,400.0	2,496.2	3,555.3	6,547.3	6,756.8
Peanuts	114.0	109.0	110.0	110.8	116.8
Beans	146.0	154.0	177.0	202.3	221.3
Vegetables	54.5	90.5	116.5	199.0	207.1
Onions	9.0	7.6	7.6	10.2	31.0
Industrial inputs	22.9	23.9	51.6	126.7	134.3
Tobacco	9.5	11.2	25.6	40.2	17.0
Mafurra	0.3	0.1	0.1	0.3	0.1
Tomatoes	12.4	6.1	22.4	82.3	113.3
Sunflowers	0.7	6.5	3.5	3.9	4.0
	(In billions of meticaís, unless otherwise indicated)				
Export crops	528.0	650.7	1,483.8	1,900.2	2,816.8
Cotton	112.0	227.2	265.6	121.0	367.7
Copra	74.8	50.4	77.8	138.3	122.5
Tea (leaf)	10.5	9.0	12.6	2.9	2.2
Sugarcane	58.4	99.3	233.2	760.4	1,281.2
Cashew nuts	231.3	235.9	220.8	222.7	293.8
Citrus	41.0	28.9	673.8	654.9	749.5
Basic food crops	1,037.9	11,987.3	12,191.8	15,505.3	17,617.2
Maize	1,528.5	1,714.5	1,854.0	202.1	246.8
Rice	377.5	417.5	420.0	1,017.1	1,138.2
Sorghum	...	...	...	10.7	13.1
Cassava	7,808.4	8,639.9	8,567.6	12,232.0	13,633.3
Peanuts	513.0	490.5	495.0	572.9	652.1
Beans	481.8	508.2	584.1	743.3	878.2
Vegetables	114.1	189.5	243.9	611.3	675.8
Onions	32.4	27.2	27.2	116.1	379.7
Industrial inputs	173.1	186.8	432.8	...	...
Sisal	...	...	...	...	...
Tobacco	124.7	147.1	337.2	...	...
Mafurra	...	...	...	...	...
Tomatoes	46.5	22.9	84.1	...	...
Sunflowers	1.8	16.8	11.5	...	...
Total production	1,739.0	12,824.8	14,108.4	16,750.6	19,192.2
Memorandum items:					
Official exchange rate					
(in meticaís per US dollar)	12,673	15,141	20,456	23,180	23,341
Total production (in millions of					
U.S. dollars) 1/	137.2	847.0	689.7	722.6	822.3

Source: Ministry of Finance.

1/ Market exchange rates used for all crop years.

Table 6. Mozambique: Prices of Major Marketed Crops, 1999/2000-2003/04

	1999/2000	2000/01	2001/02	2002/03	2003/04
	(In thousands of meticaís per ton)				
Export crops					
Cotton	4,323	4,179	49,297	69,526	5,801
Copra	2,297	2,221	2,667	3,048	3,362
Tea (leaf)	125	121	142	163	179
Sugar	182	161	179	204	225
Cashew nuts	4,479	4,231	4,146	4,739	5,227
Basic food crops					
Maize	1,486	1,367	2,400	1,720	1,919
Rice	2,718	2,742	4,370	6,000	6,200
Sorghum	2,344	2,366	2,661	2,502	2,702
Cassava	1,572	1,587	1,841	1,868	2,018
Peanuts	5,060	5,286	5,182	5,172	5,586
Citrus	3,037	3,144	28,074	27,288	29,798
Beans	3,791	4,045	3,855	3,674	3,968
Vegetables	2,731	3,307	3,657	3,072	3,262
Onions	5,838	8,795	10,694	11,336	12,232
Other crops					
Sisal	...	...	...	...	...
Tobacco	17,822	17,140	17,432	20,482	25,378
Mafurra	466	470	470	470	470
Tomatoes	4,538	5,095	4,239	2,514	2,652
Sunflowers	2,962	3,260	2,130	2,800	3,260
	(Annual percentage changes, unless otherwise indicated)				
Export crops					
Cotton	35.0	-3.3	1,079.7	41.0	-91.7
Copra	35.0	-3.3	20.1	14.3	10.3
Tea (leaf)	35.7	-3.3	17.9	14.3	10.3
Sugar	23.8	-11.4	10.9	14.1	10.2
Cashew nuts	1.7	-5.5	-2.0	14.3	10.3
Basic food crops					
Maize	-1.1	-8.0	75.6	-28.3	11.5
Rice	8.6	0.9	59.3	37.3	3.3
Sorghum	9.4	0.9	12.5	-6.0	8.0
Cassava	8.7	0.9	16.0	1.5	8.0
Peanuts	12.3	4.5	-2.0	-0.2	8.0
Citrus	11.0	3.5	793.0	-2.8	9.2
Beans	14.8	6.7	-4.7	-4.7	8.0
Vegetables	30.4	21.1	10.6	-16.0	6.2
Onions	62.0	50.7	21.6	6.0	7.9
Other crops					
Tobacco	35.2	-3.8	1.7	17.5	23.9
Mafurra	-3.8	0.9	0.0	0.0	0.0
Tomatoes	20.9	12.3	-16.8	-40.7	5.5
Sunflowers	13.8	10.1	-34.7	31.5	16.4

Sources: Ministry of Agriculture; and Ministry of Finance.

Table 7. Mozambique: Marketed Livestock, 1998-2003

	1998	1999	2000	2001	2002	2003
<b>Production volume</b>	(In units stated)					
Beef (in tons)	1,140	1,350	1,554	10,342	18,823	28,335
Pork (in tons)	296	331	250	74,722	68,448	52,050
Chicken (in tons)	4,623	5,215	4,506	11,634	10,555	10,377
Eggs (in thousands)	5,200	6,579	3,590	4,441	4,742	4,923
Milk (in thousands of liters)	744	896	1,303	1,442	4,327	3,591
<b>Production value</b>	(In millions of meticaïs)					
Beef	16,296	17,501	22,214	147,839	1,118,914	1,772,496
Pork	4,231	6,414	3,574	1,068,151	2,852,023	2,342,250
Chicken	59,794	81,697	58,281	150,474	131,467	139,849
Eggs	3,364	4,100	2,323	2,873	7,982	11,815
Milk	2,279	3,268	3,991	4,417	31,354	37,106
<b>Total</b>	<b>85,965</b>	<b>112,980</b>	<b>90,383</b>	<b>1,373,754</b>	<b>4,141,741</b>	<b>4,303,515</b>
<b>Average prices</b>	(In units stated)					
Beef 1/	14,295	14,295	14,295	14,295	59,444	62,555
Pork 1/	14,295	14,295	14,295	14,295	41,667	45,000
Chicken 1/	12,934	12,934	12,934	12,934	12,455	13,477
Eggs 2/	647	647	647	647	1,683	2,400
Milk 3/	3,063	3,063	3,063	3,063	7,246	10,334

Sources: Ministry of Agriculture; and Ministry of Finance.

1/ Meticaïs per kilogram.

2/ Meticaïs per unit.

3/ Meticaïs per liter.

Table 8. Mozambique: Industrial Production by Branch, 1998-2003

	1998	1999	2000	2001	2002	2003
	(In billions of meticaais)					
Industry and fisheries	8,124	9,042	11,811	22,684	26,376	35,266
Fisheries	1,803	1,692	1,631	1,573	1,517	1,463
Mining	276	205	245	281	1,178	228
Manufacturing	4,759	5,281	7,866	19,808	22,617	32,483
Food processing	1,202	1,298	1,295	1,535	2,077	2,577
Processed animal feed						
Tea, and cashew nuts	37	36	378	374	755	1,397
Beverages	1,625	2,309	2,544	3,209	3,769	4,773
Tobacco	128	134	205	167	374	581
Textiles	209	74	45	50	80	164
Clothing	20	29	40	48	43	80
Leather and furs	2	2	1	1	1	0
Footwear	39	2	2	2	5	8
Wood and cork	25	17	11	13	1	1
Furniture	24	29	46	38	34	27
Paper	139	134	131	151	189	217
Chemical products	57	44	41	49	12	14
Other chemicals	211	224	262	245	283	283
Oil refineries	7	6	8	11	10	9
Rubber	151	58	89	98	12	17
Plastics	12	17	16	16	28	50
Glass	24	24	19	16	12	10
Other nonmetallic mineral products	485	564	754	811	1,001	1,119
Metalworking (iron and steel)	76	35	6	7	10	15
Metalworking (noniron)	5	24	3	3	2	0
Metallurgy (except machinery)	85	66	1,807	12,800	13,639	20,874
<i>Of which</i> : aluminum	...	...	1,722	12,705	13,539	19,067
Nonelectrical machinery	1	1	2	1	1	0
Appliances and electrical machinery	20	19	13	19	18	35
Transport machinery	207	132	147	143	256	228
Other manufacturing	3	2	3	3	3	4
Electricity	1,286	1,864	2,069	1,022	1,064	1,092
GDP	46,912	51,913	58,355	76,545	96,883	113,811



Table 8. Mozambique: Industrial Production by Branch, 1998-2003 (concluded)

