

# MOZAMBIQUE 157

## News reports & clippings

8 March 2010

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Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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## Donors on strike

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-saying 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?

Joseph Hanlon

## **MOZAMBIQUE 159**

### **News reports & clippings**

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## **Donor strike ends**

Budget support donors have ended their strike. Members of the G19 budget support group have instructed their capitals to release funds, blocked since mid-December. Money should start flowing next month.

Planning and Development Minister Aiuba Cuereneia, the government's chief negotiator with the G19, confirmed this morning (Thursday 18 March) that agreement had been reached. He said a document on the consensus reached at recent negotiations would be signed next week.

The two top issues were the "blurred distinction between party and state" and electoral reform. On the first, government appears to have successfully refused to meet donor demands for a ban on Frelimo party cells in state institutions. On the second, government has probably agreed to donor demands for a rushed, government-led revision of electoral laws, bypassing and ignoring at least two civil society initiatives to draft a new electoral code from scratch.

Donors have demanded that parliament's rules be revised to allow the MDM (Mozambique Democratic Movement) to have a formal party bench (bancada) in parliament (AR). Present rules require 11 deputies (MPs) to form a bench, and MDM has only 8. When this was not done in the first parliament sessions, it was pushed higher up the list of demands – as a "confidence building measure". Frelimo has a large majority in parliament, and MDM will surely be given its bancada.

Corruption and conflict of interest are the other key areas for the donors. Here donors seem prepared to accept government moving faster, and with more noise, on commitments already made. In his letter of 5 February, Cuereneia stressed that the government already planned a number of law revisions.

The G19 are the 19 budget support donors. Some of Frelimo's oldest friends took the hardest line in pushing for the strike in December. But five members of the group have not supported it. Two large donors, the World Bank and European Union, released large amounts of money in December just before the start of the strike. And three of the smallest donors – Portugal, Italy and Spain – publicly committed themselves to continuing budget support.

The strike only withheld budget support – money going directly to the state budget. All other aid, to projects and ministries, continued normally.

Three articles on the end of strike are attached.

More details of the donor demands and government response are posted on my website.

<http://www.tinyurl.com/mozamb>

**Maputo, Quinta-Feira, 18 de Março de 2010:: Notícias**

## **Assunto com G-19 está bem fechado - Ministro da Planificação e Desenvolvimento, a-propósito do alegado congelamento dos fundos para o Orçamento do Estado**

"O ASSUNTO entre o Governo moçambicano e o G-19 (grupo dos 19 parceiros de apoio programático ao Orçamento do Estado) está fechado", assegurou ontem em Maputo, o Ministro da Planificação e Desenvolvimento, Aiuba Cuereneia. O governante fez esta declaração na sequência daquilo que vem constituindo motivo de debate e preocupação em alguns círculos de opinião, incluindo a informação, segundo a qual o G-19 estaria a congelar os desembolsos de fundos para o Orçamento do Estado de 2010, impondo condições, às quais supostamente o Executivo não estaria a responder cabalmente.

"Posso assegurar que esse assunto está bem fechado", disse Aiuba Cuereneia, sem contudo avançar detalhes, prometendo uma conferência de Imprensa, próxima semana, para pormenores. O Ministro da Planificação e Desenvolvimento proferiu estas palavras intervindo no decurso de uma conferência subordinada ao tema "Orçamento para 2010: um factor de combate à pobreza", evento organizado pelo grupo SOICO.

Entretanto, o Governo, representado pelo Ministro da Planificação e Desenvolvimento, assina hoje, em Maputo, um memorando de entendimento com os parceiros de cooperação, com vista à

implementação do Programa Nacional de Planificação e Finanças Descentralizadas em todo o país.

Apesar das insistentes informações sobre um alegado desentendimento entre as partes, o Governo tem vindo a evitar fazer comentários exaustivos sobre a matéria, referindo apenas que não se trata de atraso no desembolso dos fundos, mas sim de uma questão de cronograma estabelecido.

O Ministro das Finanças, Manuel Chang, disse semana passada que o calendário acordado entre o Governo e os parceiros rege que os desembolsos comecem a efectivar-se a partir do próximo mês. Ademais, referiu que não havia motivos de alarme, dado que caso haja défices periódicos de tesouraria a legislação em vigor permite que o Governo recorra à emissão de Bilhetes de Tesouro, desde que haja garantias de reembolso durante o mesmo exercício financeiro.

Embora não tenha chegado a ser confirmado, quer pelo Governo, quer pelo G-19, informação posta a circular indicava que entre as alegadas imposições feitas pelos doadores figuram a **necessidade da revisão pontual da Lei Eleitoral**, melhoria dos itens de boa governação, bem como a luta contra a corrupção.

Os Parceiros de Apoio Programático (PAP) são um grupo constituído por 19 membros e incluem a Alemanha, Áustria, Bélgica, Canadá, Países Baixos (Holanda), Comissão Europeia, Finlândia, França, Irlanda, Itália, Noruega, Portugal, Suécia, Suíça (Confederação Helvética), Reino Unido, Banco Africano de Desenvolvimento e Banco Mundial.

## MOZAMBIQUE 160

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## Donor strike settlement

Government and budget support donors (G19, PAPs, Programme Aid Partners) announced at a press conference Wednesday 24 March that they have signed a joint memorandum of understanding, which ends the donor strike. Finnish ambassador and G19 chair Kari Alanko said that money would start to flow before the end of the month.

Donors pledged \$472 million for budget support for 2010, more than 25% of government current expenditure. But in December, angered by what they saw as unnecessary unfairness in the election and a long term refusal to deal with governance issues, many of the key budget support donors went on strike and refused to release budget support money (although other aid flows continued normally). Negotiations began seriously in February and ended this week.

A carefully crafted joint statement admits “that good governance, fight against corruption and democratic processes are areas of priority for the Government and the partners and that these issues have been on the agenda of various dialogues between the Government and the PAPs, and were also, for example, among the issues for special attention raised during the Annual Review in 2009. Through constructive dialogue the Government and the Partners came to a consensus in relation to the activities that will be implemented in these areas”.

Thus government accepted that these were ongoing and not new issues, and that concessions were made. But in his statement, Planning and Cooperation Minister Aiuba Cuereneia, the government’s negotiator, made clear that government had refused to concede on the donors’ two key demands – banning Frelimo party cells in government, and publishing asset declarations of high officials. On two demands relating to parliament, there seems to have been little resistance by

government – giving the MDM a right to a party bench (bancada), and rushing new electoral legislation through parliament. The latter means that civil society calls for extensive discussion on a totally new electoral code will be rejected, because that could not be done before the donor deadline of having at least draft electoral legislation ready within six months.

On issues of corruption and conflict of interest, donors appear to have accepted a speed-up of new legislation and organisation which the government says it was already planning. On the party-state issue, Cuereneia has reshaped this as an issue of improving “professionalism” in the public sector.

Various documents, including Wednesday’s statements, are posted on my website:  
<http://www.tinyurl.com/mozamb>

Meanwhile the G19 has posted on its website details, including a calendar, of the annual joint review of budget support, which concludes on 19 May:  
[http://www.pap.org.mz/annual\\_review\\_2010.html](http://www.pap.org.mz/annual_review_2010.html)