

Mozambique: Donors on strike

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Budget support donors are on strike. No budget support money has been released to government since mid-December. Donors are demanding promises from government for action this year on electoral reform, corruption and conflict of interest, and on the growing role of the Frelimo party inside the state apparatus.

So far, both sides are taking hard lines, but further negotiations are expected this week. Neither side is totally unified, but the 19 donors in the budget support group are facing a particularly wide range of conflicts and pressures, both in Maputo and at home.

The G19 budget support group is being extremely secretive, refusing even off-the-record briefings, claiming they do not want to be seen to be putting pressure on government. In practice donors seem to be searching for a minimum promise from government which will provide a face-saving solution, and allow the G19 to stay together.

But the government has become increasingly public on this issue. Finance Minister Manuel Chang on Friday told journalists that if the strike continues it may be necessary to revise the state budget, and his statement was published on the front page of Noticias on Friday 6 March.

The government response to the donors, from Development and Planning Minister Aiuba Cuerenia (who is the main government negotiator with the donors), has been widely circulated, and is posted on my website: <http://www.tinyurl.com/mozamb>

Donors have pledged \$472 million for budget support for 2010, about \$40 million per month. Before the strike started, the World Bank and the European Union, the largest and third budget support donors, released big tranches of money early. So the lack of budget support is only starting to bite now.

Government ministries are already reported to be making small initial spending cuts, in areas like transport and lunches.

Donor position

The G19 over several years has become increasingly frustrated at the government's unwillingness to make concessions on issues around justice, corruption, and conflict of interest. Donors accuse government of agreeing in general to what the donors demand, but then dragging their feet, for example always being very late in providing promised information.

Last year, two issues brought this simmering discontent to the boil. The exclusion of the MDM from standing for parliament in most provinces, by a National Elections Commission (CNE) seen as biased in favour of Frelimo, led to accusations of a lack of a level playing field. The election also brought to the fore the growing role of Frelimo in the state apparatus, including preference given for jobs and grants to Frelimo members. During the campaign, state employees were pressured to attend Frelimo rallies and support the Frelimo campaign, and state cars and other state facilities were used by the party.

The G19 took a very strong position against the exclusion of the MDM, issuing a statement on 17 September (<http://www.pap.org.mz>) and then successfully demanding urgent meetings with President Armando Guebuza and CNE President João Leopoldo da Costa. Donors believe they delivered a strong message to Guebuza making clear that budget support now depends on electoral and governance reform.

Donors also accuse the government of arrogance, both the way that Dr João Leopoldo responded to criticism, and then Planning Minister Cuereneia's letter to donors which made no concessions.

Government position

Government, in turn, sees donors as arrogant, for example the way they demanded immediate meetings in September, having paid no attention to the process of passing electoral laws in 2007 and early 2009. Indeed, in 2007 donors told me that elections were not part of the G19 remit because they were not in the memorandum of understanding with the government. And donors did not replace staff linked to elections when they finished their terms in Maputo. So government is annoyed that having not played a constructive role earlier, donors suddenly made angry public statements just before the election.

Furthermore, the timing of the donor strike seems strange. It started in December, after the elections, but without waiting for the new government to take office. These issues could have been delayed until early this year when there is the normal round of negotiations with the budget support donors.

This occurs in a context in which Mozambique's donors are widely seen as more arrogant and more powerful than donors in most other developing countries, even those with budget support. In exchange, Mozambique receives more money per capita than neighbouring countries, but since 2005 President Guebuza has been trying to reduce the overweening power of the donors. Government recognition that in a decade mineral revenues are likely to replace budget support also strengthens the government's will to try to take some power back from donors.

Two donor letters and meetings between donors and Cuereneia in December may have seemed to government like a pre-emptive strike by donors to show the new government who was boss. Not surprisingly, the government responded in kind.

On 5 February 2010, Planning and Development Minister Aiuba Cuereneia sent the G19 an 18 page letter (<http://www.tinyurl.com/mozamb>) in which he stressed what government was already doing in the areas of electoral reform and governance. It emphasized that as part of open governance President Guebuza had met the G19 and many other social and political forces and the media. He underlined Mozambique's participation in the African Peer Review Mechanism as well as the decentralization now taking place. The election law will be dealt with by parliament, he said, which will take into account all the comments that have been made. Government has successfully been promoting rapid economic growth and poverty reduction, Cuereneia stressed, and has been satisfying the donors in these areas. Under a heading "conflict of interest" he cited only new laws on minerals and public-private-partnerships. Existing laws are largely adequate to govern public enterprises, but a new law is being drafted. Reforms are in process for public procurement. A crackdown on corruption is already under way, and new laws will be proposed this year.

Donor confusion

Most donors reject the Cuereneia letter for not promising further quick action. In particular, they want the government, not parliament or civil society, to take the lead and draft a new electoral law and present it to parliament in September.

But the G19 faces an unprecedented set of pressures. First are a range of divisions within. Italy and Portugal, both very small budget support donors (\$5 mn and \$2 mn), have openly backed the government, while the World Bank does not want to be involved in this sort of political debate.

On the other hand, some of the big budget support donors, who include some of the oldest and most loyal backers of Mozambique, are taking the strongest line on the lack of a level playing field in elections and are most fed up with government foot dragging on governance reform.

At the same time, the European Union in Brussels is saying that the 2000 Cotonou agreement between the EU and developing countries means that political discussions between EU members and recipient governments must go through the EU system and not any other forum. In Maputo, this is interpreted to mean that any debate on election reform and governance should go through the EU and not the G19 – which if accepted would make the donor strike invalid because the G19 could not negotiate with government on this.

Several big budget support donors face elections or have had recent changes of government, and some countries are facing budget pressure due to the economic crisis, which adds a high degree of uncertainty. Donor officials in Maputo are afraid that if one big donor publicly withdraws from budget support, it would create a flood – media questions in other capitals, particularly those facing elections or budget cuts, could lead other development ministers to cut budget support without even consulting their Maputo office.

Finally, large aid flows have been justified by claims of huge falls in poverty. Recent data suggests that any recent declines in poverty have been small. Will aid ministers ask: Where did the money go?

Donor officials in Maputo have a strong vested interest in keeping the money flowing, and Mozambique clearly needs the cash. So there is a mutual interest in finding some kind of face-saving agreement with vague promises of action. Donor representatives in Maputo seem to be increasingly out on a limb. Having taken a possibly unwise stand, they face the stony face of Mozambique and uncertain responses from their capitals. Will a deal be reached before one of the big donors formally ends budget support?

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