	1998	1999	2000	2001	2002	2003
	(In percent of GDP)					
Industry and fisheries	17.3	17.4	20.2	29.6	27.2	31.0
Fisheries	3.8	3.3	2.8	2.1	1.6	1.3
Mining	0.6	0.4	0.4	0.4	1.2	0.2
Manufacturing	10.1	10.2	13.5	25.9	23.3	28.5
Food processing	2.6	2.5	2.2	2.0	2.1	2.3
Processed animal feed,	0.0	0.0	0.0	0.0	0.0	0.0
Tea, and cashew nuts	0.1	0.1	0.6	0.5	0.8	1.2
Beverages	3.5	4.4	4.4	4.2	3.9	4.2
Tobacco	0.3	0.3	0.4	0.2	0.4	0.5
Textiles	0.4	0.1	0.1	0.1	0.1	0.1
Clothing	0.0	0.1	0.1	0.1	0.0	0.1
Leather and furs	0.0	0.0	0.0	0.0	0.0	0.0
Footwear	0.1	0.0	0.0	0.0	0.0	0.0
Wood and cork	0.1	0.0	0.0	0.0	0.0	0.0
Furniture	0.1	0.1	0.1	0.0	0.0	0.0
Paper	0.3	0.3	0.2	0.2	0.2	0.2
Chemical products	0.1	0.1	0.1	0.1	0.0	0.0
Other chemicals	0.4	0.4	0.4	0.3	0.3	0.2
Oil refineries	0.0	0.0	0.0	0.0	0.0	0.0
Rubber	0.3	0.1	0.2	0.1	0.0	0.0
Plastics	0.0	0.0	0.0	0.0	0.0	0.0
Glass	0.1	0.0	0.0	0.0	0.0	0.0
Other nonmetallic mineral products	1.0	1.1	1.3	1.1	1.0	1.0
Metalworking (iron and steel)	0.2	0.1	0.0	0.0	0.0	0.0
Metalworking (noniron)	0.0	0.0	0.0	0.0	0.0	0.0
Metallurgy (except machinery)	0.2	0.1	3.1	16.7	14.1	18.3
<i>Of which:</i> aluminum	...	...	3.0	16.6	14.0	16.8
Nonelectrical machinery	0.0	0.0	0.0	0.0	0.0	0.0
Appliances and electrical machinery	0.0	0.0	0.0	0.0	0.0	0.0
Transport machinery	0.4	0.3	0.3	0.2	0.3	0.2
Other manufacturing	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	2.7	3.6	3.5	1.3	1.1	1.0

Sources: Mozambican authorities; and IMF staff estimates.

Table 9. Mozambique: Transport and Communications Activity, 1998-2003

	1998	1999	2000	2001	2002	2003
	(In units indicated)					
Freight transport						
Rail						
In millions of ton-kilometers	775	722	605	605	802	1362
In billions of meticaais	584	538	467	467	647	1192
Unit tariff 1/	679	739	764	764	764	774
Road						
In millions of ton-kilometers	175	193	224	224	327	828
In billions of meticaais	140	193	216	216	474	371
Unit tariff 1/	800	1002	964	962	1450	448
Maritime						
In millions of ton-kilometers	113	175	203	94	150	162
In billions of meticaais	37	61	97	38	73	235
Unit tariff 1/	330	436	480	403	487	1450
Air						
In millions of ton-kilometers	6	7	7	7	8	1
In billions of meticaais	25	30	32	31	34	5
Unit tariff 1/	4203	4220	4410	4410	4410	4480
Port throughput						
In thousands of shipping tons	7606	6118	6097	7312	8201	8911
In billions of meticaais	532	671	596	474	747	510
Unit tariff 2/	70	74	98	65	98	92
Oil pipeline throughput						
In millions of ton-kilometers	356	324	233	234	270	240
In billions of meticaais	244	227	208	210	397	354
Unit tariff 1/	687	700	895	895	1474	1474
Total freight receipts 3/	1562	1720	1616	1435	2373	2666
Passenger transport						
Rail						
In millions of passenger-kilometers	155	145	130	142	138	167
In billions of meticaais	20	19	17	19	18	22
Unit tariff 4/	129	129	130	130	130	130
Road						
In millions of passenger-kilometers	26114	26890	36681	27029	22371	32847
In billions of meticaais	1995	3182	4029	3521	6822	13697
Unit tariff 4/	78	79	110	130	305	417
Air						
In millions of passenger-kilometers	312	360	378	272	408	7
In billions of meticaais	334	385	321	321	480	9
Unit tariff 4/	1070	1070	849	1177	1177	1270
Maritime						
In millions of passenger-kilometers	6	7	2	9	10	9
In billions of meticaais	4	4	3	4	20	14
Unit tariff 4/	700	1737	1515	1697	2019	1575
Total passenger receipts 3/	2353	3589	4370	3864	7340	13742
Communications receipts 3/	925	111	1748	2489	268125	...
Total transport and communications receipts 3/	3278	3701	6118	6353	275464	...

Source: Mozambican authorities.

1/ Meticaais per ton-kilometer.

2/ In millions of meticaais per ton.

3/ In billions of meticaais.

4/ Meticaais per passenger-kilometer.

Table 10. Mozambique: Maputo Consumer Price Index,  
December 1998-March 2005

	Consumer Price Index	Monthly Percentage	Accumulated in Year	Annual Percentage	Annual Percentage
	(CPI) 1/ December 1998=100)				
1998 December	100	1.2	-1.0	-1.0	1.9
1999 December	106	5.2	6.2	6.2	2.6
2000 January	106	-0.3	-0.3	3.1	2.9
February	114	7.6	7.2	8.4	3.5
March	116	2.3	9.7	12.1	4.4
April	118	1.6	11.4	13.1	5.4
May	119	0.8	12.3	14.5	6.3
June	118	-1.2	10.9	13.4	7.1
July	119	0.7	11.7	14.7	8.0
August	117	-1.1	10.4	14.1	8.8
September	118	0.7	11.1	15.2	9.6
October	118	0.2	11.3	16.8	10.6
November	117	-1.2	9.9	15.7	11.5
December	118	1.4	11.4	11.4	12.2
2001 January	117	-1.0	-1.0	10.7	12.6
February	117	-0.2	-1.2	2.7	12.5
March	118	0.7	-0.6	1.0	12.0
April	119	1.1	0.5	0.5	11.1
May	122	2.4	2.9	2.1	10.2
June	124	2.1	5.1	5.6	9.6
July	127	2.4	7.7	7.4	9.1
August	130	1.7	9.5	10.6	8.8
September	131	1.0	10.6	10.9	8.5
October	136	3.9	14.9	15.0	8.5
November	140	3.3	18.6	20.3	8.8
December	144	2.8	21.9	21.9	9.3
2002 January	144	-0.2	-0.2	22.9	10.1
February	146	1.3	1.1	24.9	11.2
March	145	-0.7	0.5	23.2	12.8
April	145	0.3	0.7	22.2	14.4
May	146	0.1	0.9	19.5	15.9
June	147	1.1	1.9	18.3	17.1
July	149	1.0	3.0	16.6	18.0
August	149	0.5	3.5	15.2	18.6
September	150	0.1	3.6	14.3	18.9
October	150	0.4	4.1	10.5	18.8
November	153	1.9	6.0	9.0	18.4
December	158	2.9	9.1	9.1	17.5
2003 January	157	-0.3	-0.3	9.1	16.5
February	161	2.3	2.0	10.1	15.5
March	165	2.6	4.7	13.7	14.7
April	167	1.2	6.0	14.8	14.0
May	170	1.6	7.7	16.5	13.6
June	168	-0.8	6.9	14.4	13.2
July	168	0.0	6.9	13.2	12.8
August	169	0.6	7.5	13.4	12.6
September	171	0.7	8.3	14.0	12.5
October	172	1.0	9.4	14.7	12.5
November	174	0.9	10.4	13.6	12.7
December	179	3.1	13.8	13.8	13.1
2004 January	184	2.9	2.9	17.4	13.7
February	185	0.5	3.4	15.3	14.2
March	187	1.0	4.4	13.5	14.5
April	190	1.3	5.8	13.6	14.5
May	191	0.6	6.5	12.5	14.3
June	191	-0.1	6.4	13.3	14.0
July	191	0.0	6.4	13.3	14.0
August	190	-0.5	5.9	12.0	13.9
September	189	-0.2	5.7	11.1	13.7
October	191	0.6	6.4	10.6	13.4
November	193	1.1	7.5	10.8	13.1
December	195	1.5	9.1	9.1	12.8
2005 January	198	1.5	1.5	7.6	12.3
February	198	-0.4	1.1	6.7	11.5
March	198	0.4	1.5	6.1	10.8

Source: Mozambican authorities.

1/ In February 2000, the National Statistics Institute (INE) began compiling a new CPI series with December 1998 as base period. The consumer price index (CPI) was rebased on weights stemming from the 1998 census.

The new index was extended backward using the growth rates of the previous CPI.

2/ Compared with same month of previous years.

3/ Monthly average of the previous 12 months.

Table 11. Mozambique: Major Consumer Price Index (CPI) Categories, December 1997-December 2004

	Weights	1997	1998	1999	2000	2001	2002	2003	2004
(December 1998=100)									
Total CPI	100.00	101	100	106	118	144	157	179	195
Food, drinks, and tobacco	63.46	103	100	102	110	140	151	175	187
Clothing and footwear	4.62	99	100	99	99	118	126	122	125
Firewood and furniture	17.01	101	100	126	152	176	190	215	263
Health	2.46	97	100	97	96	104	119	133	134
Transportation and communications	4.63	86	100	103	142	169	205	232	234
Education, recreation, and culture	2.75	90	100	117	123	132	145	150	151
Other goods and services	5.07	102	100	104	114	125	136	154	159
(Annual percentage change)									
Total CPI		...	-1.0	6.0	11.7	21.9	9.1	13.8	9.1
Food, drinks, and tobacco		...	-2.9	2.0	7.9	26.9	8.4	15.6	6.8
Clothing and footwear		...	1.0	-1.0	0.3	19.1	6.6	-3.0	2.5
Firewood and furniture		...	-1.0	26.0	20.4	15.8	8.1	13.2	22.4
Health		...	3.1	-3.0	-1.1	8.3	14.8	11.8	0.6
Transportation and communications		...	16.3	3.0	38.0	18.9	21.1	13.5	0.6
Education, recreation, and culture		...	11.1	17.0	5.0	7.1	9.8	3.7	0.9
Other goods and services		...	-2.0	4.0	10.0	9.5	8.4	13.3	3.3

Source: Mozambican authorities; and IMF staff estimates.

