

## *Mozambique: Using Effective Development Co-operation to Drive Stable and Sustainable Growth*



Over the past twenty years, Mozambique has made a successful transition from a war-devastated country to a democratic society with a market-driven economy. Recent economic growth has been significant, averaging about 7% per year for the past decade. While the poverty rate has lowered considerably from 80% at the end of the war in 1992, it nevertheless remains high at 54.7%,<sup>1</sup> and the government financed about 50% of its budget with external sources of revenue until as recently as 2009.

In recent years, Foreign Direct Investment (FDI), which has expanded into the oil, coal, mining and natural gas sectors, has played an increasing role in the public finance arena. This private sector investment has funded huge infrastructure projects, such as a new railway (a USD 4.4 billion investment), ports, roads and power plants. FDI flows into Mozambique in parallel to private sector growth have broadened the revenue base, making more domestic resources available to the government for development and other purposes.

While aiming to increase available funds, the country has also recognised the need to optimise resources, in large part through implementation of the effective development co-operation principles. Through its General Budget Support programme, Mozambique has implemented the Paris Declaration principles and Busan commitments to enhance development effectiveness. With effective co-operation among all stakeholders, sustainable development is facilitated in an inclusive manner.



In addition, the Government of Mozambique is addressing various development issues through its five-year plan (2015-2019), which takes into account the need to integrate development co-operation and other sources of financing into the broader financing for development agenda,

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<sup>1</sup> Population living below the poverty line of 0.6 USD per day as of 2009.

while reshaping the development co-operation architecture and maintaining mutual accountability mechanisms. The five-year plan focuses on diversifying the economy and creating an inclusive development landscape for all development providers to encourage sustainable growth and prevent an over-reliance on FDI.

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