

Mozambique - a place with thousand possibilities

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“ Mozambique is currently one of the most impoverished countries. Although Mozambique is ample with natural resources, as it is considered as the largest coal exporter in future as well as the world’s 4th in natural gas reserve, it is yet to be developed: In 2018, 88% arable land remains uncultivated. Nonetheless, from the graph, we can see that agriculture consists of approximately a quarter of the total GDP. Despite the small contribution, inefficient agriculture takes up most labour of the country, especially women as 85% of female employment comes from agriculture. More than that, the unemployment rate, which is 25%, remains high in 2017. It is almost five times higher than the average rate worldwide!

We can see that the economic outlook is unsatisfactory, so why did that happen?

Mozambique’s economy is hindered by a few factors:

First, Mozambique is high in debt although IMF reduced substantial foreign debt with the scheme Heavily Indebted Poor Countries (HIPC).

Second, the country is independent in 1975, but the subsequent civil war between Mozambique Liberation Front and rebels serious hit the economy.

Third, a devastating flood in 2000 caused a negative growth in GDP with high inflation rate.

Moreover, corruption is prevalent, with low Corruption Perception Index. For example, the issue of undisclosed government loans of over 2 billion in 2012-2014 by state-owned defense and security companies caused foreign donors and IMF to halt their financial support.

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How to save the economy?

Regarding the economy, in the short run, we can increase cultivation of arable land by modifying rural land tax: The current Land Law fees make landholders unable to transfer land to another party, giving little incentive for them to maximize land productivity. (From Climate Policy Initiative) The government can set up a cost for holding the land idle, therefore giving more motivation for landholders to develop the land.

Also, we can develop natural gas reserves: Currently, liquefied natural gas plants are being built by foreign companies like ExxonMobil and Anadarko offshore, which can generate over 100 billion USD by 2040 and used for exports, supporting machinery in agriculture, etc. in the long run, we can raise agriculture productivity with advanced technology, like using drought resistant seeds, expanding irrigation system, and developing infrastructure, like roads to facilitate trade. We hope to diversify the economy, like insurance, and banking to support trade, such as rural credit and crop insurance against extreme weather to support farmers as well as trading activities. More than that, we hope to encourage investments through restoring confidence and macroeconomic stability.

A report in IMF suggested that we increase accountability and transparency by clarifying on the previously undisclosed loans to clear public doubts. Also, the reform of tax system can help raise government revenue, like improving value-added tax (VAT) redemption efficiency, which was lower than average in 2014 (World Bank). VAT becomes a tax on production instead, distorting its initial mode of charging for final consumption and increasing production

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costs. Delays in the VAT refund process provide chances for corruption as companies are motivated to bribe tax officials to accelerate the process. Also, it adversely affects exports and drives people from investing. Moreover, to support farmers, public-private partnerships can be set up to gather farmers or construction workers with supply chains and revenue-sharing arrangements, which can provide incentives for them to invest in large projects as well as lower their private sector uncertainty to mitigate risks.” – the economy minister of Mozambique.