Table 12. Mozambique: Minimum Agricultural Producer Prices 1998/99-2003/04 1/

	1998/99	1999/2000	2000/01	20001/02	2002/03	2003/04
	(In meticaais per kilogram)					
Cottonseed						
Grade I	2,300	2,500	2,700	3,000	3,800	5,000
Grade II	1,950	2,100	2,100	2,200	3,000	3,500
Peanuts 2/	4,547	4,882	...	...	...	...
Whole rice	...	...	3,630	4,117	...	...
Cashew nuts 3/	3,726	3,680	...	...	...	...
Copra 3/	1,789	1,671	2,102	2,198	...	...
Beans 3/	...	4,202	4,004	5,104	...	...
White maize 2/	1,435	1,467	5,232	8,306	...	...
Tobacco 2/ 3/	12,757	11,920	13,995	16,183	...	...
Beef 2/						
Pork 3/						
	(Annual percentage change)					
Cottonseed						
Grade I	-22.0	8.7	8.0	11.1	26.7	31.6
Grade II	-25.0	7.7	0.0	4.8	36.4	16.7
Peanuts	-9.4	7.4	...	...	...	...
Whole rice	...	...	...	13.4	...	...
Cashew nuts	-3.2	-1.2	...	...	...	...
Copra	-3.2	-6.6	25.8	4.6	...	...
Sunflowers	...	...	...	...	...	...
Mafurra	...	...	...	...	...	...
White maize	-4.5	2.2	...	...	...	...
Tobacco	-3.2	-6.6	...	...	...	...
Memorandum item:						
Exchange rate (meticaais per U.S. dollar; period)	12,673	15,141	20,456	23,180	23,341	23,356

Source: Mozambican authorities.

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

2/ All minimum agricultural prices became indicative prices in 1996/97.

3/ Prices were liberalized in 1996/97.

Table 13. Mozambique: Prices of Petroleum Products, Feb. 2000 - Feb. 2005

	2000	2001	2002	2003	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2005	2005
	Oct.	Nov.	Jan.	Dec.	Jan.	Feb.	Mar.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	2005	2005	
Butane (Kg)	9,050	13,234	13,494	14,152	15,103	15,103	15,140	15,400	15,400	15,026	14,861	14,861	13,559	13,290	13,290	12,498	14,092			
Jet A1	6,333	6,260	6,047	9,406	9,625	10,070	10,741	11,009	11,018	11,018	11,017	11,017	11,500	11,344	11,344	10,726	9,570			
Kerosene	5,900	5,840	5,620	8,710	8,910	9,350	10,000	10,270	10,260	10,260	10,260	10,260	11,250	10,090	10,090	10,450	8,790			
Diesel	8,850	9,340	8,230	13,200	13,780	13,780	13,160	14,150	14,490	14,570	14,570	15,320	15,700	14,940	14,940	15,460	13,900			
Fuel oil 1/	4,638	6,470	5,399	8,037	7,319	7,331	7,788	8,422	8,746	8,414	8,414	8,414	8,061	7,448	7,448	6,024	4,966			
Premium gasoline	9,320	9,160	8,860	15,380	14,770	15,770	17,040	18,340	18,340	18,350	18,350	18,350	17,270	17,270	17,270	14,340	14,370			
(In meticals per liter, unless otherwise indicated)																				
Memorandum items:																				
Representative exchange rate (meticals per U.S. dollar; end of period) 2/																				
Diesel (U.S. dollars per U.S. gallon)	16,319	23,080	23,402	23,857	23,688	23,840	23,829	23,747	23,436	23,048	22,674	22,244	21,009	20,275	18,899	18,777	18,380			
Gasoline (U.S. dollars per U.S. gallon)	2.2	1.5	1.4	2.5	2.4	2.5	2.5	2.7	3.0	3.1	3.1	3.2	3.2	3.3	3.5	3.0	3.0			
	2.1	1.5	1.3	2.1	2.2	2.2	2.1	2.3	2.4	2.4	2.5	2.7	2.9	2.9	3.0	3.2	2.9			
(Percentage changes, unless otherwise indicated)																				
Butane (Kg)	3.8	46.2	2.0	4.9	6.7	0.0	0.2	1.7	0.0	-2.4	-1.1	0.0	-8.8	-2.0	0.0	-6.0	12.8			
Jet A1	19.4	-1.2	-3.4	55.6	2.3	4.6	0.0	6.7	2.5	0.1	0.0	0.0	4.4	-1.4	0.0	-5.4	-10.8			
Kerosene	23.7	-1.0	-3.8	55.0	2.3	4.9	0.0	7.0	2.7	-0.1	0.0	0.0	9.6	-10.3	0.0	3.6	-15.9			
Diesel	24.5	5.5	-11.9	60.4	4.4	0.0	-4.5	7.5	2.4	0.6	0.0	5.1	2.5	-4.8	0.0	3.5	-10.1			
Fuel oil 1/	4.2	39.5	-16.5	48.8	-8.9	0.2	6.2	8.1	3.9	-3.8	0.0	0.0	-4.2	0.0	-7.6	-19.1	-17.6			
Premium gasoline	0.0	-1.7	-3.3	73.6	-4.0	6.8	0.0	8.1	7.6	0.1	0.0	0.0	-5.9	0.0	0.0	-17.0	0.2			
Memorandum items:																				
Representative exchange rate (meticals per U.S. dollar; end of period) 2/																				
Diesel (U.S. dollars per U.S. gallon)	25.5	41.4	1.4	1.9	-0.7	0.6	0.0	-0.3	-1.3	-1.7	-1.6	-1.9	-5.6	-3.5	-6.8	-0.6	-2.1			
Gasoline (U.S. dollars per U.S. gallon)	129.8	-30.5	-4.6	70.3	-3.7	6.3	0.6	8.6	9.9	1.3	1.3	4.6	-1.8	4.3	4.9	-14.7	-0.6			
	6.5	-25.4	-13.1	57.3	4.7	-0.4	-3.9	8.1	4.6	1.8	1.3	10.0	6.9	-0.7	4.9	6.3	-10.8			

Source: Mozambican authorities.

1/ Wholesale price.

2/ The market rate is used.

Table 14. Mozambique: Import Prices of Oil Products, 1999-2004 1/  
(In U.S. dollars per unit indicated)

Products	1999	2000	2001	2002	2003	2004
Liquefied petroleum gas (butane) (ton)	232.9	222.9	230.4	251.0	231.8	223.1
Aviation gasoline (cubic meter)	266.6	...	...	...	...	...
Premium gasoline (cubic meter)	186.8	219.3	171.8	185.1	221.4	287.7
Jet A1 (cubic meter)	163.0	239.4	185.8	190.5	219.0	313.2
Diesel (cubic meter)	143.4	248.8	176.5	170.7	219.9	291.2
Fuel oil (cubic meter)	105.3	144.1	141.9	157.0	171.7	184.1

Sources: Petromoc; International Energy Agency, *International Energy Agency Monthly Oil Market Report*; and Ministry of Natural Resources and Energy, National Directorate for Energy.

1/ Annual average prices.

Table 15. Mozambique: Price Structure of Petroleum Products, December 2004

	Butane 1/	Diesel	Fuel Oil	Gasoline	Jet A1	Kerosene
	(Meticais per liter)					
Cost (c.i.f)	5,653.6	4,252.7	3,391.3	2,992.6	3,783.8	3,783.8
Customs duties	282.7	212.6	169.6	149.6	189.2	189.2
Import charges	393.0	239.5	234.7	239.5	239.5	239.5
Importer/ distributor's margin	3,612.1	1,297.6	1,297.6	1,297.6	1,297.6	1,297.6
Value-added tax	1690.0	1020.4	865.8	795.5	0.0	0.0
Petroleum tax	284.0	1,825.0	328.3	3,307.8	430.2	0.0
Other charges	227.0	118.6	119.7	3.8	0.0	10.6
Wholesale price, net 2/	12,142.4	8,966.4	6,407.0	8,786.4	5,940.3	5,520.7
Transport differential	148.3	53.8	53.8	53.8	53.8	53.8
Value-added tax	25.2	9.1	9.1	9.1	0.0	0.0
Wholesale price, gross	12,315.9	9,029.4	6,470.0	8,849.3	5,994.1	5,574.5
Retail's margin	784.7	265.5	0.0	265.5	265.5	265.5
Value-added tax	133.4	45.1	0.0	45.1	0.0	0.0
Calculated retail price, gross	13,234.0	9,340.0	6,470.0	9,160.0	6,259.6	5,840.0
Memorandum items:						
Total taxes	2,415.3	3,112.3	1,372.9	4,307.2	619.4	189.2
Total margins	4,396.8	1,563.1	1,297.6	1,563.1	1,563.1	1,563.1
Retail price in US\$ per liter 3/	0.58	0.41	0.29	0.40	0.28	0.26
	(In percent of retail price)					
Margins and taxes	51.5	50.1	41.3	64.1	34.9	30.0
Wholesale price, net	91.8	96.0	99.0	95.9	94.9	94.5
Retail price	100.0	100.0	100.0	100.0	100.0	100.0
Memorandum items:						
Total taxes	18.3	33.3	21.2	47.0	9.9	3.2
Total margins	33.2	16.7	20.1	17.1	25.0	26.8
Total taxes and margins	51.5	50.1	41.3	64.1	34.9	30.0

Source: Mozambican authorities; and IMF staff estimates.

