

MOZAMBIQUE

Economic Freedom Score



World Rank: **108**

Regional Rank: **15**

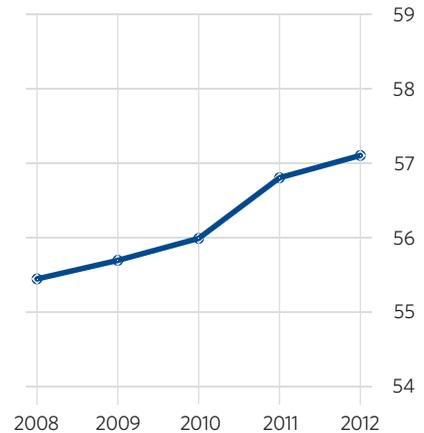
Mozambique's economic freedom score is 57.1, making its economy the 108th freest in the 2012 *Index*. Its score is 0.3 point better than last year, with improvements in investment freedom and freedom from corruption largely offset by deteriorating scores in monetary freedom and government spending. Mozambique is ranked 15th out of 46 countries in the Sub-Saharan Africa region, and its overall score is below the world average but above the regional average.

Although progress has been gradual, Mozambique has been implementing much-needed reforms in its regulatory and investment frameworks. Private-sector economic activity has increased, but privatization of state-owned enterprises has slowed. Foreign and domestic capital are treated similarly in most cases, and trade liberalization has progressed despite the persistence of non-tariff barriers.

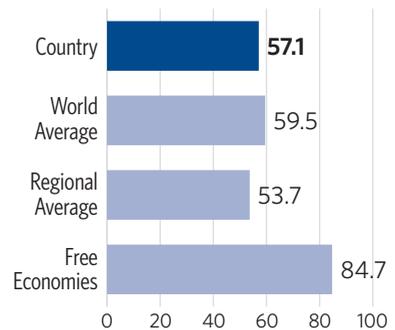
Critical institutional shortcomings in economic freedom continue to hold back Mozambique's long-term economic development. The legal framework is ineffective and antiquated, and judicial proceedings remain vulnerable to corruption and political interference. Property rights enjoy little protection.

BACKGROUND: Mozambique held its first democratic elections in 1994 and since then has been a model for development and post-war recovery. President Armando Guebuza was re-elected in 2009. Economic growth has been generally strong since the mid-1990s, but the country remains poor and burdened by state-sanctioned monopolies and inefficient public services. Small-scale agriculture, fishing, and forestry employ roughly 80 percent of the population. The informal sector accounts for most employment. Major exports include aluminum, shrimp, and cash crops. HIV/AIDS is a serious problem. Mozambique has granted the Indian navy access to the Mozambique Channel to fight Somali pirates.

Freedom Trend



Country Comparisons



Quick Facts

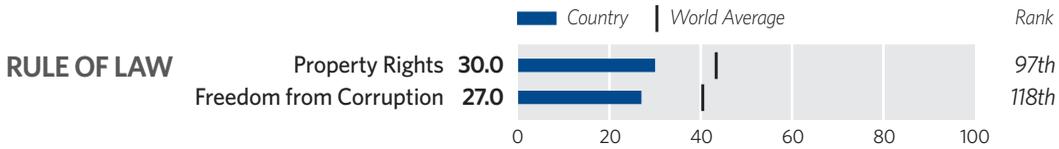
Population: 21.6 million
GDP (PPP): \$21.8 billion
 7.0% growth in 2010
 5-year compound annual growth 7.2%
 \$1,010 per capita
Unemployment: n/a
Inflation (CPI): 12.7%
FDI Inflow: \$788.9 million
Public Debt: 37.8% of GDP

How Do We Measure Economic Freedom?

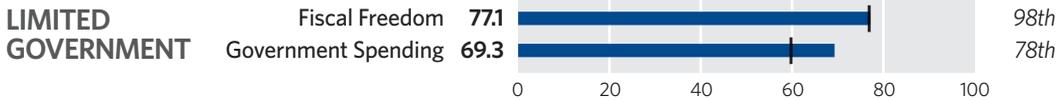
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
 Data compiled as of September 2011.

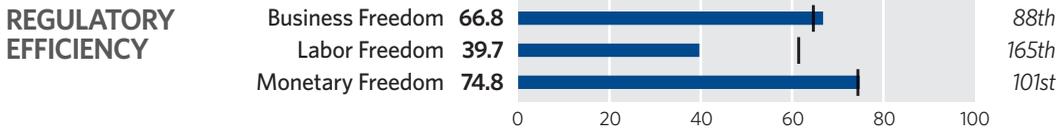
THE TEN ECONOMIC FREEDOMS



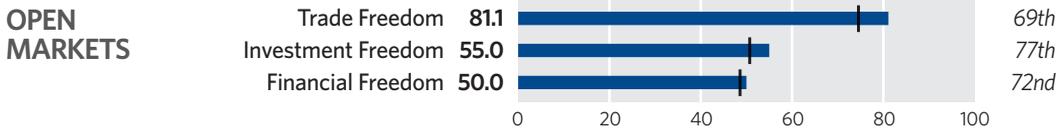
Property rights are not strongly respected, and law enforcement is inefficient and uneven. The judicial system is not fully independent and remains vulnerable to political influence and corruption. In the absence of an efficient legal framework, court rulings can be arbitrary and inconsistent. Protection of intellectual property rights is not up to world standards, and the market for pirated goods has been expanding.



The top income and corporate tax rates are 32 percent. Other taxes include a value-added tax (VAT) and an inheritance tax, and the overall tax burden amounts to 15.4 percent of total domestic income. Government spending has increased to a level equivalent to 32 percent of total domestic output. The budget balance has shown a deficit, and public debt has been hovering at a level near 40 percent of GDP.



The regulatory framework has undergone a series of reforms. Launching a business takes less than the world averages of seven procedures and 30 days. The cost of completing licensing requirements has been significantly reduced. A recently passed labor law was intended to make the labor market more flexible but also increased overtime restrictions. Inflationary pressures have been rising, undermining monetary stability.



The trade weighted average tariff rate is 4.5 percent, with complex non-tariff barriers further restricting freedom to trade. Despite some progress in enhancing the investment framework, layers of bureaucratic procedures continue to hamper more vibrant growth in new investment. The financial sector is growing but remains hindered by weak infrastructure and state controls. Most citizens still lack adequate access to financial services.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	-0.4	Business Freedom	+3.7	Trade Freedom	+0.1
Freedom from Corruption	+2.0	Government Spending	-7.2	Labor Freedom	+0.5	Investment Freedom	+10.0
				Monetary Freedom	-5.5	Financial Freedom	0