1/ Meticais per kilogram.

2/ Includes some residual costs.

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



Table 16. Mozambique: Minimum Monthly Wage, April 1997-April 2004 1/

	1997	1998	1999	2000	2001	2002	2003	2004
	April	April	April	July	April	April	April	April
(In units indicated)								
Nominal monthly wage (in meticaís)								
Agricultural worker 2/	209,960	230,873	303,750	382,725	459,270	560,309	700,386	805,444
Nonagricultural worker	311,794	353,886	450,000	568,980	665,707	812,163	982,717	1,120,297
Technical/administrative worker	311,794	353,886	450,000	568,980	665,707	785,534	982,717	1,120,297
Real wage index (April 1998=100)								
Agricultural worker	94	100	128	143	160	167	184	187
Nonagricultural worker	91	100	124	139	151	158	169	170
Technical/administrative worker	91	100	124	139	151	153	169	170
Nominal monthly wage (in U.S. dollars)								
Agricultural worker	18	20	24	24	23	24	29	34
Nonagricultural worker	27	31	36	35	34	34	41	47
Technical/administrative worker	27	31	36	35	34	33	41	47
Memorandum items:								
Consumer price index (CPI) (Dec. 1998=100)	97	100	102	119	119	145	167	190
Exchange rate (meticaís per U.S. dollar; end of period)	11,609	11,530	12,424	16,194	19,629	23,581	23,777	23,847
(Percentage change)								
Nominal monthly wage (in meticaís)								
Agricultural worker	16.6	10.0	31.6	26.0	20	22.0	25.0	15.0
Nonagricultural worker	15.0	13.5	27.2	26.4	17.0	22.0	21.0	14.0
Technical/administrative worker	15.0	13.5	27.2	26.4	17.0	18.0	25.1	14.0
Real wage index								
Agricultural worker	8.4	6.9	28.5	11.2	11.7	4.6	10.4	1.5
Nonagricultural worker	6.9	10.3	24.2	11.6	8.9	4.6	6.9	0.6
Technical/administrative worker	6.9	10.3	24.2	11.6	8.9	1.2	10.5	0.6
Nominal monthly wage (in U.S. dollars)								
Agricultural worker	14.2	10.7	22.1	-3.3	-1.0	1.6	24.0	14.7
Nonagricultural worker	12.6	14.3	18.0	-3.0	-3.5	1.6	20.0	13.7
Technical/administrative worker	12.6	14.3	18.0	-3.0	-3.5	-1.8	24.1	13.7
Memorandum items:								
CPI	7.6	2.9	2.4	14.7	0.5	22.2	14.8	13.6
Exchange rate (meticaís per U.S. dollar)	2.2	-0.7	7.8	30.3	21.2	20.1	0.8	0.3

Sources: Ministry of Finance; and IMF staff estimates.

1/ Months shown refer to time of change.

2/ The minimum wage increase for the year 2002 assumes equal increases for agricultural and nonagricultural workers.

Table 17. Mozambique: Expenditure on the Social Sectors as defined in the PARPA, 1999-2004 Prel. 1/

	1999	2000	2001	2002	2003	2004
					Est. 2/	Est. 2/
(In billions of meticas)						
Total expenditure (excluding bank restructuring costs and interest payments)	12,491	14,493	22,517	23,456	28,385	30,228
Total actual/budgeted expenditure in PARPA priority sectors	6,895	10,794	13,774	15,323	18,138	19,134
Education	1,795	3,141	4,874	4,217	5,734	6,252
Primary	1,410	2,727	3,875	3,608	4,825	5,310
Postprimary	384	414	1,000	610	908	942
Health	1,493	2,038	2,080	2,953	3,009	3,295
HIV/AIDS	0	6	110	188	85	139
Infrastructure development	1,481	2,490	3,643	3,861	3,917	4,142
Roads	...	...	1,881	1,860	3,122	3,188
Sanitation and public works	...	...	1,763	2,001	795	953
Agriculture and rural development	583	994	707	1,243	1,391	1,318
Governance and judicial system	991	1,244	1,615	1,900	2,668	2,881
Security and public order	722	843	1,048	1,267	539	1,648
Governance	60	142	244	235	1,590	523
Judicial system	209	258	323	399	539	710
Other priority areas 3/	552	882	745	962	1,135	1,121
Social actions	69	192	196	211	199	200
Labor and employment	55	56	74	117	85	121
Mineral resources and energy	428	634	475	633	852	801
(In percent of GDP)						
Total actual/budgeted expenditure in PARPA priority sectors	13.3	18.5	18.0	15.8	15.9	13.9
Education	3.5	5.4	6.4	4.4	5.0	4.5
Primary	2.7	4.7	5.1	3.7	4.2	3.9
Postprimary	0.7	0.7	1.3	0.6	0.8	0.7
Health	2.7	4.7	5.1	3.7	4.2	3.9
HIV/AIDS	0.0	0.0	0.1	0.2	0.1	0.1
Infrastructure development	2.9	4.3	4.8	4.0	3.4	3.0
Roads	...	...	2.5	1.9	2.7	2.3
Sanitation and public works	...	...	2.3	2.1	0.1	0.1
Agriculture and rural development	1.1	1.7	0.9	1.3	1.2	1.0
Governance and judicial system	1.9	2.1	2.1	2.0	2.3	2.1
Security and public order	1.4	1.4	1.4	1.3	0.5	1.2
Governance	0.1	0.2	0.3	0.2	1.4	0.4
Judicial system	1.9	2.1	2.1	2.0	2.3	2.1
Other priority areas 3/	1.4	1.4	1.4	1.3	0.5	1.2
Social actions	0.1	0.2	0.3	0.2	1.4	0.4
Labor and employment	0.1	0.3	0.3	0.2	0.2	0.1
Mineral resources and energy	0.1	0.1	0.1	0.1	0.1	0.1
(In percent of total expenditure)						
Total actual/budgeted expenditure in PARPA priority sectors	55.2	74.5	61.2	65.3	63.9	63.3
Education	14.4	21.7	21.6	18.0	20.2	20.7
Primary	11.3	18.8	17.2	15.4	17.0	17.6
Postprimary	3.1	2.9	4.4	2.6	3.2	3.1
Health	12.0	14.1	9.2	12.6	10.6	10.9
HIV/AIDS	0.0	0.0	0.5	0.8	0.3	0.5
Infrastructure development	11.9	17.2	16.2	16.5	13.8	13.7
Roads	...	...	8.4	7.9	11.0	10.5
Sanitation and public works	...	...	7.8	8.5	2.8	3.2
Agriculture and rural development	4.7	6.9	3.1	5.3	4.9	4.4
Governance and judicial system	7.9	8.6	7.2	8.1	9.4	9.5
Security and public order	5.8	5.8	4.7	5.4	1.9	5.5
Governance	0.5	1.0	1.1	1.0	5.6	1.7
Judicial system	1.7	1.8	1.4	1.7	1.9	2.3
Other priority areas 3/	4.4	6.1	3.3	4.1	4.0	3.7
Social actions	0.6	1.3	0.9	0.9	0.7	0.7
Labor and employment	0.4	0.4	0.3	0.5	0.3	0.4
Mineral resources and energy	3.4	4.4	2.1	2.7	3.0	2.7
Memorandum item:						
GDP	51,913	58,355	76,545	96,883	113,811	137,425

Source: Ministry of Finance; and staff estimates.

1/ PARPA stands for National Action Plan for the Reduction of Absolute Poverty, which is Portuguese acronym for the poverty reduction strategy paper (PRSP).

2/ Figures for expenditures in priority sectors are estimated by applying the percentages reported by the authorities to the total expenditures in meticaís presented in Table 20.

3/ Relates to expenditures viewed as complementary to PARPA priority areas and which contribute to income generation and employment opportunities.

Table 18. Mozambique: Number of Households Receiving Food Subsidy Assistance, June 1999-December 2004

	1999		2000		2001		2002		2003	2004	
	June	Dec.	June	Dec.	June	Dec.	June	Dec.	Annual	June	Dec.
Total households	38,656	39,051	40,558	48,324	57,467	66,625	73,394	85,353	80,177	68,316	67,643
Eligible on account of											
Malnourished children 1/	3,220	2,218	2,199	2,001	2,542	1,095	1,249	886	545	273	109
Underweight pregnant women 2/	1,546	1,533	236	263	173	1,306	114	96	42	3	3
Destitute elderly 3/	31,312	31,486	32,956	39,695	46,979	54,624	61,244	68,883	70,448	58,723	61,262
Handicapped 4/	772	2,566	2,911	3,481	3,708	4,121	4,502	5,041	5,076	4,284	4,407
Households headed by women 5/	2,705	2,781	1,929	1,838	2,582	2,809	2,360	2,145	1,822	1,316	1,277
Cessantes 6/			327	1,046	1,483	2,670	3,925	8,302	2,244	3,717	585

Sources: Ministry of Finance, Office for Vulnerable Population Initiatives (GAPVU); and National Institute for Social Action (INAS).

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 unable to earn living.

5/ With more than five children, and chronically ill persons.

6/ Beneficiaries who stopped receiving aid but were attended to in the period.

Table 19. Mozambique: Budget Subsidies to Enterprises, 1999-2004  
(In millions of meticais, unless otherwise specified)

	1999		2000		2001		2002		2003		2004	
	In percent of total		In percent of total		In percent of total		In percent of total		Est.	In percent of total	Est.	In percent of total
Agriculture	7,300	15.2	3,600	6.4	3,850	5.0	5,200	4.0	4,500	3.5	8,700	4.5
Mineral resources	1,500	3.1	1,000	1.8	1,200	1.6	8,000	6.1	1,125	0.9	1,500	0.8
Coal (Carbomoc)	1,500	3.1	1,000	1.8	1,200	1.6	8,000	6.1	1,125	0.9	1,500	0.8
Other industries	39,100	81.6	51,905	91.9	72,290	93.5	118,420	90.0	123,203	95.6	181,300	94.7
Other enterprises	4,800	10.0	6,005	10.6	12,128	15.7	25,000	19.0	18,750	14.6	41,400	21.6
Information services	34,300	71.6	45,900	81.2	60,162	77.8	93,420	71.0	104,453	81.1	13,990	7.3
Total subsidies	47,900	100.0	56,505	100.0	77,340	100.0	131,620	100.0	128,828	100.0	191,500	100.0
Memorandum items:												
GDP (in billions)	51,913		58,355		76,545		96,883		113,811		137,425	
Total subsidies as a percent of GDP	0.09		0.10		0.10		0.14		0.11		0.14	

Source: Ministry of Finance.

Table 20. Mozambique: Government Finances, 1999-2004 1/

	1999	2000	2001	2002	2003	2004
	(In billions of meticaís)					
Total revenue	6,207	7,535	9,469	12,057	14,714	16,838
Tax revenue	5,733	6,862	8,400	10,629	13,629	15,598
Taxes on income and profits	867	1,034	1,519	2,116	3,236	3,548
Taxes on goods and services	3,638	4,314	5,169	6,404	7,799	9,416
Taxes on international trade	1,046	1,279	1,477	1,851	2,229	2,284
Other taxes	183	235	235	258	366	350
Nontax revenue	474	672	1,070	1,428	1,085	1,241
Total expenditure and net lending	12,814	15,558	24,579	29,031	30,184	32,607
Current expenditure	6,331	7,686	10,345	13,468	16,341	19,006
Budget year	6,346	7,803	10,409	13,491	16,115	19,006
Compensation to employees	2,995	3,817	4,946	6,206	7,734	9,195
Wages and salaries	2,719	3,532	4,541	5,733	6,900	8,603
Other	275	286	405	473	834	592
Goods and services	1,943	2,198	2,779	3,186	3,813	4,727
Interest on public debt	324	109	477	1,274	1,318	1,321
Domestic	6	11	330	952	1,002	910
External	318	99	147	322	317	411
Transfer payments	1,084	1,679	2,207	2,825	3,250	3,763
Local and district governments	105	224	273	385	417	553
Political parties	66	71	75	137	138	137
Households	646	940	1,347	1,625	1,958	2,276
Pensions	559	750	1,019	1,327	1,568	1,700
Welfare payments	87	129	176	211	246	287
Other	0	61	153	87	144	290
Subsidies to enterprises	53	69	69	132	175	208
Abroad	214	375	444	547	563	589
Embassies	214	339	412	485	489	521
International organizations	0	36	32	62	74	68
Net float 2/	-15	-117	-64	-23	226	0
Current balance	-124	-151	-876	-1,411	-1,627	-2,168
Capital expenditure	6,001	6,060	11,808	12,149	13,362	12,543
Budget year	5,782	6,973	11,949	12,492	12,449	12,543
External project grants	2,710	2,509	6,052	6,226	5,511	3,085
External project loans	1,306	2,418	2,160	2,635	2,780	3,564
Locally financed	1,765	2,046	3,140	3,167	3,662	4,074
Special Programs			597	100	0	1,197
Direct investment				364	496	623
Net float	219	-913	-141	-343	912	0
Net lending	482	1,812	2,426	3,414	481	1,058
<i>Of which:</i> locally financed	-6	1,812	2,426	1,970	-261	-79
Unallocated revenue (+)/expenditure (-) 3/	-221	43	-101	208	-458	-310

Table 20. Mozambique: Government Finances, 1999-2004 (concluded)

	1999	2000	2001	2002	2003	2004
	(In billions of meticaais)					
Overall balance before grants	-6,828	-7,980	-15,211	-16,765	-15,928	-16,078
Grants received	6,073	4,576	10,520	10,020	10,841	10,053
Project	2,787	2,112	7,044	6,728	6,671	6,185
Nonproject	3,287	2,464	3,475	3,292	4,170	3,868
Overall balance after grants	-754	-3,404	-4,691	-6,745	-5,087	-6,025
External borrowing (net)	910	2,438	3,309	5,939	4,994	4,271
Disbursements	1,394	2,268	3,108	5,886	5,348	6,937
Project	1,394	1,724	1,624	2,512	2,780	3,564
Nonproject	0	544	1,484	3,374	2,569	3,373
Cash amortization	-483	-286	-311	-485	-591	-668
HIPC assistance	0	455	513	538	237	484
Investment abroad 4/	...	...	...	...	...	-2,482
Domestic financing (net)	-156	966	1,382	806	93	1,754
Banking system	...	...	...	...	...	...
<i>Of which</i> : privatization fund	0	0	0	0	0	2,482
Other (including residual)	...	...	...	...	...	...
Memorandum items:						
Primary current balance 5/	200	-42	-398	-137	-309	-847
Domestic primary balance before grants 6/	-1,559	-3,900	-5,964	-5,274	-3,710	-4,842

Sources: Mozambican authorities; and IMF staff estimates.

1/ Fiscal variables are defined as in Mozambique's technical memorandum of understanding of the PRGF arrangement, and deviate from the data provided by the General Accountant Office.

2/ Budget procedures in Mozambique allow for a 3-month complementary period, meaning that each year, from January to March, expenses can be incurred in executing the previous year's budget. Net float corresponds to the expenses incurred from January to March but relate to the previous year's budget, minus what is left in the budget at the end of the year to be paid during next fiscal year.

3/ Residual discrepancy between identified sources and uses of funds.

4/ Tracks the movements in the government accounts set abroad with the proceeds of the Moatize mine concession.

5/ Current revenue minus noninterest current expenditure.

6/ Total revenue minus noninterest current expenditure minus locally financed capital expenditure and locally financed net lending.

Table 21. Mozambique: Government Finances, 1999-2004 1/

	1999	2000	2001	2002	2003	2004
	(In percent of GDP)					
Total revenue	12.0	12.9	12.4	12.4	12.9	12.3
Tax revenue	11.0	11.8	11.0	11.0	12.0	11.3
Taxes on income and profits	1.7	1.8	2.0	2.2	2.8	2.6
Taxes on goods and services	7.0	7.4	6.8	6.6	6.9	6.9
Taxes on international trade	2.0	2.2	1.9	1.9	2.0	1.7
Other taxes	0.4	0.4	0.3	0.3	0.3	0.3
Nontax revenue	0.9	1.2	1.4	1.5	1.0	0.9
Total expenditure and net lending	24.7	26.7	32.1	27.9	26.5	23.7
Current expenditure	12.2	13.2	13.5	13.9	14.4	13.8
Budget year	12.2	13.4	13.6	13.9	14.2	13.8
Compensation to employees	5.8	6.5	6.5	6.4	6.8	6.7
Goods and services	3.7	3.8	3.6	3.3	3.4	3.4
Interest on public debt	0.6	0.2	0.6	1.3	1.2	1.0
Domestic	0.0	0.0	0.4	1.0	0.9	0.7
External	0.6	0.2	0.2	0.3	0.3	0.3
Transfer payments	2.1	2.9	2.9	2.9	2.9	2.7
Local and district governments	0.2	0.4	0.4	0.4	0.4	0.4
Political parties	0.1	0.1	0.1	0.1	0.1	0.1
Households	1.2	1.6	1.8	1.7	1.7	1.7
Pensions	1.1	1.3	1.3	1.4	1.4	1.2
Welfare payments	0.2	0.2	0.2	0.2	0.2	0.2
Other	0.0	0.1	0.2	0.1	0.1	0.2
Subsidies to enterprises	0.1	0.1	0.1	0.1	0.2	0.2
Abroad	0.4	0.6	0.6	0.6	0.5	0.4
Embassies	0.4	0.6	0.5	0.5	0.4	0.4
International organizations	0.0	0.1	0.0	0.1	0.1	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
Net float 2/	0.0	-0.2	-0.1	0.0	0.2	0.0
Current balance	-0.2	-0.3	-1.1	-1.5	-1.4	-1.6
Capital expenditure	11.6	10.4	15.4	12.5	11.7	9.1
Budget year	11.1	11.9	15.6	12.9	10.9	9.1
External project grants	5.2	4.3	7.9	6.4	4.8	2.2
External project loans	2.5	4.1	2.8	2.7	2.4	2.6
Locally financed	3.4	3.5	4.1	3.3	3.2	3.0
Donor-financed outside budget	0.0	0.0	0.0	0.4	0.4	0.5
HIPC initiative	0.0	0.0	0.6	0.5	0.5	0.4
Net float 1/	0.4	-1.6	-0.2	-0.4	0.8	0.0
Net lending	0.9	3.1	3.2	1.5	0.4	0.8
Unallocated revenue (+)/expenditure (-) 3/	-0.4	0.1	-0.1	-1.8	-0.4	-0.2
Overall balance before grants	-13.2	-13.7	-19.9	-17.3	-14.0	-11.7
Grants received	11.7	7.8	13.7	10.3	9.5	7.3
Project	5.4	3.6	9.2	6.9	5.9	4.5
Nonproject	6.3	4.2	4.5	3.4	3.7	2.8
Overall balance after grants	-1.5	-5.8	-6.1	-7.0	-4.5	-4.4
External borrowing (net)	1.8	4.2	4.3	6.1	4.4	3.1
Disbursements	2.7	3.9	4.1	6.1	4.7	5.0
Project	2.7	3.0	2.1	2.6	2.4	2.6
Nonproject	0.0	0.9	1.9	3.5	2.3	2.5
Cash amortization	-0.9	-0.5	-0.4	-0.5	-0.5	-0.5
HIPC assistance	0.0	0.8	0.7	0.6	0.2	0.4
Investment abroad 4/	...	...	...	...	...	-1.8
Domestic financing (net)	-0.3	1.7	1.8	0.8	0.1	1.3

Sources: Mozambican authorities; and IMF staff estimates.

1/ Fiscal variables are defined as in Mozambique's technical memorandum of understanding of the PRGF arrangement, and deviate from the data provided by the General Accountant Office.

2/ Budget procedures in Mozambique allow for a 3-month complementary period, meaning that each year, from January to March, expenses can be incurred in executing the previous year's budget. Net float corresponds to the expenses incurred from January to March but relate to the previous year's budget, minus what is left in the budget at the end of the year to be paid during next fiscal year.

3/ Residual discrepancy between identified sources and uses of funds.

4/ Tracks the movements in the government accounts set abroad with the proceeds of the Moatize mine concession.

Table 22. Mozambique: Government Revenue, 1999-2004

	1999	2000	2001	2002	2003	2004
	(In billions of meticaís)					
Total revenue	6,207	7,535	9,469	12,057	14,714	16,838
Tax revenue	5,733	6,862	8,400	10,629	13,629	15,598
Taxes on income and profits	867	1,034	1,519	2,116	3,236	3,538
Companies	415	372	542	816	1,281	1,124
Individuals	452	662	977	1,300	1,955	2,413
Taxes on goods and services	3,638	4,314	5,169	6,404	7,799	9,416
Turnover tax	917	...	...	...	...	...
Value-added tax	1,397	2,914	3,572	4,588	5,366	6,434
On domestic production	572	1,201	1,629	1,967	2,363	2,639
On imports	825	1,713	1,943	2,621	3,004	3,795
Consumption taxes	565	629	773	952	1,128	1,319
Tobacco	46	91	143	162	183	228
Beer and soft drinks	269	326	378	470	535	597
Other domestic goods	18	5	1	3	3	1
Imported products	231	208	250	317	407	492
Tax on petroleum products	759	771	824	865	1,305	1,663
Taxes on international trade	1,046	1,279	1,477	1,851	2,229	2,284
Other taxes	183	235	235	258	366	360
Stamp taxes	92	112	123	139	173	204
Poll taxes	3	4	5	6	6	6
Other taxes and duties 1/	88	120	108	114	187	150
Nontax revenue	474	672	1,070	1,428	1,085	1,241
Rents from real estate	111	0	0	110	102	83
Fees and charges	50	62	71	78	196	116
Social security contributions	112	168	203	278	306	408
Nonfinancial enterprise profits	0	6	11	28	114	86
Fishing license fees	60	58	98	91	0	51
Net privatization revenue	17	100	341	294	0	0
Custom fess	...	...	...	...	13	10
Royalties	...	...	...	...	11	43
Other nontax revenues	124	278	346	549	366	498
	(In percent of total revenue)					
Total revenue	100.0	100.0	100.0	100.0	100.0	100.0
Tax revenue	92.4	91.1	88.7	88.2	92.6	92.6
Taxes on income and profits	14.0	13.7	16.0	17.5	22.0	21.0
Taxes on goods and services	58.6	57.3	54.6	53.1	53.0	55.9
Taxes on international trade	16.9	17.0	15.6	15.4	15.1	13.6
Other taxes	2.9	3.1	2.5	2.1	2.5	2.1
Nontax revenue	7.6	8.9	11.3	11.8	7.4	7.4

Sources: Mozambican authorities; and IMF staff estimates.

1/ Includes the tax on vehicles introduced in 2003.



Table 23. Mozambique: Locally Financed Public Investment by Sector, 1999-2004

	1999	2000	2001	2002	2003	2004 Prel.
	(In billion of meticaís)					
Total locally financed expenditure	1,765	2,046	3,140	3,167	3,662	4,074
Total in priority sectors	759	1,268	1,701	1,391	2,312	2,500
Education	118	225	198	162	354	445
Primary	82	185	139	106	269	349
Secondary	36	40	59	56	85	96
Health	55	112	182	92	183	200
HIV/AIDS	0	0	57	69	50	60
Infrastructure	414	675	857	785	1,051	1,148
Roads	...	...	713	624	795	838
Water and public workds	...	...	144	161	256	309
Agriculture and rural development	46	76	81	58	183	138
Governance, security, and judicial system	93	131	236	168	379	394
Security and public order	31	46	59	54	72	100
Governance, security, and judicial system	30	44	85	64	178	135
Judicial system	33	42	91	50	129	159
Other priority sectors	33	50	91	57	112	116
Social action	8	4	28	17	22	26
Employment	3	7	7	3	18	17
Mineral resources and energy	22	39	55	37	72	73
Memorandum item:						
GDP	51,913	58,355	76,545	96,883	113,811	137,425
	(In percent of GDP)					
Total locally financed expenditure	3.4	3.5	4.1	3.3	3.2	3.0
Total in priority sectors	1.5	2.2	2.2	1.4	2.0	1.8
Education	0.2	0.4	0.3	0.2	0.3	0.3
Primary	0.2	0.3	0.2	0.1	0.2	0.3
Secondary	0.1	0.1	0.1	0.1	0.1	0.1
Health	0.1	0.2	0.2	0.1	0.2	0.1
HIV/AIDS	0.0	0.0	0.1	0.1	0.0	0.0
Infrastructure	0.8	1.2	1.1	0.8	0.9	0.8
Roads	...	...	0.9	0.6	0.7	0.6
Water and public workds	...	...	0.2	0.2	0.2	0.2
Agriculture and rural development	0.1	0.1	0.1	0.1	0.2	0.1
Governance, security, and judicial system	0.2	0.2	0.3	0.2	0.3	0.3
Security and public order	0.1	0.1	0.1	0.1	0.1	0.1
Governance, security, and judicial system	0.1	0.1	0.1	0.1	0.2	0.1
Judicial system	0.1	0.1	0.1	0.1	0.1	0.1
Other priority sectors	0.1	0.1	0.1	0.1	0.1	0.1
Social action	0.0	0.0	0.0	0.0	0.0	0.0
Employment	0.0	0.0	0.0	0.0	0.0	0.0
Mineral resources and energy	0.0	0.1	0.1	0.0	0.1	0.1

Table 23. Mozambique: Locally Financed Public Investment by Sector, 1999-2004 (concluded)

	1999	2000	2001	2002	2003	2004 Prel.
(As a percentage of total locally financed expenditure)						
Total locally financed expenditure	100.0	100.0	100.0	100.0	100.0	100.0
Total in priority sectors	43.0	62.0	54.2	43.9	63.1	61.4
Education	6.7	11.0	6.3	5.1	9.7	10.9
Primary	4.7	9.0	4.4	3.4	7.3	8.6
Secondary	2.1	2.0	1.9	1.8	2.3	2.4
Health	3.1	5.4	5.8	2.9	5.0	4.9
HIV/AIDS	0.0	0.0	1.8	2.2	1.4	1.5
Infrastructure	23.5	33.0	27.3	24.8	28.7	28.2
Roads	...	...	22.7	19.7	21.7	20.6
Water and public works	...	...	4.6	5.1	7.0	7.6
Agriculture and rural development	2.6	3.7	2.6	1.8	5.0	3.4
Governance, security, and judicial system	5.3	6.4	7.5	5.3	10.3	9.7
Security and public order	1.7	2.2	1.9	1.7	2.0	2.5
Governance, security, and judicial system	1.7	2.1	2.7	2.0	4.9	3.3
Judicial system	1.8	2.0	2.9	1.6	3.5	3.9
Other priority sectors	1.9	2.5	2.9	1.8	3.1	2.8
Social action	0.4	0.2	0.9	0.5	0.6	0.6
Employment	0.2	0.3	0.2	0.1	0.5	0.4
Mineral resources and energy	1.2	1.9	1.8	1.2	2.0	1.8

Source: Mozambican authorities.

Table 24. Mozambique: Monetary Survey, December 1999-December 2004

	1999	2000	2001	2002	2003	2004				
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	
<b>Central bank</b>										
Net foreign assets	-1,384	-99	1,764	3,935	7,104	6,685	6,757	18,887	19,184	
(in millions of U.S. dollars)	-104	-6	76	165	298	282	294	883	1,015	
Net international reserves 1/	6,242	9,015	12,384	14,902	17,606	17,583	17,185	17,895	18,141	
(in millions of U.S. dollars)	469	526	531	625	738	740	747	837	960	
Medium- and long-term foreign liabilities 2/	-7,819	-9,357	-10,964	-11,457	-11,806	-12,133	-11,280	-61	-57	
Other	193	243	344	489	1,304	1,235	852	1,053	1,100	
Net domestic assets	4,501	4,039	4,293	3,198	1,578	1,185	1,919	-9,760	-8,750	
Credit to government (net)	-5,175	-5,433	-4,581	-4,489	-5,961	-5,117	-5,006	-5,700	-8,925	
Credit to banks (net)	408	483	476	-2,222	-3,208	-5,280	-5,095	-6,318	-3,859	
Credit to the economy	74	1	1	1	1	1	1	1	1	
Other items (net; assets +)	9,194	8,989	8,397	9,909	10,746	11,582	12,019	2,258	4,033	
Reserve money	3,117	3,940	6,056	7,132	8,682	7,870	8,676	9,126	10,433	
Currency outside banks	2,174	2,425	2,970	3,486	4,259	3,758	4,233	4,518	5,225	
Bank reserves	943	1,515	3,086	3,647	4,423	4,112	4,443	4,608	5,209	
Currency in banks	391	428	610	612	752	588	624	568	978	
Deposits	552	1,087	2,476	3,034	3,671	3,525	3,819	4,040	4,231	
<b>Deposit money banks</b>										
Net foreign assets	1,997	4,169	6,004	8,133	7,308	5,621	6,559	5,366	4,900	
(in millions of U.S. dollars)	150	243	257	341	306	237	285	251	259	
Net domestic assets	7,794	10,462	13,382	15,548	20,690	21,789	22,354	23,043	24,050	
Banks' reserves	983	1,515	3,086	3,647	4,423	4,112	4,443	4,608	5,209	
Central bank liabilities w/coml. banks (net)	-313	-966	-638	2,123	3,472	5,554	5,396	6,550	4,009	
Credit to government (net)	-381	526	297	856	2,420	2,000	1,899	1,408	4,656	
Credit to the economy	8,645	11,343	13,943	14,525	14,320	14,204	14,506	14,159	13,512	
Other items (net; assets +)	-1,140	-1,957	-3,307	-5,603	-3,945	-4,082	-3,890	-3,682	-3,336	
Deposits	9,791	14,632	19,385	23,682	27,998	27,410	28,913	28,409	28,950	
Demand and savings deposits	7,293	10,775	14,034	16,199	18,901	18,160	18,934	18,347	19,255	
Time deposits	2,498	3,857	5,351	7,483	9,097	9,250	9,979	10,061	9,695	
<b>Monetary survey</b>										
Net foreign assets	614	4,070	7,768	12,068	14,412	12,306	13,316	24,253	24,084	
Net domestic assets	11,352	12,987	14,588	15,100	17,845	18,861	19,830	8,674	10,091	
Domestic credit	3,164	6,437	9,660	10,893	10,779	11,088	11,399	9,867	9,244	
Credit to government (net)	-5,556	-4,907	-4,283	-3,633	-3,541	-3,117	-3,107	-4,293	-4,269	
Credit to the economy	8,720	11,344	13,944	14,526	14,320	14,204	14,507	14,160	13,513	
Other items (net; assets +)	8,188	6,550	4,928	4,207	7,066	7,774	8,431	-1,193	847	
Money and quasi money (M3)	11,965	17,057	22,356	27,167	32,257	31,167	33,146	32,927	34,174	
Foreign currency deposits	4,151	7,107	9,897	11,546	12,845	11,959	12,501	11,758	11,522	
(in millions of U.S. dollars)	312	415	424	484	538	504	543	550	610	
M2	7,814	9,950	12,459	15,622	19,412	19,209	20,645	21,169	22,653	
Currency outside banks	2,174	2,425	2,970	3,486	4,259	3,758	4,233	4,518	5,225	
Domestic currency deposits	5,640	7,525	9,489	12,136	15,153	15,451	16,411	16,650	17,428	
<b>Memorandum items:</b>										
Broad money (M3) (12-month change in percent)	32.5	42.6	31.1	21.5	18.7	15.3	16.4	11.7	5.9	
M2 (12-month change in percent)	30.6	27.3	25.2	25.4	24.3	19.1	21.1	18.6	16.7	
M3-to-GDP ratio (percent)	23.0	29.2	29.2	28.0	28.3	22.7	24.1	24.0	24.9	
Credit to the economy (12-month change)	29.7	30.1	22.9	4.2	-1.4	3.6	1.1	-1.1	-5.6	
Credit to the economy-to-GDP ratio (percent)	16.8	19.4	18.2	15.0	12.6	10.3	10.6	10.3	9.8	
Currency outside banks-to-M3 ratio (percent)	18.2	14.2	13.3	12.8	13.2	12.1	12.8	13.7	15.3	
Foreign currency deposits-to-M3 ratio (percent)	34.7	41.7	44.3	42.5	39.8	38.4	37.7	35.7	33.7	
Reserve money growth (12 month change in percent)	15.8	26.4	53.7	17.8	21.7	19.1	24.5	25.3	20.2	
Money multiplier (M3/reserve money)	3.8	4.3	3.7	3.8	3.7	4.0	3.8	3.6	3.3	
Velocity (GDP/average M3)	4.9	4.0	3.9	3.9	4.0	4.6	4.4	4.3	4.2	

Sources: Bank of Mozambique; and IMF staff estimates.

1/The net international reserves program and actual figures for 2004 and the net international reserves actual for 2003 have been revised downward by deducting from gross reserves some deposits held by the central bank abroad which are encumbered for specific imports.

2/ In July 2004, part of the medium- and long-term foreign liabilities of the central bank (11,023.5 billions of meticals or US\$489 millions) were transferred to treasury. This account was offset by "other items" in net domestic assets.

Table 25. Mozambique: Interest Rates, 1999-2004  
(In percent a year)

	Commercial Banks 1/		Interbank Money Market 1/	Central Bank Rediscount 2/
	Deposit	Lending		
1999				
Q1	7.86	19.63	9.76	9.95
Q2	7.86	19.63	9.51	9.95
Q3	7.86	19.63	9.77	9.95
Q4	7.86	19.63	10.64	9.95
2000				
Q1	8.75	19.41	10.74	9.95
Q2	9.56	18.73	15.17	9.95
Q3	9.79	18.44	17.71	9.95
Q4	10.68	19.58	20.88	9.95
2001				
Q1	13.36	20.50	21.06	9.95
Q2	13.75	21.20	21.54	9.95
Q3	15.19	24.20	28.36	9.95
Q4	17.76	25.02	29.02	9.95
2002				
Q1	19.24	25.50	26.58	9.95
Q2	18.99	25.50	21.15	9.95
Q3	17.20	26.08	16.66	9.95
Q4	16.52	29.75	17.19	9.95
2003				
Q1	13.77	25.59	13.73	9.95
Q2	12.55	24.79	13.48	9.95
Q3	11.82	24.52	14.64	9.95
Q4	10.45	23.86	11.50	9.95
2004				
Q1	10.45	23.16	10.70	9.95
Q2	10.06	22.56	9.96	9.95
Q3	9.80	21.93	9.26	9.95
Q4	9.31	20.66	9.53	9.95

Source: Bank of Mozambique.

1/ Quarterly arithmetic average of most representative rate.

2/ End of quarter.

Table 26. Mozambique: Balance of Payments, 2000-04

	2000	2001	2002	2003	2004
					Prel.
(In millions of U.S. dollars, unless otherwise specified)					
Trade balance	-799	-360	-733	-697	-531
Exports, f.o.b.	364	704	810	1044	1504
Large projects	127	441	468	681	1049
Other exports	237	263	341	363	455
Imports, c.i.f.	-1163	-1063	-1543	-1741	-2035
Large projects	-119	-231	-402	-337	-312
Other imports	-1044	-832	-1141	-1403	-1723
Services and incomes (net)	-243	-605	-210	-257	-312
Receipts	405	311	415	358	370
Expenditures	-648	-916	-625	-614	-682
<i>Of which</i> : interest on public debt	-161	-146	-27	-26	-18
Current account, before grants	-1042	-965	-943	-953	-843
Unrequited official transfers	564	504	400	514	491
Current account, after grants	-482	-462	-543	-440	-352
Capital account	310	19	871	433	320
Trade credit (net)	...	...	-129	-94	43
Foreign borrowing	544	167	802	395	463
Public 1/	222	115	259	236	315
Private 2/	322	52	543	160	148
Amortization	-373	-403	-182	-210	-303
Public 1/	-336	-333	-61	-68	-63
Private	-38	-71	-121	-142	-240
Direct investment (net)	139	255	380	342	241
<i>Of which</i> : Moatize coal mine	...	...	...	...	123
Other investment of the government 3/	...	...	...	...	-123
Short-term capital and errors and omissions (net)	-180	99	-230	129	244
Overall balance	-351	-343	98	122	212
Financing	351	343	-98	-122	-212
<i>Of which</i> : Bank of Mozambique					
gross reserve assets (increase -)	-98	-82	-98	-122	-212
<i>Of which</i> : net change in arrears (increase: +)	0	0	0	0	0
debt relief 4/	449	425	0	0	0
Memorandum items:					
Use of Fund credit (net)	31	-16	-11	-9	-19
Current account deficit (percent of GDP)					
Before grants	26.8	26.1	23.0	19.9	13.8
After grants	12.9	12.5	13.3	9.2	5.8
After grants, excluding large projects	8.9	11.0	8.3	10.4	13.1
Net international reserves	526	531	624	738	960
Gross international reserves	745	727	825	947	1,159
In months of imports of G&NFS	6.1	5.2	5.0	5.4	5.8
In months of imports of GNFS, excl. large projects	6.7	6.8	6.9	6.8	6.9
Debt service indicators (in percent) 4/					
Debt service due/exports	9.1	6.9	6.4	6.1	4.5

Sources: Mozambican authorities; and IMF staff estimates.

1/ Including IMF.

2/ Private borrowing, not guaranteed by the government or the Bank of Mozambique.

3/ Tracks the movements in the government account set up abroad with the proceeds of the coal mine concession.

4/ Debt relief is incorporated above the line from 2002 so that debt service to official bilateral and commercial creditors reflects what is owed after relief. Debt service to multilaterals is still shown before debt relief, but with HIPC assistance grants a new entry under "unrequited official transfers."

Table 27. Mozambique: Foreign Trade Indicators, 2000-04 1/

	2000	2001	2002	2003	2004
	(Indices, 1990 = 100)				
Exports					
Value	288.0	556.4	640.8	826.0	1190.0
Prices 2/	83.8	77.7	77.0	85.4	108.1
Volume 3/	343.7	715.9	832.2	967.4	1100.4
Imports					
Value	149.1	136.3	197.8	223.1	260.9
Prices 2/	92.5	88.4	91.0	102.4	114.4
Volume 3/	161.2	154.3	217.4	218.0	228.1
Terms of trade	90.6	87.9	84.6	83.4	94.6
	(Annual percentage changes)				
Exports					
Value	28.3	93.2	15.2	28.9	44.1
Prices 2/	7.6	-7.3	-0.9	10.9	26.6
Volume 3/	19.2	108.3	16.2	16.2	13.8
Imports					
Value	-3.1	-8.6	45.1	12.8	16.9
Prices 2/	-0.7	-4.5	3.0	12.5	11.7
Volume 3/	-2.4	-4.3	40.9	0.3	4.6
Terms of trade	8.3	-2.9	-3.8	-1.4	13.4

Source: IMF staff estimates, based on data from the Bank of Mozambique, Instituto Nacional de Estadística (INE), and IMF.

1/ Values and prices in U.S. dollar terms. From 2002 onward, trade data have been corrected by the authorities to improve coverage and eliminate past data-processing problems.

2/ Average of the export unit value for manufacturers, the petroleum price, and the nonfuel commodity price, weighted by the 2000-02 composition of trade, as reported in the IMF's *World Economic Outlook*.

3/ Implicit volume derived from value and prices.

Table 28. Mozambique: Commodity Composition of Exports, 2000-04 1/  
(Value in millions of U.S. dollars)

	2000	2001	2002	2003	2004
Total exports, f.o.b.	364.0	703.6	809.8	1043.9	1503.9
Aluminum	60.2	383.2	361.1	567.6	915.0
Prawns	91.5	92.4	114.2	75.8	91.8
Electricity	67.0	57.3	107.4	113.3	102.3
Natural Gas	...	...	...	...	31.3
Cotton	25.5	18.3	15.9	32.4	35.8
Timber	14.2	12.6	18.0	20.4	30.0
Processed cashew nuts	8.4	10.9	1.1	1.5	8.0
Unprocessed cashew nuts	11.9	10.9	16.2	7.4	21.2
Sugar	4.3	8.0	18.1	18.8	38.2
Tobacco	...	...	...	21.5	40.9
Other	81.0	110.0	157.8	185.1	189.4

Sources: Mozambican authorities.

1/ From 2002 onward, trade data have been corrected by the authorities to improve coverage and eliminate past data-processing problems.

Table 29. Mozambique: Exports by Country of Destination, 2000-04 1/  
(In percent of total exports, unless otherwise indicated)

	2000	2001	2002	2003	2004
OECD countries 2/	39.9	14.9	61.9	65.3	69.7
Belgium	0.3	0.1	35.7	43.5	0.6
Japan	4.3	4.2	1.8	0.9	0.9
Netherlands	1.0	1.0	2.6	2.8	60.9
Portugal	11.6	4.0	4.9	3.7	2.8
Spain	10.7	3.8	9.4	6.7	2.5
United Kingdom	0.9	0.0	2.5	2.9	0.2
United States	4.7	0.9	1.0	1.5	0.6
Other	6.4	0.8	4.0	3.3	1.2
Other countries	60.1	85.1	38.1	34.7	30.3
Malawi	3.0	1.7	5.0	3.1	3.3
South Africa	14.6	15.3	15.4	16.2	12.9
Zimbabwe	17.7	5.3	6.8	2.8	2.3
Other 2/	24.8	62.8	10.9	12.6	11.8
Total	100.0	100.0	100.0	100.0	100.0
Memorandum item:					
Total exports (millions of U.S. dollars)	364.0	703.6	809.8	1043.9	1503.9

Source: Mozambican authorities.

1/ From 2002 onward, trade data have been corrected by the authorities to improve coverage and eliminate past data processing problems.

2/ The final destination of exports by Mozambique Aluminum (Mozal) to Organization of Economic Cooperation and Development (OECD) countries is not available. The exports were allocated to Belgium (2002-03), the Netherlands (2004), and "Other" (2001) in official statistics.



Table 30. Mozambique: Imports by Country of Origin, 2000-04 1/  
(In percent of total imports, unless otherwise indicated)

	2000	2001	2002	2003	2004
OECD countries 2/	32.6	28.6	34.4	34.4	28.0
Australia	4.0	6.7	7.8	12.1	0.1
France	2.2	1.1	2.0	2.0	1.7
Japan	4.6	0.6	5.8	1.7	0.8
Netherlands 3/	0.5	0.9	0.5	0.5	11.0
Portugal	7.6	8.4	6.0	3.6	3.3
United Kingdom	1.6	1.1	1.2	1.1	0.8
United States	3.5	1.8	5.1	6.0	2.4
Other	8.6	7.9	6.0	7.4	7.9
Other countries	67.4	71.4	65.6	65.6	72.0
Malawi	0.1	0.3	0.4	1.1	1.2
South Africa	50.0	40.5	32.3	37.6	41.4
Zimbabwe	0.6	0.8	1.1	0.6	0.5
Other	16.7	29.8	31.8	26.3	28.9
Total	100.0	100.0	100.0	100.0	100.0
Memorandum item:					
Total imports (millions of U.S. dollars)	1,163.0	1,063.4	1,543.0	1,740.5	2,034.7

Source: Mozambican authorities.

1/ From 2002 onward, trade data have been corrected by the authorities to improve coverage and eliminate past data-processing problems.

2/ Organization for Economic Cooperation and Development (OECD).

3/ The exact origin of intracompany imports by Mozal in 2004 is not known in official statistics. These imports are considered as originating from the Netherlands.

Table 31. Mozambique: Exchange Rates, 1999-2005Q1

		Effective Exchange Rates (Index, 1990=100)		Official (Meticais per U.S. dollar) 1/		Market (Meticais per U.S. dollar) 1/		Cash/Parallel Market (Meticais per U.S. dollar) 1/
		Real	Nominal	End of period	Period average	End of period	Period average	Maputo average
1999		71.3	13.0	13,218	12,673	13,300	12,689	12,844
2000		68.4	11.6	16,985	15,141	17,140	15,689	15,996
2001		62.0	8.9	22,885	20,456	23,320	20,707	21,139
2002		58.0	8.0	23,180	23,180	23,854	23,667	24,281
2003		56.4	7.1	23,341	23,341	23,857	23,782	24,226
2004		70.4	8.4	22,123	23,356	18,899	22,581	23,166
Quarterly								
1999	Q1	74.5	13.7	12,437	12,413	12,438	12,388	12,533
	Q2	75.8	13.9	12,565	12,525	12,546	12,499	12,747
	Q3	73.2	13.4	12,796	12,710	12,933	12,764	12,823
	Q4	72.1	13.3	13,170	13,045	13,300	13,106	13,274
2000	Q1	73.2	12.9	14,513	13,765	15,497	14,121	14,391
	Q2	72.2	12.0	15,273	15,032	16,070	15,926	16,256
	Q3	73.1	12.0	15,592	15,426	16,139	16,130	16,446
	Q4	72.6	12.0	16,985	16,341	17,140	16,581	16,890
2001	Q1	63.1	10.9	18,575	17,783	18,667	17,895	18,356
	Q2	61.2	10.3	21,560	19,911	21,933	20,162	20,675
	Q3	59.6	9.3	21,840	21,627	22,182	21,894	22,247
	Q4	63.1	9.0	22,885	22,500	23,320	22,877	23,278
2002	Q1	61.0	8.8	23,095	22,979	23,623	23,413	24,231
	Q2	58.2	8.3	23,224	23,141	23,530	23,631	24,216
	Q3	58.5	8.2	23,343	23,258	23,877	23,800	24,407
	Q4	58.0	8.0	23,343	23,343	23,854	23,818	24,270
2003	Q1	59.2	7.9	23,352	23,345	23,853	23,809	24,413
	Q2	57.9	7.5	23,345	23,349	23,710	23,801	24,188
	Q3	59.4	7.6	23,323	23,330	23,744	23,716	24,371
	Q4	56.4	7.1	23,353	23,340	23,857	23,804	23,933
2004	Q1	59.5	7.2	23,380	23,366	23,746	23,791	24,433
	Q2	62.0	7.4	22,852	23,163	23,002	23,671	24,029
	Q3	65.3	7.8	20,975	22,090	21,389	22,655	23,255
	Q4	66.4	7.9	18,604	19,874	18,899	20,209	20,836
2005	Q1	...	...	19,021	18,919	18,958	18,904	20,100

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

1/ Midpoint official exchange rates; buying and selling rates plus/minus 1 percent.